SERN KOU RESOURCES BERHAD
[Registration No. 200001016496 (519103-X)]

Annual Report 2023

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Management Discussion & Analysis

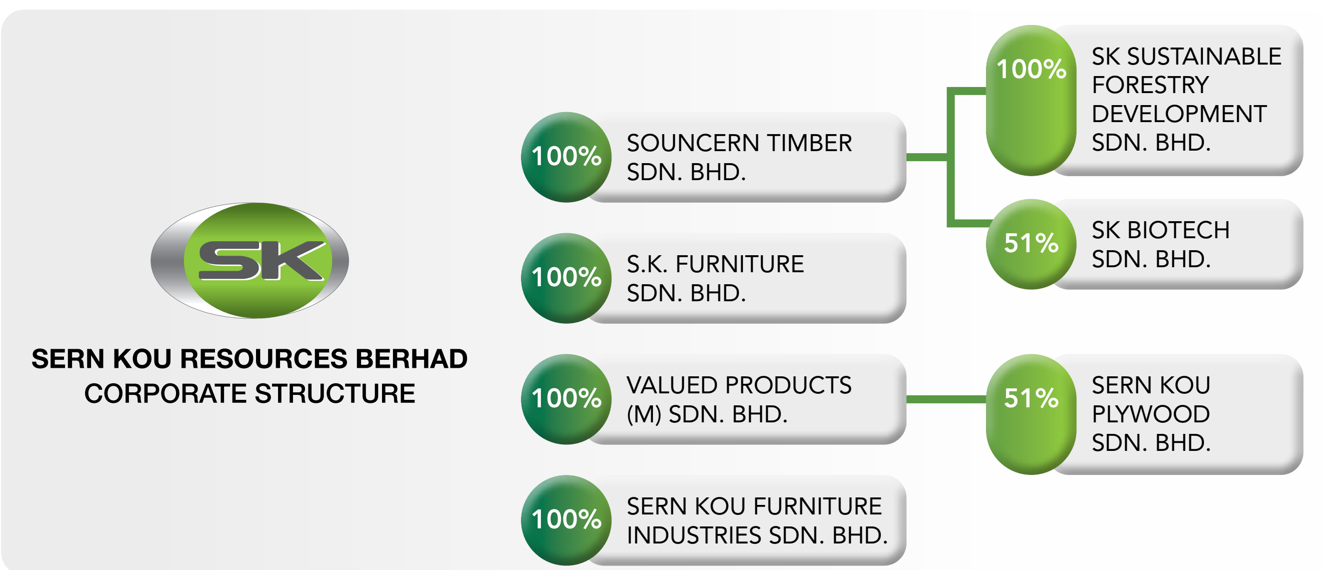
Dear Valued Shareholders,

On behalf of the Board of Directors (the "Board"), we are delighted to share with you the Annual Report of Sern Kou Resources Berhad ("Sern Kou" or the "Group") for the financial year ended 30 June 2023 ("FY2023").

With a heritage dating back to 1993 as a furniture manufacturer, the Group's journey has been one of continuous growth along the value chain. Today, Sern Kou stands as a well-established resources group, boasting nearly three decades of experience and a solid track record.

In 2004, Sern Kou achieved the milestone of being listed on the Second Board of Malaysia Securities Exchange Berhad, which is now known as Bursa Malaysia Securities Berhad ("Bursa Securities"). The following year saw the company's listing transferred to the Main Board, now referred to as the Main Market of Bursa Securities.

In recent years, with a keen focus on environmental sustainability and a commitment to advancing as a natural resources group, Sern Kou has increasingly channelled its efforts towards sustainable forestry practices.



Management Discussion & Analysis

BUSINESS OVERVIEW

At the start of FY2023, there were promising signs of economic recovery on a global scale. However, this initial optimism was short-lived as the lingering effects of the pandemic persisted and geopolitical disturbances such as the Russia-Ukraine conflict and ongoing trade tensions between the US and China created additional uncertainties.

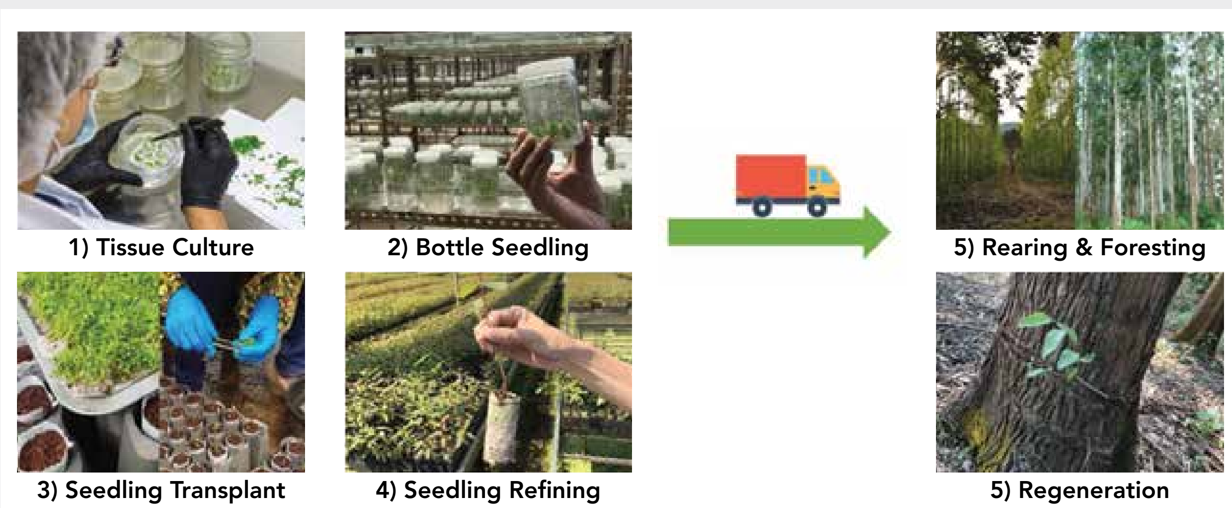
Adding to the complexities, many economies experienced a surge in inflation, reaching levels not seen in years. In response, central banks worldwide swiftly implemented tighter monetary policies by rising interest rates to mitigate inflationary pressures. In turn, these actions sparked concerns of an impending recession and caused significant escalation in market uncertainties.

The weaker market sentiments along with disruptions in supply chains, shortages of labour and fluctuations in commodity prices impacted businesses globally, including Sern Kou. Against such backdrop, our manufacturing and trading of furniture division experienced softer demand.

Adding to the already difficult situation, an unfortunate fire incident occurred in December 2022 at one of our furniture manufacturing plants in Muar, Johor. This incident resulted in damage to two of our spraying lines and inventories. Thankfully, we are relieved to report that there were no casualty and all our employees were safe. Moreover, we had adequate insurance coverage in place to cover the damages.

In response, the Group promptly activated our Business Recovery Plan ("BRP") to minimise production disruptions and expedited the process of rebuilding our inventory. We implemented measures that included extending production hours at another manufacturing plant and collaborating with sub-contractors to compensate for the loss in capacity. Simultaneously, we have taken prompt steps to restore the impacted facilities. The Group had placed orders for new and enhanced machinery and equipment while we wait for the approval from the local council for the reconstruction of the factory. This will be funded by the proceeds from the insurance compensation.

From Seedling Factory to Forest



Management Discussion & Analysis

As for our sustainability through our dedicated biotech laboratory and nursery production efforts, we have achieved commendable results having commenced operations since 2021. This is led by agriculturist with Master's in Agriculture from University of Shizuoka, Japan, who has in-depth experience and technical knowhow in research and tissue culture.

Despite the taxing environment, Sern Kou managed to deliver yet another all-time high revenue of RM380.6 million for the financial year under review. This is a rise of 12.5% year-on-year ("YoY") from RM338.3 million in FY2022. It is noteworthy to mention that this is the sixth consecutive year the Group registered record-breaking revenue.

However, our bottom-line was impacted by the rising input cost across all segments. The Group posted a profit after tax and non-controlling interest ("PATNCI" or "net profit") of RM1.3 million for FY2023.

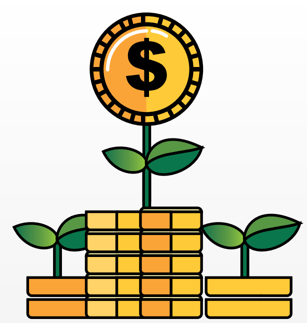
KEY BUSINESS SEGMENTS

Manufacturing and Trading of Furniture

Our furniture manufacturing division specialises in wooden furniture, particularly rubberwood-based dining sets. In addition, our manufacturing division facilities, which span across 8.63 acres of land, also produce a wide range of living room furniture, bedroom sets and occasional sets.

SIXTH COSECUTIVE RECORD-BREAKING REVENUE

FY2023
Revenue
RM380.6
million



FY2023
PATNCI
RM1.3
million

Management Discussion & Analysis

Sern Kou operates as both an Original Design Manufacturer ("ODM") and an Original Equipment Manufacturer ("OEM"). The ODM segment plays a pivotal role in generating significant revenue for this division. Notably, our reach extends far and wide as we currently export our products to 19 countries worldwide.

Processing and Trading of Wood

Sawmill Operations

The Group's sawmill operations remain our primary revenue contributor. We have two sawmills in Kelantan – Kuala Krai and Gua Musang. Within these facilities, we categorise logs based on their dimensions and tree species before precision-cutting them into predefined lumber sizes, all of which are then sold to our customers.

Plywood Manufacturing

Our plywood manufacturing operations are situated within the same facility as our Gua Musang sawmill. We specialise in crafting waterproof plywood from tropical hardwood and rubberwood. In line with our commitment to sustainability and responsible corporate practices, we prioritise the use of recycled wood materials in our plywood production process. The resulting plywood products are primarily distributed to customers in the local construction industry, reinforcing our dedication to reducing waste and environmental responsibility.

Processing and Trading of Rubberwood and Timber

We process rubberwood and timber logs that are subsequently supplied to our trading arm. Aside from processed logs, we also trade raw, unprocessed logs. Moving forward, the Group will continue to shift more resources and efforts to focus on our sustainable forestry venture.

Management Discussion & Analysis

FINANCIAL PERFORMANCE REVIEW

Five-Year Group Financial Summary

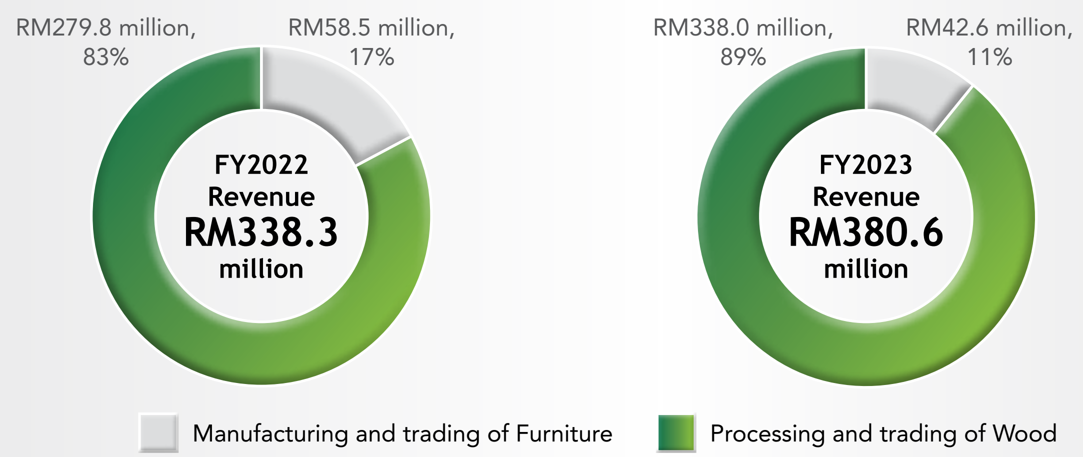
FYE June (RM'000)	FY2019	FY2020	FY2021	FY2022	FY2023
Financial Results					
Revenue	237,137	300,090	324,699	338,267	**380,632**
Profit before taxation	16,466	22,567	24,735	15,963	**3,781**
Profit after taxation	11,881	16,869	17,914	9,825	**1,254**
Profit attributable to owner	11,562	17,144	17,561	9,213	**1,304**
Financed by					
Shareholder's fund	96,022	119,462	186,856	202,915	**232,862**
Net assets	97,119	120,284	188,031	204,947	**236,804**
Statistics					
Earnings per Share (sen)*	1.61	2.29	2.25	1.12	**0.14**
Gross Dividend per Share (sen)	-	-	-	-	**-**
Net Assets per Share (RM)*	0.13	0.24	0.24	0.24	**0.22**

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

Revenue

For the financial year under review, Sern Kou posted yet another record-breaking turnover at RM380.6 million. This translated to a growth of 12.5% YoY from RM338.3 million from a year earlier. The double-digit improvement was chiefly attributed to higher contribution from the processing and trading of wood segment on the back of higher demand. Turnover from this segment rose 20.8% YoY to RM338.0 million versus RM279.8 million in the preceding year. This represented an 88.8% contribution to total FY2023 revenue with the remaining 11.2% or RM42.6 million coming from manufacturing and trading of furniture division.

REVENUE BREAKDOWN BY SEGMENT



Management Discussion & Analysis

BALANCE SHEET HIGHLIGHTS AS AT 30 JUNE 2023

TOTAL ASSETS
RM346.4
million

NET ASSETS
RM0.22
per share

TOTAL EQUITY
RM236.8
million

TOTAL CASH
RM78.4
million

Gross Profit ("GP")

Meanwhile, our profitability suffered despite the top-line improvement mainly due to higher input cost across all segments that affected our performance. In the financial year under assessment, GP stood at RM19.1 million as compared to RM29.7 million in the prior year.

Profit Before Taxation ("PBT") and PATNCI or Net Profit

Accordingly, the Group reported a PBT of RM3.8 million in FY2023 vis-à-vis RM16.0 million in FY2022, which was largely a result of the abovementioned factors. It is worth mentioning that the Group recognized a total loss on fire amounting to RM11.1 million. Of which, RM6.0 million was incurred in the profit and loss statement with the remaining RM5.1 million reversed on revaluation surplus in the balance sheet. As for insurance compensation, Sern Kou received RM8.3 million thus far and continues to work closely with the loss adjuster on the consequential loss claim.

On the other hand, our selling and distribution, administrative, other expenses and finance costs in FY2023 was at RM19.6 million versus RM15.9 million a year ago. The rise was in line with the increase in revenue. The impact of the challenges faced was also reflected in the bottom-line. Sern Kou achieved a net profit of RM1.3 million for FY2023, which was lower than the RM9.2 million posted a year earlier.

Capital Structure and Capital Resources

At the end of FY2023, Sern Kou's total assets rose 7.8% or RM24.9 million to RM346.4 million versus RM321.4 million last year. The increase was predominantly owing to higher cash and bank balances as a result of the proceeds raised from the exercise of warrants in FY2023. Total cash and bank balances amounted to RM78.4 million as at 30 June 2023 against RM54.9 million in the preceding year.

Sern Kou's total liabilities stood at RM109.6 million at the close of the financial year. This was lower than RM116.5 million in the previous year following a reduction in trade and other payables, accruals, long-term borrowings, as well as lease and deferred tax liabilities. At end-June 2023, total borrowings were at RM73.7 million, slightly higher than RM68.0 million in the prior year. Lastly, total equity rose RM31.9 million or 15.5% to RM236.8 million at the close of the financial year under review from RM204.9 million a year ago. This was mainly due to higher share capital stemming from the exercise of warrants.

Management Discussion & Analysis

Net Gearing and Cash Per Share

Following the rise in cash and bank balances, the Group is in a healthy net cash position as of 30 June 2023 with cash per share of 7.4 sen per share.

ANTICIPATED OR KNOWN RISKS

Labour Shortage

The industry is grappling with a persistent challenge of workforce shortage and difficulty in attracting and retaining skilled workers. This labour scarcity poses a significant risk to the Group's production and operational efficiency, potentially impacting our financial performance negatively. To address this concern, we are proactively increasing the integration of automation into our production processes to reduce dependence on manual labour and ensure uninterrupted operations.

Availability of Raw Materials

The Group relies on logs and woods as our primary raw materials. Any disruptions in the supply chain of these materials could lead to operational disturbances, adversely affecting our financial performance. In order to proactively address this risk and steer the Group in a new direction, we have recognised sustainable forestry as a key growth driver for our future endeavours. By embracing sustainable forestry practices, Sern Kou is committed to securing a consistent and renewable supply of raw materials, fulfilling the present demands for forest resources without jeopardising the needs of future generations.

Environmental Regulations

As a player in the furniture and wood-related industry, our Group adheres to stringent environmental regulations set forth by the authorities. We are dedicated to upholding our responsibility as a conscientious corporate citizen and remains steadfast in our commitment to comply with all environmental laws and regulations, even if it incurs additional costs. To minimise our environmental impact, we have actively undertaken various initiatives, including cultivating sustainable forestry practices. Through these efforts, we aim to contribute positively to the environment while ensuring our operations align with sustainable principles.

Operational Disruptions

Our smooth and efficient operations rely heavily on the proper functioning of our manufacturing and processing facilities. Any disruptions or unplanned shutdowns could adversely impact our business. For instance, the fire incident that occurred at one of our furniture manufacturing facilities in FY2023 negatively affected the Group. However, the insurance policies we have in place along with our comprehensive BRP, have enabled Sern Kou to minimise the impact from the incident. Notwithstanding the insurance coverage against risk of fire and personal accidents for our workers, there are external risks beyond our control such as natural disasters, pandemics, riots, and general strikes that may affect our production negatively as well.

Management Discussion & Analysis

PROSPECTS

The upcoming financial year of FY2024 is expected to pose ongoing challenges owing to persisting macroeconomic uncertainties. According to the International Monetary Fund ("IMF"), the world economy is expected to experience a more subdued growth rate of 3.0% in 2023. This slowdown can be attributed to rising interest rates and the ongoing conflict in Ukraine, which are both impacting economic activities globally. On the domestic front, the Ministry of Finance ("MoF") projects a moderation in Gross Domestic Product or GDP growth, with an estimated expansion of 4.0% to 5.0% in 2023. This projection comes in contrast to the high-growth base of 8.7% achieved in 2022.

As mentioned earlier, we have ordered newer and upgraded machinery and equipment, which will be installed upon completion of the reconstruction of the affected factory. The Group will take this opportunity to enhance automation levels for the rebuilt plant. In the meantime, we have been able to meet our customers' demand by leveraging other production facilities of ours.

Meanwhile, we continue to take a prudent approach on expanding our capacity for our processing and trading of wood segment in view of the market uncertainties.

On our environmental sustainability journey as a natural resources group, we are excited to witness the promising progress we have made thus far. As firm believer in the importance of sustainable forestry, we recognise it as the path forward to strike a balance between the economic benefits of natural resources and the long-term health of our forests.

By embracing sustainable forestry, we are not only safeguarding the environment but also creating a positive impact on the communities and biodiversity that rely on these natural resources. Together, we are contributing to a greener and more sustainable future.

All in all, we continue to be optimistic on Sern Kou's long-term business prospects as we remain focused on executing our strategies to boost revenue, improve efficiency and implement cost control measures.

Management Discussion & Analysis

APPRECIATION

On behalf of the Board, we would like to express our sincere gratitude to the team for their commitment and devoted efforts to Sern Kou, especially during these demanding times.

We also wish to extend our deepest appreciation 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 steadfast support.

Next, there was a change to the Board following the retirement of several members. Firstly, we would like to give a warm welcome to Mr. Onn Kien Hoe who joined the Board as our Independent Non-Executive Chairman. Mr. Onn brings with him a wealth of experience across different fields, spurring further diversity, and this has brought positive impact to the Group.

We would like to take this opportunity to convey our heartfelt recognition to Tan Sri Abdul Rahman bin Mohd Noor and Datuk Tay Puay Chuan who retired from their roles as Independent Non-Executive Chairman and Independent Non-Executive Director respectively. Together with Mr. Leou Thiam Lai, who relinquished his role as Independent Non-Executive Director, we would like to thank all of them for their immense contributions to Sern Kou all these years.

In closing, our appreciation goes to our esteemed colleagues on the Board for their exceptional professionalism and collaborative spirit throughout our work together. We are confident that with our strong management team under the leadership of the Board, Sern Kou will overcome the obstacles ahead and emerge stronger than before.

Sustainability Statement

ABOUT THIS REPORT

The following Sustainability Statement ("SS2023") of Sern Kou Resources Berhad ("SKRB", "Sern Kou" or the "Group") for the financial year ended 30 June 2023 ("FY2023") offers a comprehensive insight into SKRB's continual effort in managing its sustainability impacts pertaining to the Economic, Environmental, Social and Governance ("EESG") pillars.

This document is crafted with the intention to fulfil the sustainability-related informational needs of the Group's esteemed stakeholders, focusing on both the material matters' internal impact on the Group's capacity for value creation, as well as the external impact of the Group's business activities on the environment and society. The Global Reporting Initiative ("GRI") principles of accuracy, balance, clarity, comparability, reliability, and timeliness have provided guidance in the determination of content for disclosure in the SS2023.

All information enclosed in SS2023 has been internally obtained and authenticated by the corresponding business units or data owners. External verification of EESG data has not been sought for the SS2023. Nevertheless, financial data disclosed herein, which can be cross referenced with the FY2023 Financial Statements, are independently audited by BDO PLT.

APPLIED FRAMEWORKS

GRI

BURSA MALAYSIA

FTSE4Good

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SUSTAINABLE DEVELOPMENT GOALS

This Sustainability Statement has been prepared in accordance with the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Sustainability Reporting Guide (3rd Edition).

Other frameworks and guidelines referenced in the preparation of this report includes:

- Malaysian Code on Corporate Governance ("MCCG") 2021
- Global Reporting Initiative ("GRI") Standards 2021 Core Option
- Task Force on Climate-Related Financial Disclosures ("TCFD")
- FTSE4Good Sustainability Index
- United Nations Sustainable Development Goals ("UNSDGs")

Content indices for Bursa, TCFD and GRI disclosure frameworks are provided on the Group's investor relations portal at https://www.sernkou.com/sernkougroup/annual-report/.

Sustainability Statement

REPORTING PERIOD, SCOPE AND BOUNDARY

The Sustainability Statements for SKRB are prepared on an annual basis. Except where otherwise stated, the reporting timeframe for the SS2023 encompasses the Group's operations from 1 July 2022 to 30 June 2023 ("FY2023"). Where relevant, historical statistical information is included to depict vital trends and assist readers in comprehending the comparative achievements in performance.

The scope of SS2023 pertains to the business activities of the parent company, Sern Kou Resources Berhad, along with the primary active 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. have been omitted from disclosure as the dormant companies did not make any substantial contribution to the Group's revenue and operations during the reporting period.

Activities that have been outsourced and over which the Group lacks direct managerial control are presently not included in this report. SKRB is dedicated to persistently enhancing its governance procedures, supply chain administration, and data gathering practices to bridge these reporting gaps in the future.

FEEDBACK

All comments and inquiries on this report and its contents can be channelled to:

Sern Kou Resources Berhad (519103-X)

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Jalan Perindustrian 1,
Kawasan Perindustrian Bukit Bakri,
Mukim Bakri, 84200 Muar,
Johor, West Malaysia

Tel : +606-986 5562
Fax : +606-986 5570

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

Sustainability Statement

MD'S MESSAGE ON SUSTAINBILITY

Dear Stakeholders,

On behalf of the Board and Management of Sern Kou Resources Berhad, I am delighted to present the FY2023 Sustainability Statement of the Group, which offers a comprehensive examination of our sustainability endeavours over the preceding fiscal year.

Being a furniture manufacturer reliant on the sustained supply of natural resources as inputs for our business model, SKRB understands the profound need to incorporate sustainability principles and practices throughout all facets of the Group's activities and ensure the harmonisation of our financial and non-financial objectives.

This report will serve to shed light on our progress towards that end, highlighting the hurdles and triumphs faced by the Group as we endeavour to incorporate sustainability within our fundamental business functions, governance frameworks and our decision-making procedures.

Notably, the SS2023 is prepared following the release of new sustainability reporting guidelines by Bursa Malaysia in September 2022, which encouraged Malaysian public listed companies to align more meticulously with international sustainability reporting standards and encompass disclosures of common and industry-specific sustainability indicators to meet stakeholders' informational needs.

I am proud to share that SKRB has promptly set out to meet the new disclosure requirements ahead of the stipulated due dates, and are determined to go beyond compliance to adopt the best practice recommendations progressively over the coming reporting cycles.

The Board and Management of SKRB, through the Risk Management and Sustainability Committee ("RMSC"), have been briefed on these latest developments in the sustainability reporting sphere, and have greenlit several initiatives to accelerate the Group's sustainability adoption journey. These include:

- Engaging an external sustainability consultant to undertake a gap analysis of SKRB's sustainability reporting;
- Providing training to SKRB's data owners on the new ESG requirements and the enhanced data collection templates;
- Establishing sustainability performance targets and KPIs through a workshop;
- Preparing our inaugural TCFD report and kickstarting the climate risk management process of SKRB;
- Development of SKRB's ESG Framework and Sustainability Policy; and
- Formalising a Board Sustainability Committee Structure and developing the accompanying Terms of Reference.

Work on these initiatives commenced in FY2023 and is expected to be completed by FY2024, which builds on our past sustainability efforts.

Beyond strengthening sustainability governance, significant improvement has also been made on disclosures in our sustainability reporting over the past few years, particularly in terms of quantitative EESG performance data.

Sustainability Statement

The tracking of these data points serves not only to provide insights into the impact of our operations on the economy, environment and society, but also helps us in identifying areas where we can reduce waste, optimise efficiency, and deliver a stronger fiscal performance.

Hence, as we look to the future, our focus remains trained on enhancing our EESG performance to ensure that SKRB remains in good standing to deliver sustainable value to all SKRB stakeholders in the short, medium and long term.

This has led the Group to explore the incorporation of renewable energy into our energy portfolio. We are in the process of finalising two Solar PV power purchase agreements to ensure a steady supply of renewable energy for the company's operations.

It is our hope that through persistent efforts to enhance our manufacturing and sourcing practices, aligning our goals with recognised sustainability standards, we can ensure that SKRB's business model is sufficiently insulated against emerging risks such as climate change, and risks emerging from our supply chain.

Our sustainability journey has only just begun, but with the unwavering support from our dedicated team and loyal stakeholders, I am confident that we will build a more sustainable and resilient future for SKRB and all those connected with us.

Thank you for your trust, partnership, and shared vision as we continue to strive towards a better tomorrow.

Sincerely,
LOW PENG SIAN @ CHUA PENG SIAN
MANAGING DIRECTOR

Sustainability Statement

FY2023 SUSTAINABILITY HIGHLIGHTS

671 Total Workforce Consisting of 100% Permanent Employees	**Market Access to Over 20 Countries**	Production Capacity to **~80,000 tonnes**
RM77.2mil in Cash Reserves	**RM355.5mil** Total Economic Value Distributed to Stakeholders	**99%** Procurement Spend on Local Vendors
Over 75% of Furniture Manufactured using **Environmentally Friendly Rubber Wood**	**↓ 31.81% in Scope 2 Emissions** from 2,944.83 CO2e in FY2022 to 2,007.30 CO2e in FY2023	**16,731.00 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**
37.5% Women Representation in SKRB's Board	**Zero Fatalities** in FY2023 with 11,638 manhours worked	**25 Training Hours Per Employee** on Average

Sustainability Statement

SUSTAINABILITY AT SERN KOU

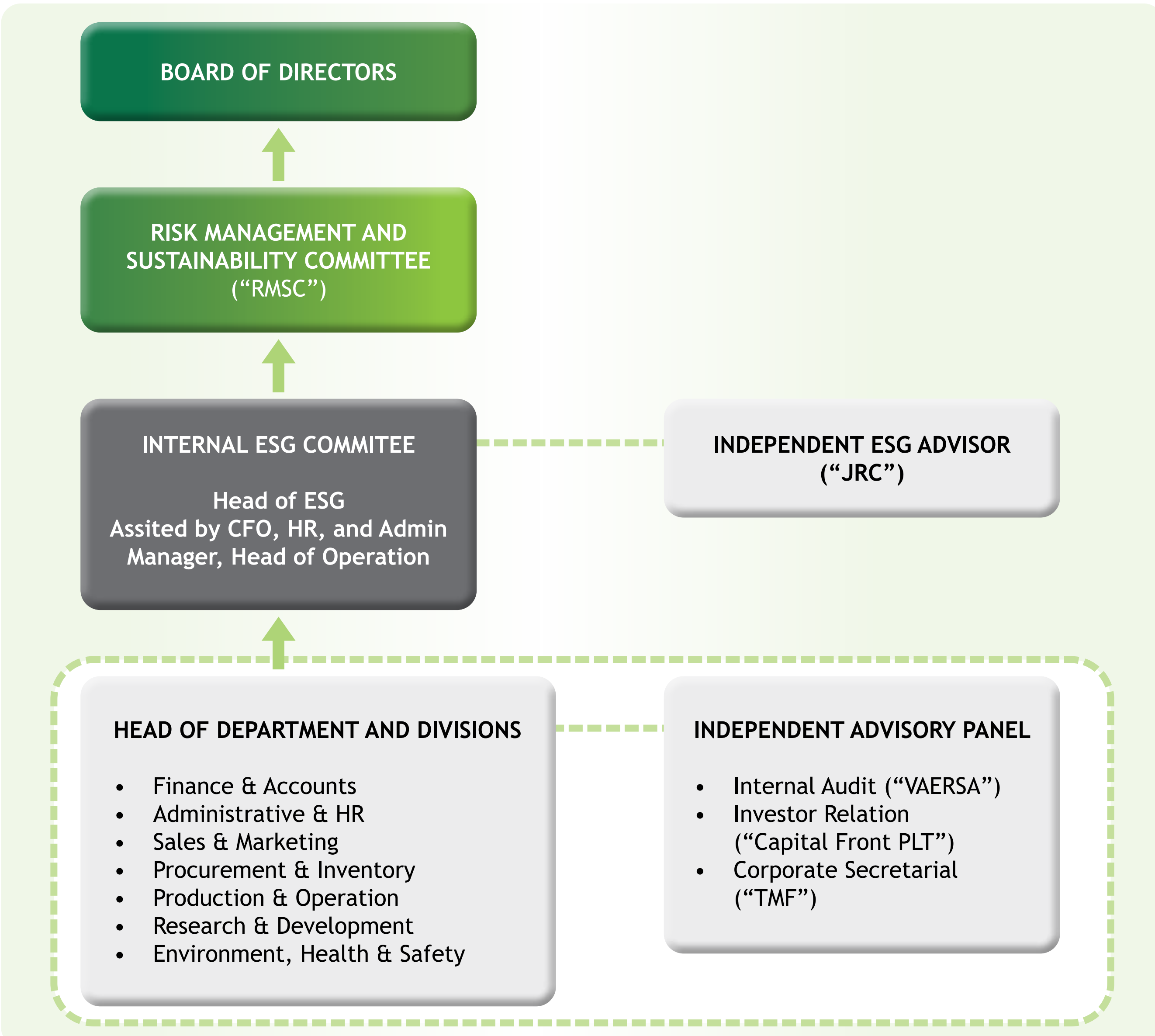
The Group adheres to a precautionary approach to avert or lessen any adverse environmental and social consequences from its business pursuits. This encompasses the management of energy, water, and raw material usage, greenhouse gas ("GHG") emissions, and pollution prevention via thorough environmental monitoring procedures. It also ensures adherence to sound human rights and labour practices across the entire organisation, whilst advocating corporate social responsibility ("CSR").

Simultaneously, SKRB is vigilant in monitoring and mitigating business, operational, financial, climate-related, and additional risks that could impact the Group. By maintaining robust internal control measures, responsible supply chain practices and nurturing a sustainability-oriented organisational culture, SKRB aims to ensure that its business serve not only to generate sustainable returns for its shareholders but remain a socially responsible organisation that safeguards the planet for future generations.

SKRB'S SUSTAINABILITY MILESTONES

FY2018-FY2019	Commencement of Sustainability Reporting Journey	Established inaugural list of Material Sustainaiblity Matters			
FY2020	Formalisation of Group Sustainability Governance structure	Incorporation of Stakeholder Engagement Disclosure			
FY2021	Alignment of report to GRI Standards	Established ESG data collection process			
FY2022	Alignnment of report to FTSE4Good and UNSDGs	Introduction of comprehensive data collection templates	Conducted Materiality Assessment	Began disclosing Scope 1 and Scope 2 Emissions	
FY2023	Provided training to Data Owners on new ESG requirements	Conducted ESG KPIs and Targets and Workshop	Formalised ESG Framework	Established Internal ESG Committee	Published Inaugural TCFD Report

SUSTAINABILITY GOVERNANCE STRUCTURE



SKRB has instituted a robust governance structure to champion its sustainability agenda, cultivating Environmental, Social, and Governance ("ESG") sensibility both internally and throughout its value chain to the greatest extent attainable.

The Board, recognising its inherent responsibility, sets the "tone from the top" and provides active oversight on all EESG matters as part of its fiduciary responsibility in governing SKRB. Beyond furnishing strategic guidance for the stewardship of discerned sustainability material matters and climate-related risks, the Board demonstrates a steadfast commitment to advancing the sustainability ethos across the organisation.

Supporting the Board in this function is the Risk Management and Sustainability Committee ("RMSC"), which bears the duty of overseeing the Group's sustainability strategy and associated initiatives. Comprising an Independent Non-Executive Director as Chair, along with another Independent Non-Executive Director and Managing Director, the RMSC collectively navigates the Group's risk management and sustainability governance protocols.

In FY2023, the Group has further strengthened the sustainability governance structure at SKRB with the establishment of an Internal ESG Committee. Led by the Head of ESG at SKRB and assisted by the CFO, HR and Admin Manager, Head of Operation, the Internal ESG Committee supports the RMSC in operationalising the ESG strategy and initiatives, and benefits from the guidance of an independent ESG advisor appointed by the Group.

The inception of the Internal ESG Committee facilitates the coordination of sustainability efforts among the Heads of Departments and Divisions, who are in turn advised by an independent advisory panel to realise sustainability pursuits in their respective domains.

Progress on the realisation of the Group's sustainability initiatives and its EESG accomplishments is duly communicated up the sustainability chain of command for contemplation and strategic formulation.

ROBUST SUSTAINABILITY GOVERNANCE POLICIES

- 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
- RELATED PARTY TRANSACTION POLICY
- 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

Sustainability Statement

SKRB's sustainability agenda is supported by a comprehensive collection of frameworks, policies, charters, codes, and terms of reference that codifies the Group's commitment to responsible business practices. These governance instruments are reviewed yearly to verify their continued relevance and efficacy. Additional policies are added periodically to further bolster governance at SKRB.

In FY2023, SKRB initiated the process to formalise its EESG commitments within a Group ESG Framework and a dedicated Sustainability Policy to reinforce accountability on SKRB's ESG agenda. Once adopted, all employees and relevant stakeholders of SKRB across the Group's value chain must abide by policy.

More information on SKRB's policies can be found at the Group's Investor Relations portal at https://www.sernkou.com/sernkougroup/corporate-governance/.

BOARD AND MANAGEMENT RESPONSIBILITY ON ESG & CLIMATE CHANGE

SKRB is committed to address all sustainability-related risks and opportunities in a systematic and strategic manner to mitigate their potential impact on the Group's financial bottom line. This includes all risks associated with the Group's identified material sustainability matters, as well as climate-related risks and opportunities.

The Board and Management of SKRB are cognisant of their potential to impact the Group's cash flows, reputation and license to operate, as well as access to financing from investors and lenders, especially with the growing integration of ESG and climate-risk considerations in investment and lending decisions.

Hence, the Board and Management of SKRB have made considerable effort to fulfil Practices 4.1 to 4.5 of the MCCG 2021, including taking ESG and climate-related risks into account when deliberating on the Group's business plans, strategies and resource allocation considerations.

Aside from progressive improvements in disclosures in the Company's annual sustainability statements, the Board and Management have attended several ESG briefing and training sessions to ensure they stay abreast with developments in the sphere of sustainability, particularly in terms of their potential and actual impacts on SKRB's business model and prospects.

In FY2023, members of the Board and Management also participated in a workshop to establish ESG targets and key performance indicators ("KPI"s) to better track and manage the Group's performance on key aspects of sustainability. The Group is in the midst of finalising these ESG targets and KPIs, which will pave the way for disclosure of the Group's progress and performance of the identified ESG goals and KPIs in subsequent Sustainability Statements of SKRB. The Group also intends to explore the potential integration of sustainability target achievement with the performance evaluations and remuneration considerations of the Board and Management of SKRB.

STAKEHOLDER & MATERIALITY

In the complex landscape of modern business, the understanding and management of stakeholder expectations, alongside the identification of material factors, are paramount to SKRB's sustainable growth and success. Our approach to stakeholder engagement is guided by an ongoing commitment to open dialogue and collaboration, ensuring that we identify, prioritise, and address the Economic, Environmental, Social, and Governance ("EESG") aspects most pertinent to our stakeholders and our business.

Through careful analysis and conscientious alignment with our strategic objectives, we continually refine our focus on areas of material significance, forming a robust and responsive sustainability framework that drives both immediate action and long-term value creation for all involved parties.

STAKEHOLDER ENGAGEMENT

At SKRB, a vigorous stakeholder management strategy is deployed, employing an array of engagement channels to observe, quantify, and address stakeholders' apprehensions and expectations proficiently. An overview of SKRB's approach to stakeholder engagement, including their priority levels, our management approach, channels and frequency of engagement, identified areas of concern, and how we measure success, is provided below. It is a restatement from FY2022's report, with the addition of disclosure on the KPIs tracked for each stakeholder groups.

STAKEHOLDER PRIORITISATION & MANAGEMENT APPROACH	ENGAGEMENT CHANNELS	ENGAGEMENT FREQUENCY	AREAS OF CONCERN & MATERIAL TOPICS	KEY PERFORMANC INDICATORS
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")	• Sales & service retention • Customer satisfaction score • Complaints received
	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	• Share price performance • Return on equity • Shareholder voting outcome
	Company website	Ongoing		
	Quarterly Result / Announcement	Quarterly/ Ongoing		
	Annual report	Yearly		

STAKEHOLDER PRIORITISATION & MANAGEMENT APPROACH	ENGAGEMENT CHANNELS	ENGAGEMENT FREQUENCY	AREAS OF CONCERN & MATERIAL TOPICS	KEY PERFORMANC INDICATORS
EMPLOYEES *Very High:* ***Keep Satisfied***	Appraisals	Yearly	• COVID-19 Pandemic • Occupational Safety and Health ("OSH") • Talent Management	• Employee hiring and turnover • Employee engagement and satisfaction levels • OSH performance
	Staff orientation	Ongoing		
	Open communication	Ongoing		
	Meetings	Ongoing		
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	• Incidence of regulatory non-compliance • Fines, penalties or warnings received
	Audit/ inspection	Ongoing		
	Training programmes and dialogues	Ongoing		
	Annual report	Yearly		
VENDORS / SUPPLIERS *High:* ***Keep Informed***	Regular visits	Ongoing	• Operational Efficiency and Productivity • Resource Stewardship • Regulatory Compliance	• Procurement spend • Tender assessment • Compliance with SKRB's environmental and social policies
	Correspondences	Ongoing		
	Supplier evaluation & appraisal	Ongoing		
	Meeting & trade fairs	Ongoing		
MEDIA *Medium:* ***Monitor***	Corporate website	Ongoing	• Climate Change • Product and Brand Appeal • Economic Profitability	• Media coverage of products & services • Analyst coverage of SKRB's fiscal & share price performance
	Announcements & press releases	Ad-Hoc		
	Media briefings & media interviews	Ad-Hoc		
	Product launches and corporate events	Ad-Hoc		

STAKEHOLDER PRIORITISATION & MANAGEMENT APPROACH	ENGAGEMENT CHANNELS	ENGAGEMENT FREQUENCY	AREAS OF CONCERN & MATERIAL TOPICS	KEY PERFORMANC INDICATORS
COMMUNITY / PUBLIC *Medium:* ***Monitor***	Corporate website	Ongoing	• Community Development • Resource Stewardship • Energy Consumption • Water Consumption • Waste Management and Recycling • Occupational Safety and Health ("OSH")	• Quantum of community contributions and number of beneficiaries • Environmental performance indicators
	Social media	Ongoing		
	Community development programmes	Ad-Hoc		
NGOS AND OPINION LEADERS *Medium:* ***Monitor***	Corporate website	Ongoing	• Climate Change • Anti-Bribery and Anti-Corruption • Regulatory Compliance • Product Safety and Quality	• Environmental performance indicators
	Annual report	Yearly		
	Social media	Ongoing		
	Correspondence & dialogue	Ad-Hoc		

MEMBERSHIP IN ASSOCIATIONS

SKRB maintains awareness of market trends by participating in numerous professional organisations and industry associations. By engaging in marketplace dialogues, SKRB collaborates with its contemporaries to promote better and more sustainable industry practices.

SKRB's membership extends to the following associations:

ASSOCIATIONS	SKRB'S MEMBERSHIP AND CONTRIBUTION
MUAR FURNITURE ASSOCIATION	SKRB became a member of the Muar Furniture Association on 20 May 1997. As one of the earliest members, SKRB actively supports the association's goals by promoting sustainable practices and excellence in the furniture industry. The Group regularly participates in events and initiatives organised by the association to foster innovation and elevate the standards of craftsmanship within the Muar furniture community
MALAYSIAN FURNITURE COUNCIL	Joining the Malaysian Furniture Council on 6 June 2008, SKRB is fully aligned with the council's objectives of advocating for and strengthening the Malaysian furniture industry on both domestic and international fronts. The Group contributes to the council's activities by sharing best practices and collaborating with other industry players to ensure that Malaysian furniture maintains its competitive edge globally.

ASSOCIATIONS	SKRB'S MEMBERSHIP AND CONTRIBUTION
THE TIMBER EXPORTER'S ASSOCIATION OF MALAYSIA ("TEAM")	SKRB has been a member of TEAM since 14 January 2002. The Group supports the association's goals by adhering to sustainable timber sourcing and export practices. By participating in educational and networking events organised by TEAM, SKRB stays updated with the latest trends and regulations affecting the timber industry. This ensures that SKRB's operations are not only profitable but also environmentally responsible.
MALAYSIAN TIMBER INDUSTRY BOARD ("MTIB")	SKRB joined MTIB on 24 January 2011. As a member, SKRB actively supports MTIB's focus on sustainable forest management practices, quality assurance, and the promotion of Malaysian timber products. This alliance allows SKRB to stay abreast of industry best practices while contributing to MTIB's broader objectives locally and internationally.

MATERIALITY ASSESSMENT

During FY2022, SKRB employed the expertise of an external sustainability consultant to undertake a full-scale Materiality Assessment Exercise ("MAE"). The purpose of the MAE was to identify, evaluate, and rank material sustainability matters of greatest concern to both our business and stakeholders, set within our operational context.

The outcomes of this assessment serve to guide the Board and Senior Management in formulating SKRB's strategic direction and determining the allocation of resources, allowing for effective management of the Group's sustainability-related risks.

A review of these topics in terms of their continued relevance and relative priority was undertaken in the course of the SS2023 preparation process. The following disclosure on the materiality assessment process and the resulting materiality matrix is largely a restatement from FY2022 which has been found to remain relevant for SS2023 with some minor adjustments.

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.

Step 2: Identification and Categorisation 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 opinions from the Board of Directors, Management team members and the employees of SKRB were gathered 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.

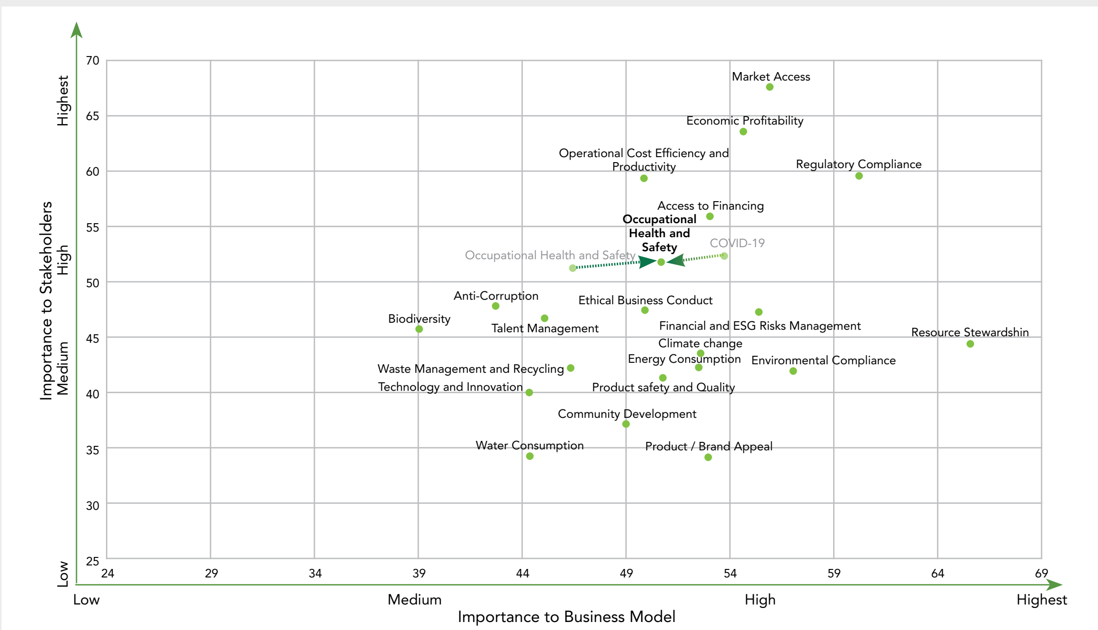
Step 5: Validation and Endorsement of Materiality Matrix

The materiality matrix and additional findings from the materiality assessment survey were presented to the Board for validation and has been approved and endorsed by the Board on 15 April 2022.

Step 6: Annual Review of Materiality Matters & Matrix

Taking into consideration the new disclosure requirements outlined in Bursa Malaysia's regulatory guidelines, SKRB undertook a limited-scale desktop review on the relevance of our previously prioritised EESG topics in the current operating context. On the analysis and advice of the Group's appointed external ESG consultant, the RMSC has adopted the following materiality matrix for SS2023 on 17 October 2023.

FY2023 MATERIALITY MATRIX



Note:
1. Only internal stakeholders' perspectives were sought in the assessment process in FY2022 to affirm the significance of the identified topics to the sustainability of SKRB.
2. While most material matters remained the same, the topic of "Covid-19" has been absorbed within the ambit of "Occupational Health and Safety" given the transition to endemic management of the disease. Occupational Health and Safety in turn has been repositioned to reflect its expanded scope following the merge.
3. Human Rights and other labour related practices are disclosed under "Talent Management".
4. Data Privacy is now managed as part of "Regulatory Compliance" instead of "Product Safety and Quality".
5. Procurement related disclosure are managed as part of SKRB's commitment to "Ethical Business Conduct".

Sustainability Statement

ESG FRAMEWORK

SKRB is pleased to unveil our ESG Framework, which serves as a testament to our unwavering dedication to responsible business practices. This framework is structured to align our sustainability initiatives with internationally recognised standards. Covering various dimensions from raw material sourcing and manufacturing processes to stakeholder engagement and governance, our ESG Framework serves as a foundational blueprint. It aims to guide us in incorporating environmental, social, and governance considerations into all aspects of our business operations, establishing a groundwork for transparency, accountability, and measurable impact.

SERN KOU RESOURCES BERHAD

OUR SUSTAINABILITY AGENDA

Achieve sustainable value creation through responsible production of quality furniture and wood products in adherence to:

Our 4 Sustainability Commitments and responsible management of identified Material Matters

Deliver ECONOMIC Value

- Economic Profitability
- Operational Cost Efficiency and Productivity
- Technology & Innovation
- Product Safety & Quality
- Product / Brand Appeal
- Access to Financing
- Market Access

Minimise ENVIRONMENTAL Impact

- Resource Stewardship
- Climate Change (Emissions)
- Energy Consumption
- Water Consumption
- Waste Management and Recycling
- Environmental Compliance
- Biodiversity

Foster SOCIAL Inclusivity

- Occupational Health and Safety
- Talent Management
- Community Development

Uphold GOVERNANCE Standards

- Ethical Business Conduct
- Anti-Corruption
- Financial and ESG Risk Management
- Regulatory Compliance

In Alignment with ESG Standards & Frameworks

GRI | BURSA MALAYSIA | TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES | SUSTAINABLE DEVELOPMENT GOALS | FTSE Russell

To Address the Needs and Concerns of our Stakeholders

Customers | Sharcholders & Investors | Employees | Government & Ragulatory Bodies | Vendors & Suppliers | Media | Community & Public | NGO: & Opinion Lesders

Sustainability Statement

GOVERNANCE

ETHICAL BUSINESS CONDUCT

Serving as the Group's supreme governing entity, SKRB's Board of Directors exercises direct supervision over corporate governance and ethical business matters within the organisation. The foundation of SKRB's corporate governance management rests on principles of ethical conduct, professionalism, and equitable market practices.

Beyond merely adhering to relevant laws and regulatory standards, the Group ambitiously seeks to establish best practices that emphasise trust, integrity, and ethical principles. This not only fortifies the confidence that stakeholders place in SKRB but also defines the organisational conduct standards, providing a bulwark against regulatory, legal, reputational, and financial risks.

SKRB's Code of Conduct ("COC") acts as a guide for both internal and external stakeholders regarding the expected corporate standards and behavioural norms within SKRB. It details the anticipated ethical conduct for the Board of Directors, including guidelines for identifying and resolving ethical dilemmas, improprieties, conflicts of interest and related party transactions, and the procedures for reporting potentially unethical activities.

Embracing the Group's dedication to integrity, accountability, transparency, and self-regulation, the COC sets the ethical tone from the leadership level, encouraging a culture filled with honesty, trust, responsibility, and accountability throughout the organisation. These standards permeate through to Management, employees, and vendors, thereby reinforcing ethical conduct across the Group.

Additional policies such as Director's Fit and Proper Policy and Related Party Transaction Policy further outline the expected behaviour and course of action to uphold integrity at SKRB.

Any significant wrongdoing detected through the internal audit processes or reported through the Group's whistleblowing channels will be investigated immediately by an officer appointed by the Managing Director or Audit Committee Chairman and promptly escalated to the Board for efficient management and resolution. Upon completing the investigation, the investigator will furnish the Audit Committee with a written account of the discovered findings.

The Group's robust governance procedures did not reveal any major breaches of ethical conduct during the year under review.

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

Board Composition and Integrity

The Board's paramount role as overseers of the Group's conduct necessitates an annual assessment of its effectiveness. Comprising 8 members, of which 50% (4 out of 8) are Independent Directors, including the Chairman, and 38% (3 out of 8) Directors are women, the effectiveness of SKRB's Board of Directors as the highest governing body of the Group is evaluated yearly to safeguard integrity and accountability at SKRB.

This includes ensuring a rich tapestry of skillsets, ranging from finance and legal expertise to industry-specific knowledge and sustainability awareness, adding depth and diverse perspectives to our governance processes. This diversity ensures that the Board is well-equipped to navigate the complexities of the current business environment, thereby enhancing SKRB's resilience and adaptive capabilities.

The integrity of the Board is further augmented by our shareholders' right to vote on decisions regarding the appointment and dismissal of Directors. Evidence of shareholders' voting right can be found in the Company's Constitution, Board Charter, Notice of Annual General Meeting on pages 73 to 76.

To prevent any conflicts of interests, including management of related party transactions, SKRB maintains a fully non-executive Audit Committee, where all three (3) Directors are independent, and two out of three (2/3) are financial experts. Additionally, the Group ensures impartiality in matters of Board composition and remuneration by ensuring a majority (2 out of 3) of independent non-executive directors in its Nomination and Remuneration Committee. The process for setting executive remuneration is outlined in the Group's remuneration policy, which is posted on SKRB's website at https://www.sernkou.com/sernkougroup/corporate-governance/.

While SKRB's current remuneration structure has not yet integrated ESG performance metrics, the Company is in the process of identifying relevant ESG Key Performance Indicators ("KPIs") and targets to incorporate them into our future remuneration policies.

Descriptions	FY2021	FY2022	FY2023
Number of Board of Directors	8	10	8
Number of Independent Directors on the Board	4	6	4
Number of Women on the Board	2	3	3

For more comprehensive insights into the governance processes and activities undertaken by the Board during FY2023, please refer to the Corporate Governance section in this Annual Report. Additional information on the skills and expertise of the Board as well as other directorships held by the Company's Directors are disclosed on pages 64 to 68. A breakdown of Directors' and Senior Executives remunerations are disclosed on pages 99 to 102 of the Corporate Governance Overview Statement.

Fair Marketplace Practices

SKRB actively champions the local industry by adhering to responsible procurement practices that emphasise fairness, transparency, and a preference for local vendors based in Malaysia. This approach not only bolsters trust with our external suppliers but also facilitates the sourcing of products and services that optimally meet our needs and offer excellent value. Moreover, it stimulates local economic growth and fosters communal prosperity.

In the year under review, SKRB expanded its roster of active suppliers from 298 in FY2022 to 302 in FY2023, of which 295 or 98% are based in Malaysia. Local vendors were the recipients of 99% of the Group's procurement expenditure for FY2023.

Purchasing activities are carried out by the Procurement Department of the respective business segments. The Group enforces stringent purchasing standards aligned with ISO procedures and carries out an annual review process that assesses 25 selected suppliers on various parameters. These include price, payment terms, timely delivery, quality of products and services, financial stability, and performance to guarantee alignment with SKRB's stringent expectations and requirements.

The findings of the performance assessment and our annual procurement spend data are presented below.

Supplier Performance*	FY2019	FY2020	FY2021	FY2022	FY2023
Reliable	25	25	25	25	25
Acceptable	0	0	0	0	0
Unreliable	0	0	0	0	0
Total Number of Suppliers Assessed	**25**	**25**	**25**	**25**	**25**

* *Annual assessment is performed on 25 selected suppliers*

Procurement And Local Procurement Data	FY2021	FY2022	FY2023
Total Procurement Budget (RM)	249,292,599	281,448,929	330,755,835
Total Local Procurement Budget (RM)	239,806,379	267,663,153	329,069,162
Percentage of Local Procurement Budget	96%	95%	99%
Total number of suppliers	267	298	302
Total Number of Local suppliers	254	282	295
Percentage of Local Suppliers	95%	95%	98%

Moving forward, SKRB is resolute in its commitment to fortify its supply chain. This includes the integration of additional evaluation criteria that consider social and environmental factors, to enhance the effective management of its ESG risks.

ANTI-CORRUPTION

SKRB upholds a steadfast policy of zero tolerance towards any incidents of bribery, corruption, or misconduct in all interactions or transactions that involve the Group, its subsidiaries, suppliers, and business partners.

Implemented on 27 May 2020, the Anti-Bribery and Anti-Corruption ("ABAC") Policy is enacted in alignment with Section 17A of the Malaysian Anti-Corruption Commission ("MACC") (Amendment) Act 2018. This policy specifically outlines what is considered a corrupt action and strictly prohibits such behaviour across all levels of the Group. This prohibition also encompasses all external interactions involving SKRB, including engagements with the Group's agents such as the Board, Management, employees, and vendors. Compliance with the ABAC Policy is a clear expectation for all Directors, staff, and intermediaries.

SKRB is in the process of formulating a plan that will require third party vendors undertaking work on behalf of SKRB to acknowledge their compliance with the ABAC guidelines. As part of this evolving strategy, we are developing due diligence protocols to assess potential risks of bribery and corruption of new business partners during the tender process.

The Board, acting as the supreme governing body of SKRB, assumes the responsibility for managing and supervising anti-bribery and anti-corruption initiatives within the Group, including the formulation and enactment of the ABAC Policy. Each member of the Board of Directors has undergone anti-corruption training, and their understanding and awareness are regularly updated through various programmes and courses. Their acknowledgment of the ABAC policy signifies a steadfast commitment to maintain this standard in every aspect of their roles within the Group.

To ensure comprehensive understanding, an awareness training was undertaken in FY2020, disseminating the Group's position and protocols regarding anti-bribery and anti-corruption across the entire organisation and its value chain. Management consistently imparts anti-corruption best practices to employees through regular reminders, including instructions for handling any infringements of the Group's policies. Furthermore, newly hired employees and appointed directors are acquainted with anti-corruption measures during their induction, in conjunction with other prevailing company policies and ethical codes. This was carried out in FY2023 for 4 Directors appointed to the Board during FY2022 and FY2023.

Furthermore, SKRB strives to remain an apolitical entity and has not made any political contributions in the year under review. Detailed information regarding the Group's performance in Anti-Corruption practices can be found in the table below:

Items	Descriptions	FY2021	FY2022	FY2023
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

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	0	0	4 of 8 (50%)
	ii) Number and percentage of managerial staff	0	0	2 of 20 (10%)
	iii) Number and percentage of executive staff	0	0	14 of 27 (52%)
	iv) Number and percentage of operational staff	0	0	8 of 624 (1%)
	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	0	0	0
	i) Total number of directors	-	-	8
	ii) Number of directors who have received training on anti-corruption	0	0	4
	iii) Percentage of directors who have received training on anti-corruption	0	0	50%
	d) Number and Percentage of employees that have received training on anti-corruption by employee category:			
	i) Total number of employees	0	0	24 of 671 (4%)
	ii) Managerial staff	0	0	2 of 20 (10%)
	iii) Executive staff	0	0	14 of 27 (52%)
	iv) Operational staff	0	0	8 of 624 (1%)

Items	Descriptions	FY2020	FY2021	FY2022
Number of training hours relating to anti-corruption	a) Number of hours directors have received training on anti-corruption	0	0	8
	b) Number of hours managerial staff have received training on anti-corruption	0	0	4
	c) Number of hours executive staff have received training on anti-corruption	0	0	28
	d) Number of hours operational staff have received training on anti-corruption	0	0	16
	e) Total training hours	0	0	64
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

Whistleblowing

As part of its dedication to upholding ethical behaviour and transparency, the Group has instituted a whistleblowing channel, supported by a defined Whistleblowing Policy which can be viewed here: https://www.sernkou.com/sernkougroup/wp-content/uploads/2021/02/Whistleblowing-Policy-24-Feb-2021.pdf.

This channel offers a formal and confidential means for both internal and external stakeholders to report any instances of improper conduct or illegal activities within the Group, with the assurance that such reporting can be done in good faith and without fear of reprisal or unjust treatment.

The Audit Committee has oversight of the whistleblowing channel and is tasked with the investigation of all reports following the procedures outlined in our Whistleblowing Policy. Based on the findings, the committee ensures that appropriate disciplinary and corrective measures are implemented, reflecting the gravity of the transgressions discovered.

In FY2023, the Group did not receive any reports through its whistleblowing channel.

FINANCIAL AND ESG RISKS MANAGEMENT

The Board of SKRB, acting through the Risk Management and Sustainability Committee, recognises its fiduciary duty to preserve the Group's profitability, and takes on the essential role of efficiently managing both financial and ESG (Environmental, Social, and Governance) risks. This encompasses risks and opportunities tied to climate change that could affect the Group's capacity to generate financial value.

A significant component of SKRB's ESG risk management process involves the undertaking of annual materiality assessments. This strategic exercise aids in the identification, evaluation, and prioritisation of material ESG topics, ensuring that the Group remains attuned to emerging risks and opportunities, including those related to climate change.

To bolster the management of these risks, the Board has engaged an outsourced Internal Auditor to perform risk assessments and reviews at the Group level and is also committed to regularly soliciting proposals for a new audit firm. A robust Group Risk Register is maintained and updated frequently, with gradual expansion to encompass climate-related risks. Though the Group has not yet incorporated the impacts of climate change into its budget or developed estimates of their potential scale, plans are in place to address this in the near future through our TCFD adoption process.

In line with these efforts, the Group strives to enhance the accuracy and transparency of its climate-related and socio-economic disclosures concerning its ESG performance. This includes the progressive incorporation of additional data points on economic, environmental, social, and governance topics for disclosure in the annual sustainability statements. Such transparency is vital in attracting and maintaining the confidence of investors, lenders, insurance underwriters, customers, and other stakeholders.

Further insights into the Group's internal control measures can be found in the Statement on Risk Management and Internal Control section of this Annual Report.

REGULATORY COMPLIANCE

SKRB has put in place internal mechanisms to diligently track and oversee the Group's compliance with all applicable laws, statutes, regulations, and policies in the jurisdictions where it conducts business. Such conformity is paramount, as any breach could subject the Group to potential fines, sanctions, or the revocation of operating licenses and permissions needed for SKRB's business activities. This commitment to compliance extends to the provision of accurate and trustworthy financial and corporate governance disclosures, in line with the pertinent laws, regulations, and/or listing requirements pertaining to SKRB.

During the year under review, the Group maintained an exemplary record, facing neither fines nor censure by regulatory authorities for any environmental or socio-economic infringements. Furthermore, SKRB encountered no regulatory interventions concerning corporate governance and anti-corruption, underscoring its adherence to legal and ethical standards.

Regulatory Compliance	FY2021	FY2022	FY2023
Has the company and / or subsidiaries been fined or censured for any environmental non-compliance?	No	No	No
Has the company and / or subsidiaries been fined or censured for any socioeconomic non-compliance?	No	No	No
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

AGM	FY2020	FY2021	FY2022
AGM Notice Filing Date (DD-MM-YYYY)	27-10-2020	27-10-2021	27-10-2022
AGM Date (DD-MM-YYYY)	25-11-2020	25-11-2021	25-11-2022
Number of days between the date of notice and date of meeting	30	30	30

Note: Please refer to page 73 of this Annual Report for the FY2023 Notice of AGM.

Sustainability Statement

Data Privacy

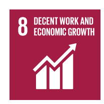
In the course of our business activities, SKRB inevitably comes into contact with a range of customer data, some of which may be sensitive and confidential in nature. SKRB places the utmost importance on safeguarding customer data and is steadfast in its commitment to comply with the Personal Data Protection Act 2010 ("PDPA").

In FY2023, the Group continues to maintain its focus on protecting our customers' data privacy by staying alert to cybersecurity risks to our corporate assets. This involves implementing robust fail-safe systems, monitoring tools, and adequate response mechanisms in the event of a cybersecurity breach. Any breach or misuse of customer data by data handlers employed by SKRB is subject to strict disciplinary action, in line with our overarching commitment to uphold ethical business practices and regulatory compliance.

SKRB has adhered fully to the PDPA in FY2023 and had zero substantiated complaints and incidences concerning breaches of customer privacy and losses of customer data.

PDPA	FY2021	FY2022	FY2023
Substantiated complaints concerning breaches of customer privacy and losses of customer data	--	0	0
Total number of identified leaks, thefts, or losses of customer data	--	0	0
Number of complaints from regulatory bodies	--	0	0

ECONOMIC



ECONOMIC PROFITABILITY

As a publicly traded company, SKRB recognises its obligation to sustain business profits so as to deliver sustainable returns for its shareholders. Sound financial health and robust business performance are also pivotal to SKRB's sustainability as a business entity.

Beyond our fiduciary responsibility towards profit generation, financial vigour is also indispensable to fulfil the Group's commitments to our identified ESG objectives and initiatives.

In particular, the sustainable generation of economic value serves to ensure continued distribution of wealth in the communities where we operate through the prioritisation of procurement spend on local businesses, hiring from the local talent pool, and fulfilling our tax and statutory obligations to the local government, which in turn, encourages broader social benefits such as the advancement of local industries, and other cumulative gains that collectively enhance the overall quality of community life.

In FY2023, the Group registered revenue of RM380.6 million and profit before tax of RM3.8 million. SKRB's cash and cash equivalents stand at RM77.2 million as at FY2023. A summary of the economic values generated, distributed and retained by our business over the past 3 years is provided below.

Indirect Economic Values Created (RM)		FY2021	FY2022	FY2023
Economic Value Generated		324,698,025	338,266,278	380,631,726
Economic Value Distributed		293,049,938	312,445,406	358,683,166
a)	Total monetary value / spend on procurement	249,292,599	281,448,929	330,755,835
b)	Total payout to employees in salaries and benefits	27,415,210	23,143,099	23,113,470
c)	Taxes paid to government	6,440,797	7,853,378	4,813,861
d)	Repayments to Financiers	9,901,332	NIL	NIL
e)	Dividend Returns to Shareholders	NIL	NIL	NIL
Economic Value Retained		31,648,087	25,820,872	21,948,560

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

OPERATIONAL EFFICIENCY AND PRODUCTIVITY

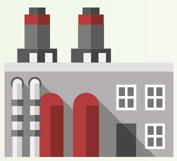
Operational Efficiency and Productivity stand as pivotal aspects of SKRB's overall business strategy and sustainability agenda. The Group recognises that streamlined operations and maximised productivity not only serve as the backbone of our financial robustness but also have significant implications on our environmental and social footprints.

Efficient use of resources, be it material, human, water or energy, inherently leads to reduced waste and minimised environmental impacts. This, in turn, enhances SKRB's reputation as a responsible furniture manufacturer, garnering trust among stakeholders and positioning the Group as an industry leader. Furthermore, optimising productivity supports SKRB's commitment to generating consistent value for shareholders, offering competitive pricing to customers, and fostering a satisfying and rewarding work environment for employees.

Hence, SKRB is committed to achieve peak performance in operational efficiency and reliability through continuous investment in sustainable manufacturing practices and equipment upgrades. This saw the Group's gradual expansion of its sawmill production capabilities from 36,000 tonnes in FY2020 to 80,000 tonnes in FY2022 with the introduction of four new production lines during that period. 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.

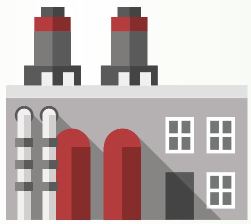
SAWMILL PRODUCTION CAPACITY

Phase 1



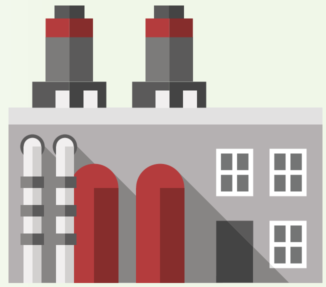
FY20
Expected
Production Capacity:
36,000-ton

Phase 2



FY21
Expected
Production Capacity:
60,000-ton

Phase 3



FY22
Expected
Production Capacity
~80,000-ton

Additionally, SKRB has instituted new data-gathering mechanisms as part of its enhanced sustainability reporting framework, allowing for a more accurate tracking of the Group's environmental resource consumption data points such as energy, emissions, material, waste, water and effluents, as well as occupational health and safety metrics, to support further improvements in operational efficiency and productivity.

TECHNOLOGY AND INNOVATION

Technology and Innovation stand as cornerstone topics for SKRB, given the fast-paced and evolving landscape of the furniture manufacturing industry. The increasing necessity for sustainable practices and efficient production methods further elevates the importance of this focus area. Innovative technologies not only enable SKRB to differentiate itself in a crowded marketplace but also provide avenues for the company to enhance its environmental, social, and governance ("ESG") performance.

By investing in cutting-edge technologies and fostering a culture of innovation, SKRB is well-positioned to improve production capacity, optimise operational efficiency, develop new sustainable products, and offer better value to its stakeholders. This long-term commitment to technological advancement resonates across all levels of the organisation and aligns perfectly with SKRB's broader goals of sustainability and market leadership.

The pace of the Group's business transformation towards digitalisation of its operations was given a boost during the COVID-19 pandemic, and the momentum has continued on to FY2023. The Group is steadfast in its drive to integrate advanced technology for automating specific processes and customer engagement points, thereby enabling more streamlined and scalable methods to boost manufacturing capability and enrich customer experience. The modernisation of machinery and equipment also aims to cultivate a safer workspace for employees, elevate the calibre and pace of production, and minimise waste and raw material usage, which will remain a focal point for SKRB in the foreseeable future.

PRODUCT SAFETY AND QUALITY

The ongoing financial success of SKRB is underpinned by persistent customer trust in the product quality and value proposition the Group delivers. Beyond cultivating brand and product allure, the Group also recognises its obligation to ensure the safety and reliability of its products, mitigating any risks to customer well-being and thereby shielding the Group's reputation. The responsibility for quality control and customer relationship management lies with the marketing department, specifically under the purview of the marketing manager.

To uphold the consistent integrity of its product range, the Group employs a rigorous Quality Management System in line with the ISO9001:2015 principles. This framework is reinforced by SKRB's Quality Policy and a set of regular standard operating procedures at its manufacturing facilities, which include frequent quality control assessments.

Additionally, SKRB has procured independent accreditation to affirm its products' compliance with FSC 100%, FSC Mix, and FSC Controlled Wood certifications as per the guidelines set by the Forest Stewardship Council A.C. ("FSC"). This allows the Group to adorn applicable products with the prestigious FSC and Responsible Forestry Certified insignias.

FSC
www.fsc.org
FSC® A000521

RESPONSIBLE FORESTRY CERTIFIED™ SCS GLOBAL SERVICES

Any concerns related to the safety and quality of SKRB's products can be formally reported through our established customer complaints channel and whistleblowing mechanism. These platforms are designed to ensure that all issues raised are carefully investigated and resolved in a manner that is both transparent and in the best interests of all stakeholders.

It's worth noting that for FY2023, the Group received zero complaints on matters concerning product safety and quality – a testament to our continued commitment to meeting the highest standards. There were also no incidents of product health and safety breaches or recalls for SKRB's products over the past 3 years.

Product Safety	FY2021	FY2022	FY2023
Incidents of non-compliance concerning the health and safety impacts of products and services	0	0	0

PRODUCT AND BRAND APPEAL

As a producer of furniture and wood items, the allure of SKRB's product portfolio is crucial for the Group's revenue generation and brand credibility. The Group is dedicated to upholding product excellence and customer satisfaction – elements that not only sharpen SKRB's competitive advantage but also enhance its brand resonance in the marketplace.

Committed to exceeding customer expectations, SKRB frequently interacts with its customer base to gain insights into changing preferences and requirements. These engagements are facilitated by the sales and marketing team, who maintain ongoing communication with current and potential buyers through various channels, ranging from direct interactions at exhibitions to daily communications via email, WhatsApp, and telephone. In addition to these ongoing interactions, the Group conducts an annual customer satisfaction survey to gather more structured feedback. These combined efforts enable SKRB to refine its offerings and nurture sustained, long-term relationships with its customers.

Looking ahead, the Group is resolute in its mission to persistently evolve and innovate its product range, guided by customer feedback. This aims to boost overall customer contentment, encouraging repeat business and sustaining demand for SKRB's offerings.

Customer Satisfaction	FY2021	FY2022	FY2023
Customer Satisfaction Scores ** (1 = Poor; 2 = Fair; 3 = Good; 4 = Excellent)*	3 out of 4* (Good)	3 out of 4* (Good)	3 out of 4* (Good)
Customer complaints received	11	17	11
Customer complaints resolved	11	17	11

ACCESS TO FINANCING

Access to sufficient and cost-effective financing is pivotal for SKRB, shaping the Group's capacity for strategic planning, operational expansion, and sustainable growth. As a publicly listed entity, SKRB chiefly relies on three main channels for capital infusion: equity contributions from its shareholders and investors, revenue generated through the sale of its products and services, and borrowing from financial institutions.

The Group is acutely conscious of the myriad factors that can influence its capability to obtain financial resources on favourable terms. These include SKRB's ongoing business performance and financial health, the expertise and strategic planning of the Company's leadership, as well as external variables such as market conditions, interest rates, and credit terms.

In recent years, ESG performance and climate risk considerations have gained increased prominence in Malaysia's financial landscape. Institutional investors are progressively benchmarking their investment choices against a PLC's ESG metrics, and Bank Negara Malaysia is intensifying its efforts to green the nation's economy by advocating for the financial sector to incorporate climate considerations into lending and investment decisions. Firms demonstrating strong ESG credentials may find themselves at a distinct advantage, particularly when vying for a share of the RM10 billion in sustainable Sukuk earmarked for socially responsible or environmentally-friendly projects.

Additionally, the availability of collateral and adherence to regulatory requirements also play a significant role in securing finance.

Any lapses in these areas could potentially compromise the Group's ability to access the capital markets or to secure loans, impacting both short-term operations and long-term strategic goals. Hence, the RMSC diligently oversees and alleviates these risks, safeguarding the Group's sustained capacity to secure the necessary financing for fulfilling its current and future business objectives.

MARKET ACCESS

SKRB exports its products to over 20 countries across the globe. The Group places a strong emphasis on nurturing robust relationships with its major international clients, customising its superior and aesthetically pleasing wooden furniture to cater to the unique preferences of different markets. This approach aims to secure enduring demand and access to high-value markets to support SKRB's long-term growth.

Strategic resource allocation, production scheduling, and shipping timelines are meticulously managed to guarantee a consistent product inventory that meets ongoing market needs. Simultaneously, our sales team is vigilant in scouting for fresh business prospects in markets displaying significant or untapped potential. Comprehensive due diligence is routinely undertaken to address the various political, economic, social, technological, legal, and environmental risks associated with each market, both for retaining market share in existing sectors and prior to entering new ones.

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 2023
Manufacturer of Bedding and Upholstered Furniture	State of Connecticut Department of Consumer Protection	MFG. CA.00374203. (MY)	30 Apr 2024
Bedding, Upholstered Furniture and Stuffed Toy Registration License	State of Ohio Department of Commerce, Division of Industrial Compliance	CA 37420MY	30 Sep 2024
Manufacturer	Virginia Department of Health, Department of Health, Bedding and Upholstered Furniture Program, Commonwealth of Virginia	15544	31 May 2024
New Bedding License Certificate	Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Occupational and Industrial Safety	06177	31 Jul 2024
Importer	State of California Department of Consumer Affairs, Bureau of Household Goods and Services	IMP133670	31 Oct 2024

SKRB does not export to or has any production activities in any of the 20 countries with the lowest rankings in Transparency International's Corruption Perception Index.

ENVIRONMENTAL

BIODIVERSITY

Biodiversity holds significant material importance for SKRB due to the nature of its wood processing operations situated within gazetted production forests and its substantial reliance on raw wood materials for furniture production. The Group is keenly aware of the broader ecological ramifications of biodiversity collapse, including potential impacts on food security and overall planetary health, and is committed to do our part in taking every precaution to prevent and minimise any negative impact of our business operations.

Hence, SKRB's Board and Management have prioritised conscientious sourcing practices for its raw wood materials and traded wood products to mitigate its influence on biodiversity degradation. To fortify its governance on this front, biodiversity has also been integrated as a material consideration in the Group's annual ESG assessment. This serves to further bolster SKRB's strategic focus on responsible management of biodiversity-related challenges in the future.

The Group has a firm commitment to resource stewardship, sourcing over 65% of its timber from renewable rubber wood plantations. Additional timber needs are fulfilled through areas officially sanctioned by the Forestry Department (Jabatan Perhutanan).

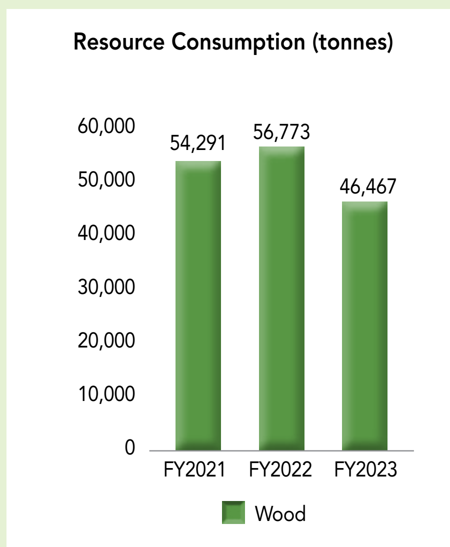
Adopting a circular approach, SKRB also repurposes wood by-products from its manufacturing activities, transforming them into valuable secondary goods. Simultaneously, the company has implemented measures to curtail waste and effluent outputs from its operations, thereby minimising the risk of downstream pollution that could adversely affect biodiversity.

RESOURCE STEWARDSHIP

SKRB is acutely aware that its operations require substantial amounts of natural resources, with potential implications for both local biodiversity and broader climate change trends. During the reporting year, the Group utilised a total of 46,467 tonnes of wood as the primary material for its furniture manufacturing and wood processing activities.

Committed to prudent resource stewardship, SKRB diligently focuses on optimising material efficiency in its furniture production processes. Notably, over 65% of the Group's furniture is crafted from rubber wood — a sustainable alternative that utilises latex-tapping trees at the end of their productive lives. Such fast-growing rubber trees offer a renewable resource option, alleviating the strain on more mature, old-growth forests.


MTIB
LEMBAGA PERINDUSTRIAN KAYU MALAYSIA
PERAKUAN PENDAFTARAN



Sustainability Statement

For the remaining timber requirements, the Group conscientiously sources from areas that have received approval from the Jabatan Perhutanan, thereby ensuring responsible procurement practices.

SKRB has also secured third-party verification for its adherence to the Forest Stewardship Council A.C. (FSC) guidelines, including FSC 100%, FSC Mix, and FSC Controlled Wood certifications for its products.

In terms of workplace safety, SKRB has established a Safety Committee alongside an Occupational Safety and Health Policy. These mechanisms not only safeguard employee well-being but also serve as preventative measures against industrial incidents that could harm the environment.

Looking ahead, the Group plans to undertake an extensive business process review from a life cycle standpoint. The aim is to pinpoint areas where environmental impacts can be minimised and resource efficiency maximised, thereby fortifying SKRB's commitment to responsible resource management.

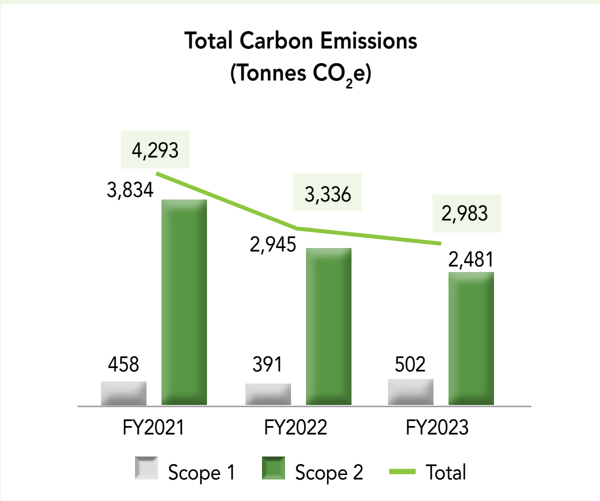
CLIMATE CHANGE

Climate change is a global challenge that transcends borders, impacting ecosystems, economies, and societies across the world. SKRB acknowledges the pressing need to address the upward trends of climate change impacts, such as extreme weather and frequent floods that have happened in recent years.

SKRB is looking to integrate climate change mitigation and adaptation as an integral part of its operations, with an emphasis on reducing its carbon footprint by cutting down its energy consumption, as well as minimising the use of carbon-sequestering timber. This is demonstrated through the Group's commitment to only use well-managed and controlled timber from the certified forest stewardship council ("FSC"), which promotes optimal offset of greenhouse gas emissions and decelerates global warming.

In FY2023, the Group continues the disclosure of its carbon emissions by accounting for both fuel and electricity consumption in its efforts to manage the Group's emissions and support the achievement of Malaysia's Nationally Determined Contributions ("NDC") to the emissions reduction goal of the Paris Agreement. With the Group's continuous efforts in managing its energy consumption, a significant emission intensity reduction was observed in FY2023, which recorded a 20.6% decrease as compared to FY2022.

An overview of the Group's total carbon emissions is detailed in the following.



CARBON INTENSITY

Based on Sales*
(Tonnes CO2e/RM'mil)

FY2023: 7.83
FY2022: 9.86
FY2021: 13.22

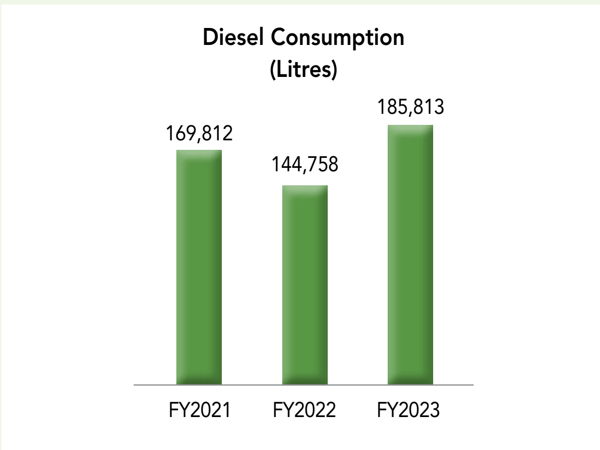
Note:
Scope 1 - The conversion factor used to convert litres consumption to energy value is based on the Malaysia Energy Statistic Handbook 2020. Meanwhile, emission factors and Global Warming Potential (GWP) values are retrieved from the Intergovernmental Panel on Climate Change ("IPCC") database.;
Scope 2 - The emission factor used for grid electricity is based on the United Nations Framework Convention on Climate Change ("UNFCCC") Harmonised Grid Factors 2021.
** Sales data recorded in FY2023 was RM 380.63 mil. (FY2022: RM 338.27 mil.; FY2021: RM 324.7 mil.)*

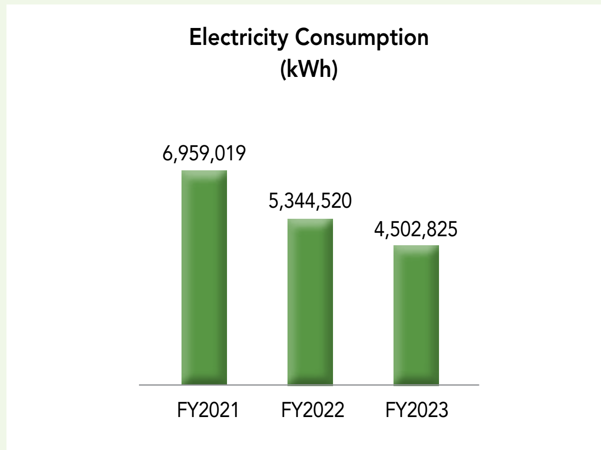
ENERGY CONSUMPTION

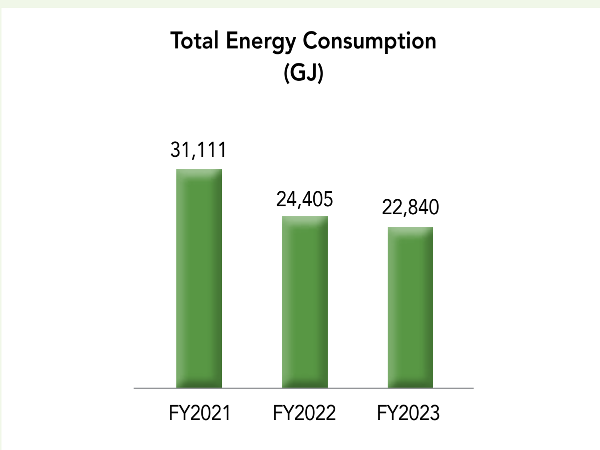
In the wood processing and furniture-making industry, the monitoring and reduction of energy consumption take on paramount significance. At SKRB, energy consumption is viewed as a key indicator in assessing its ESG performance. While regulating its energy usage to ensure operational efficiency, the Group strongly believes this strategic approach also helps to minimise environmental impacts by reducing greenhouse gas emissions into the atmosphere.

These initiatives include effective production planning to optimise machinery's efficiency and utilisation, constant reminders to switch off equipment, machinery, and lights during off-hours, as well as opt for green alternatives such as energy-saving equipment and lightbulbs where applicable. Specific to the Group's manufacturing processes, additional measures undertaken to determine potential improvements can be made in regard to raw materials optimisation and energy efficiency. This includes regularly maintaining the machinery used in the production facilities and continuing to support the transition into greener production through energy-efficient equipment.

Riding on these impactful approaches in ensuring energy-saving operations, the Group strategically reduced its fuel and electricity consumption, as presented below. Relative to FY2022, the Group achieved a 16.8% reduction in its energy intensity.







ENERGY INTENSITY

Based on Sales*
(GJ/RM' mil)

FY2023: 60.01
FY2022: 72.15
FY2021: 95.82

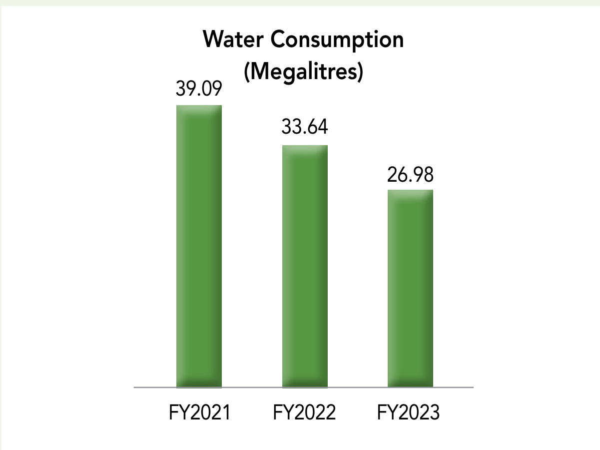
Note: Total energy consumption is calculated based on the conversion of total fuel and electricity consumption.
** Sales data recorded in FY2023 was RM 380.63 mil. (FY2022: RM 338.27 mil.; FY2021: RM 324.7 mil.)*

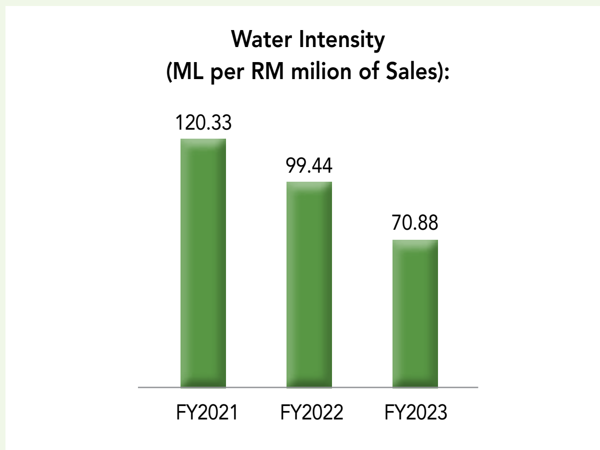
In FY2023, SKRB is in the process of finalising two long-term agreements to adopt solar energy at our subsidiary facilities. These agreements aim to transition SKRB towards a more sustainable energy mix with the incorporation of renewable energy generated on-site, which will reduce our reliance on grid electricity while lowering emissions from our operations.

WATER CONSUMPTION

Accessing clean water is a fundamental human right, and SKRB acknowledges the importance of responsible water consumption and water conservation for the benefit of all mankind. On top of ensuring the Group's operations are not located in water-stressed areas, a preliminary feasibility study will also be undertaken when considering new operation sites, if possible, to avoid residing in the water-stressed locations.

Since the Group primarily relies on municipal water sources, SKRB actively contributes to water conservation by upholding stringent monitoring practices. SKRB plays its part in conserving water usage by practicing regular monitoring and regulating its water consumption across the Group's operations. With this perseverance in water management, the Group recorded a significant reduction in water usage for FY2023, with a 20% decrease as compared to FY2022.





Various initiatives have been implemented, such as constantly reminding employees to turn off water-consumed appliances and machinery when not in use, as well as educating the employees on the benefits of water-saving. Beyond internal protocols, the Group maintains an open attitude toward adopting impactful conservation measures advocated by both local and global initiatives, such as water recycling and reuse initiatives.

This proactive approach resonates with SKRB's steadfast commitment to safeguarding this precious resource and, by extension, advocating for the well-being of present and future generations.

WATER REDUCTION

-20%

(compared to FY2022)

WASTE MANAGEMENT AND RECYCLING

Given that SKRB's operations primarily involve wood processing and furniture manufacturing, there is a possibility of releasing harmful leachate into the nearby areas, emitting greenhouse gases, and the emergence of other significant environmental concerns. To tackle these, the Group aims to minimise the waste generated from the production facilities by taking various waste management and recycling initiatives into our workplace.

Guided by the 3R principles as outlined below, SKRB is effectively managing its resources and waste generation in a more sustainable and responsible manner.

Reduce
SKRB places a strong emphasis on reducing resource consumption, particularly wood and paper. The Group is dedicated to consistently exploring innovative technologies that not only reduce waste but also enhance the overall efficiency of its production processes.

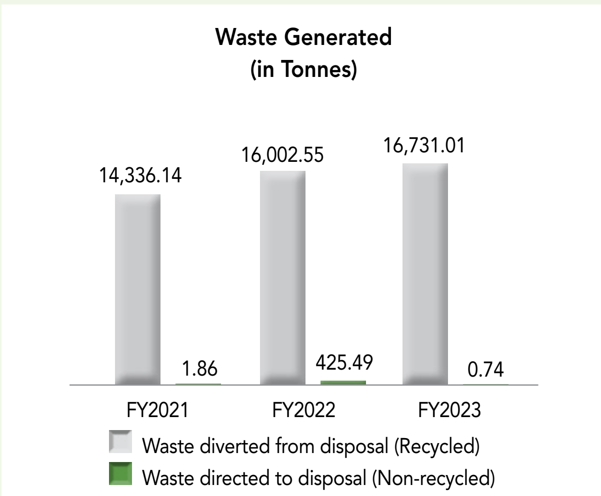
Reuse
Whenever feasible, SKRB actively seeks opportunities for material reuse and recycling. This encompasses repurposing wood chips and leftover scraps from its furniture manufacturing operations, effectively reintegrating them as raw materials in the production of various other wooden products.

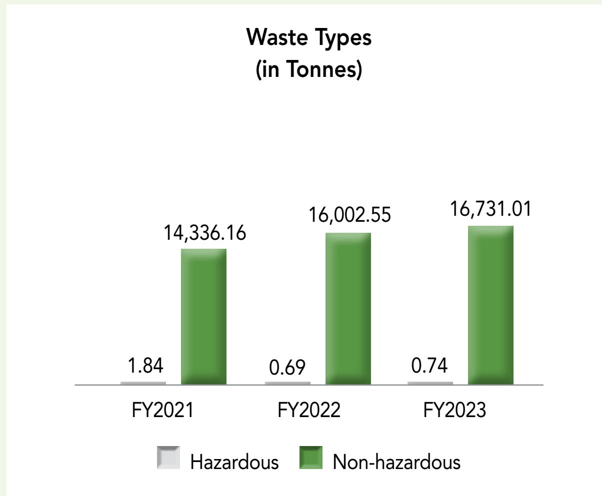
Recyle
SKRB demonstrates its commitment to responsible waste management by investing in waste-sorting bins, which serve to encourage employees to segregate papers, plastics, glass, and cartons. Across all its operations, the company utilises waste collection and recycling services delivered by a dedicated waste management contractor. Notably, materials such as packaging, paper, and cartridges undergo recycling processes instead of being disposed of in landfills.

In its endeavour to achieve heightened waste reduction, the Group has made substantial investments in cutting-edge technology and equipment, resulting in a noteworthy reduction in waste generation. To maintain optimal efficiency and performance, SKRB diligently adheres to scheduled inspection and maintenance routines for all its equipment.

Demonstrating a steadfast commitment to responsible waste management, the Group ensures the proper disposal of electronic waste from old equipment through authorised waste collectors, aligning with Department of Environment ("DOE") guidelines. This stringent approach is practiced across the Group to avert any potentially hazardous chemical leakage into the environment.

The Group's unwavering dedication remains resolute, exemplified by a substantial surge in waste diversion from disposal in FY2023 compared to FY2022. During the review period, close to 10,000 tonnes of waste were redirected away from landfills, primarily encompassing wood waste that was repurposed as inputs for the production of valuable goods.





Note: The waste data in FY2021 and FY2022 has been revised to represent the updated compilation method.

RECYCLING RATE

+4.6%

(as opposed to FY2022)

Going forward, SKRB is dedicated to not only internal improvements but also fostering supply chain engagement and active participation in local and global initiatives. The Group will continue to examine opportunities to enhance its waste performance by considering data-driven target setting and collaborating with suppliers and partners to collectively drive sustainable practices.

ENVIRONMENTAL COMPLIANCE

SKRB is cognisant of the significance of complying with environmental laws and regulations to play its role in protecting the environment. This includes minimising the negative impacts on the environment, promoting sustainability, and contributing to global efforts to address climate change and biodiversity loss.

Through consistent monitoring of effluents, air quality, and noise emissions, the Group actively mitigates pollution to safeguard the environment. Notably, the Group takes pride in its commendable record, having achieved zero incidents of environmental non-compliance in FY2023.

This dedication to environmental stewardship reflects the Group's responsible sourcing practices, resource efficiency, and commitment to sustainable production, ensuring a positive impact on both the industry and the planet.

SOCIAL

OCCUPATIONAL SAFETY AND HEALTH

Occupational Safety and Health ("OSH") holds paramount importance within Sern Kou's operational framework, given that any OSH-related event could result in significant repercussions. These could range from operational disruptions and productivity losses to more severe consequences like loss of life, damage to reputation, and legal liabilities.

With this understanding, Sern Kou enforces a stringent, zero-tolerance OSH policy that aligns with the Occupational Safety and Health Act of 1994 and its associated regulations. To meticulously manage OSH concerns, a Safety and Health Committee has been constituted at each of the Group's operational units.

Continual refinement of the existing Occupational Health and Safety Policy, known as the "Safety Policy," is undertaken to address not only the immediate work environment but also broader operational procedures that affect employees and key stakeholders. This policy is universally applicable, covering employees, suppliers, contractors, and even visitors to the Group's facilities.

Monitoring of the Group's OSH metrics is an ongoing process, aimed at identifying, quantifying, and mitigating any potential risks that could adversely affect both the Group and its workforce. The following charts and tables provide a breakdown of the Group's OSH performance data in the year under review and its 3-year track record:

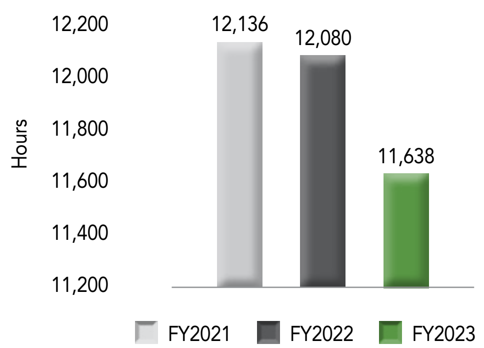
Onsite OSH Data Breakdown by Month

Months	Total manhours worked	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-22	1008	0	0	0	0	0	0	10	7	0	0	0
Aug-22	1048	0	0	0	0	0	0	5	3	0	0	0
Sep-22	1008	0	2	24	0	0	0	26	5	0.509	6.105	0
Oct-22	1024	0	0	0	0	0	0	21	7	0	0	0
Nov-22	1016	0	0	0	0	0	0	6	2	0	0	0
Dec-22	1008	0	0	0	0	0	0	24	9	0	0	0
Jan-23	884	0	3	22	2	0	0	36	12	1.765	13.431	0
Feb-23	913	0	1	13	0	0	0	11	1	0.544	7.937	0
Mar-23	985	0	0	0	0	0	0	18	13	0	0	0
Apr-23	864	0	1	0	0	0	0	5	4	0.544	0	0
May-23	988	0	0	0	0	0	0	0	0	0	0	0
Jun-23	892	0	1	0	0	0	0	1	1	0.544	0	0
Total	**11,638**	**0**	**8**	**59**	**2**	**0**	**0**	**163**	**64**	**3.908**	**27.473**	**0**

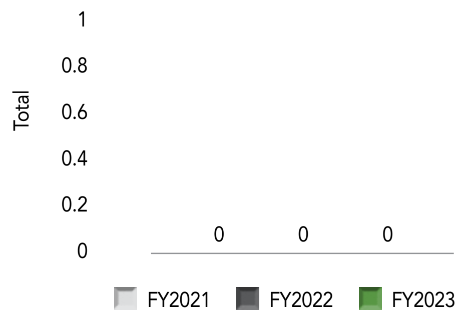
3-Year OSH Data

Year	Total manhours worked	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
2021	12,136	0	1	0	0	1	0	0	2,129	247	0.52	0
2022	12,080	0	9	56	0	3	0	0	678	527	4.48	11.17
2023	11,638	0	8	59	0	2	0	0	163	64	3.908	27.473

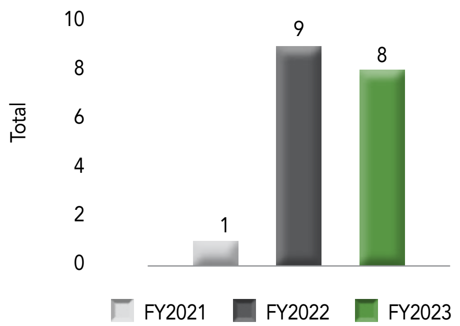
Total Manhours Worked



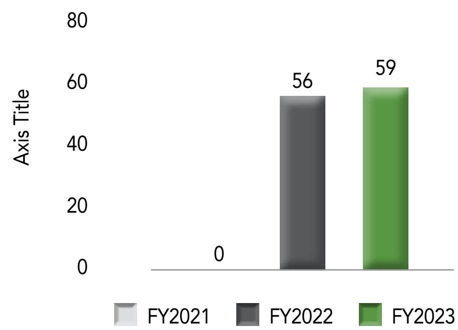
Fatalities



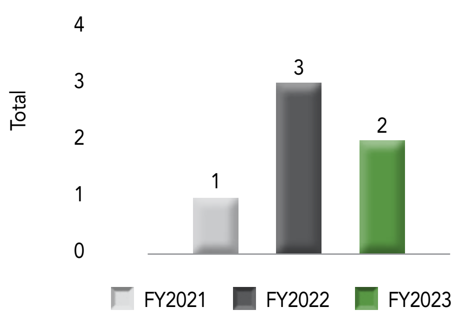
Recordable Work-Related Injuries



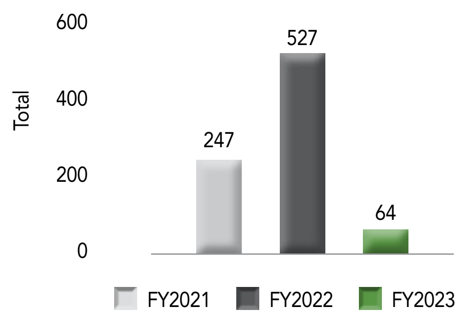
Total Lost Days / LTIs

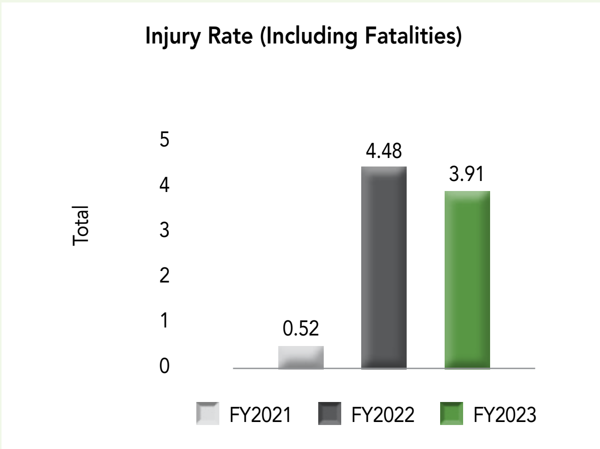


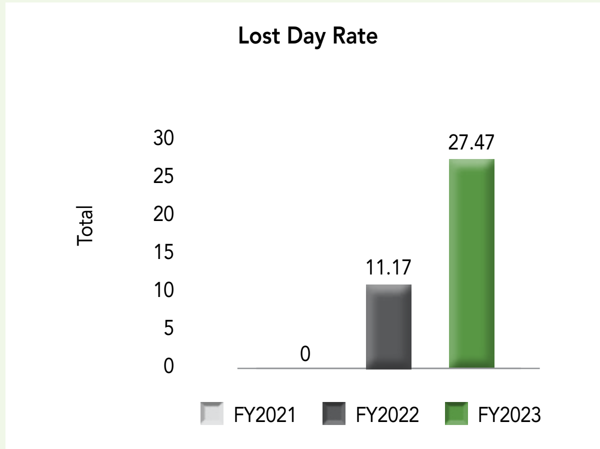
Incident Report



Absenteeism Rate (Headcount)







Contractor OSH Data	2019	2020	2021	2022	2023
Total Number of Contractors	0	75	21	0	0
Contractor Fatalities	0	0	0	0	0

TALENT MANAGEMENT

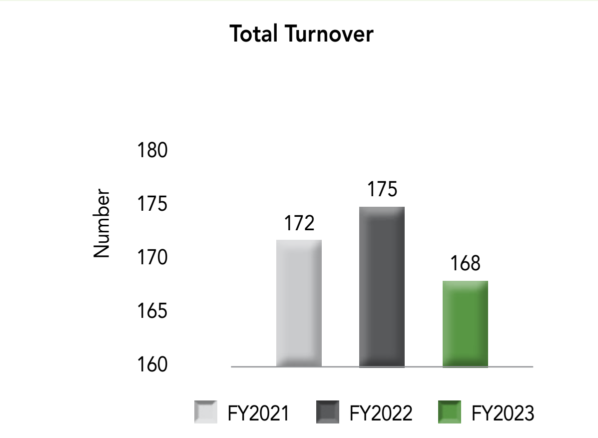
The workforce at Sern Kou serves as the organisational backbone, warranting significant focus on human capital management. The well-being and productivity of employees are directly correlated with the Group's enduring success and is closely managed by the Board and Management through the Group's Human Resource ("HR") function.

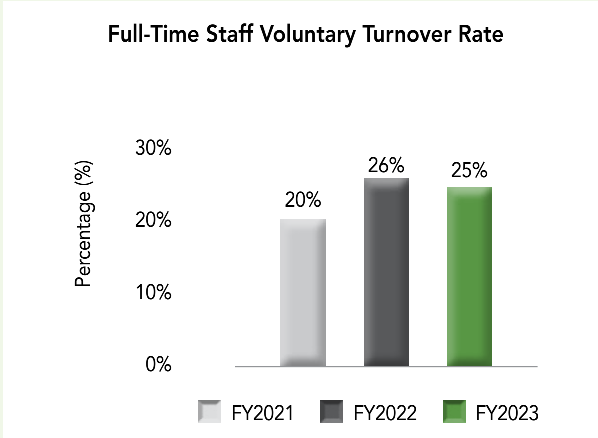
Recruitment, Retention & Remunerations

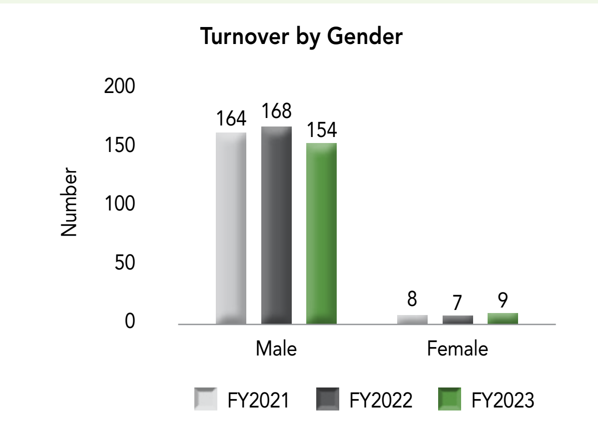
Sern Kou has instituted a comprehensive Human Resource management framework that includes a well-structured induction programme for newcomers, a mechanism for lodging complaints related to workplace bullying or harassment, and an established protocol for employee departures. Employee turnover, recruitment data and employee satisfaction are also rigorously monitored as part of the Group's commitment to effective talent management.

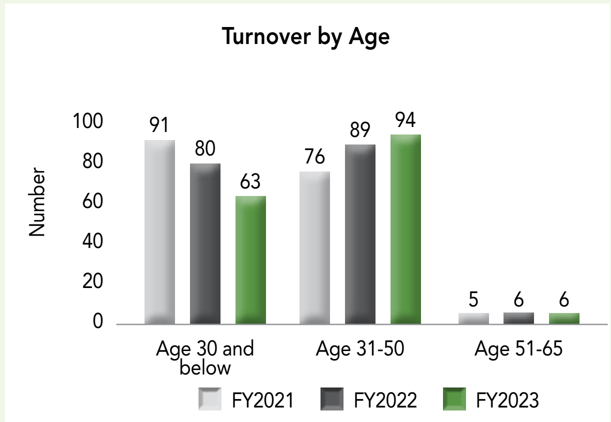
New Hires Data	FY2021	FY2022	FY2023
Total New Hires	134	34	148
New Hires (Male)	118	21	139
New Hires (Female)	16	13	9
New Hires aged 30 and below	71	19	89
New Hires aged 31-50	62	13	54
New Hires aged 51-65	1	2	5
New Hires with Disabilities or from underprivileged groups	0	0	0

Sustainability Statement







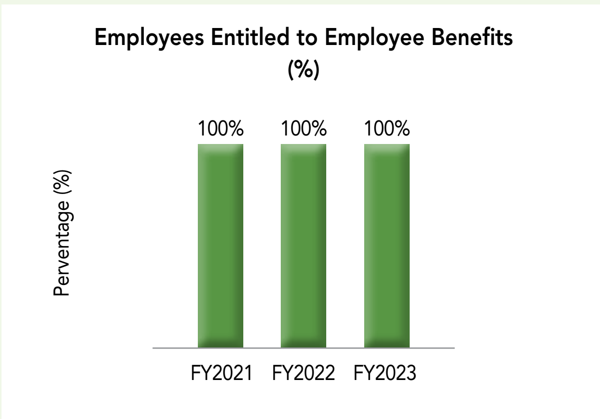


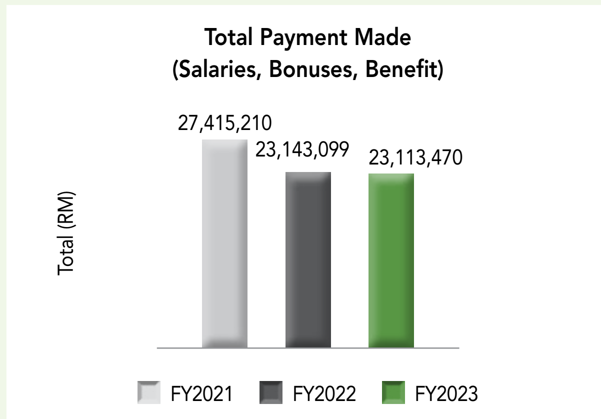
** Note: Percentage is calculated based on number of employees who have provide good or excellent ratings during a recent employee satisfaction survey.*

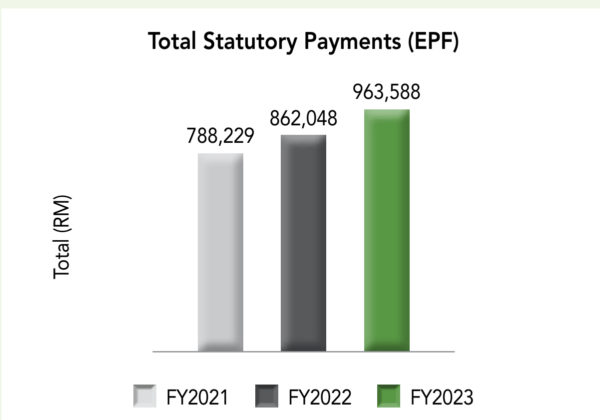
Sustainability Statement

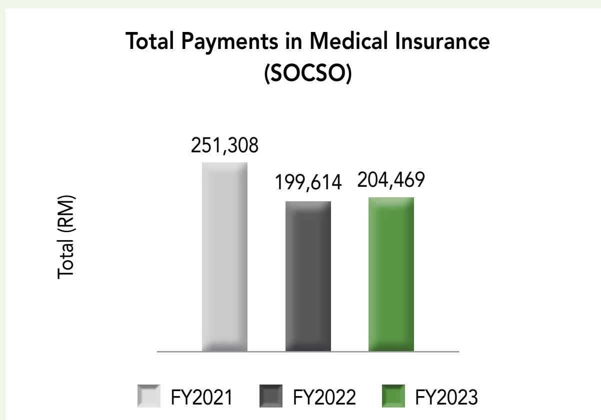
To attract and retain top-tier talent essential for SKRB's expansion, the Group provides a comprehensive package of competitive salaries and benefits. This includes medical and personal accident insurance, annual leave entitlements, sick leave, hospitalisation leave, parental leave, marriage leave, compassionate leave, travel claims, and statutory contributions to the Employees Provident Fund ("EPF") and Social Security Organisation ("SOCSO"), among others.

In FY2023, SKRB allocated a sum of RM19,917,008 towards employee remunerations and benefits.









Upholding Sound Labour Practices

SKRB upholds a work environment committed to fairness, inclusivity, and dignity, whilst valuing diversity and honouring the fundamental human rights of each employee. Labour and human rights commitments adopted by the Group include:

Freedom of Association:
The Group actively promotes employees' right to form associations and engage in collective bargaining, ensuring their voices are heard on workplace issues.

Minimum Notice Period:
Adherence to stipulated minimum notice periods for any significant employment changes is a standard practice.

Children's Rights and Prevention of Child Labour:
The Group respects and upholds the rights of children in all its operations and engagements. A strict policy is in place to prohibit and prevent child labour in any form.

Wage Compliance:
SKRB complies fully with the Minimum Wage Order 2022 and all other regulations concerning working hours and fair compensation.

Prohibition of Forced Labour and Modern Slavery:
The Group takes a stringent stance against all forms of forced labour, debt bondage, human trafficking, and modern slavery.

Safe Working Conditions:
SKRB is committed to providing a safe work environment for all its employees. This includes an emphasis on both physical wellness and mental health, ensuring a holistic approach to the well-being of its workforce.

Harassment-Free and Violence-Free Workplace:
Upholds a harassment-free and violence-free working environment. Any form of retaliation or physical and mental disciplinary practice is strictly prohibited.

Human Rights Due Diligence in Supply Chain

SKRB stands firmly against human rights violations, both within its operations and across its supply chain. Governance of this crucial issue falls under the Board's ESG responsibilities, with daily management undertaken by the company's procurement and human resources departments.

All employees, as well as third-party contractors or subcontractors, are expected to uphold the laws of Malaysia concerning human and labour rights, worker welfare, child labour, and human trafficking. Non-compliance may result in severe penalties, including termination of contracts and legal action.

The Group actively reviews its labour and human rights risks and is committed to addressing any instances of exploitation. For FY2023, SKRB has no reported violations in labour standards, human rights, child labour, or human trafficking.

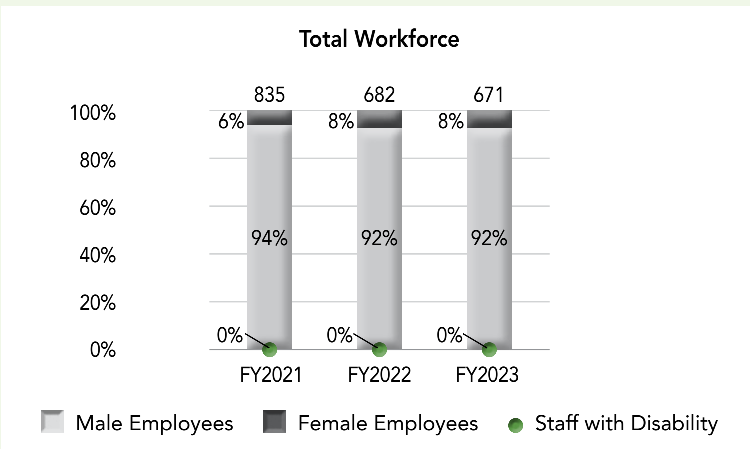
Grievance Mechanism

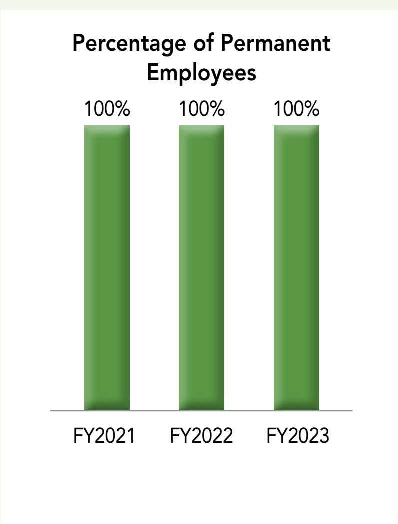
SKRB offers secure avenues for employees and stakeholders to anonymously report grievances, misconduct, or concerns relating to policy violations, harassment, and human rights exploitation, without fearing reprisals. Complaints can be submitted to one's immediate manager, HR representatives, or through a confidential whistleblowing channel accessible to both internal and external stakeholders. SKRB is committed to promptly investigating all raised issues and taking corrective action where the organisation is found to have caused or contributed to adverse impacts.

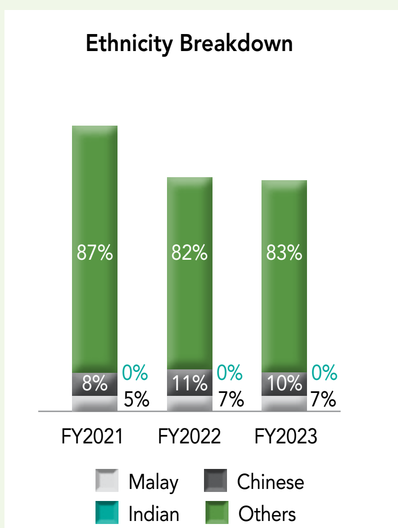
Championing Diversity, Non-discrimination and Inclusivity

In every facet of its talent management – be it recruitment, retention, salary structures, career progression, training, or succession planning – the Group adheres to a meritocracy. There is no discrimination based on age, gender, ethnicity, religious beliefs, sexual orientation, disability, or nationality.

The following charts showcases the diversity breakdown of the Group:

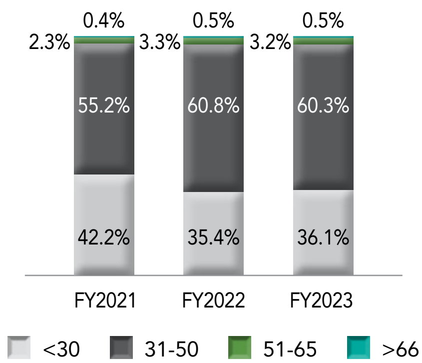




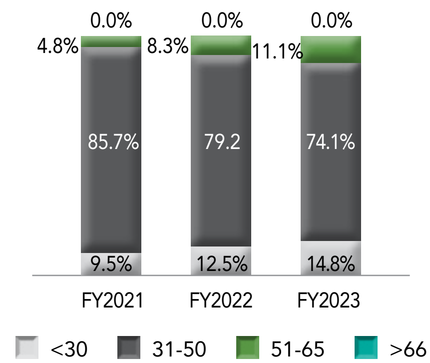


Sustainability Statement

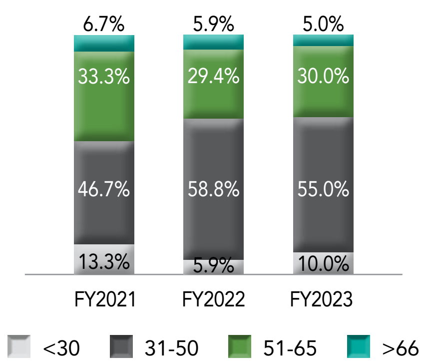
Operational Staff's Age Breakdown



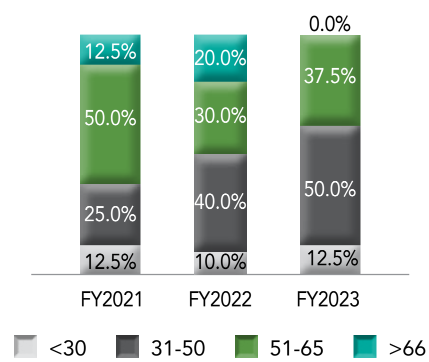
Executive Staff's Age Breakdown



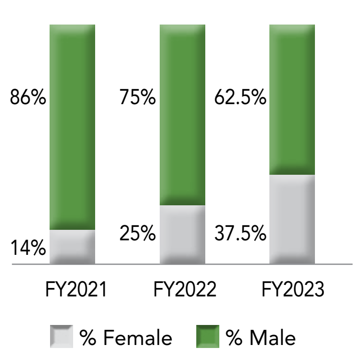
Managerial Staff's Age Breakdown



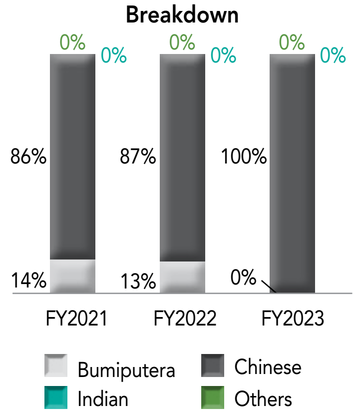
Board of Directors' Age Breakdown



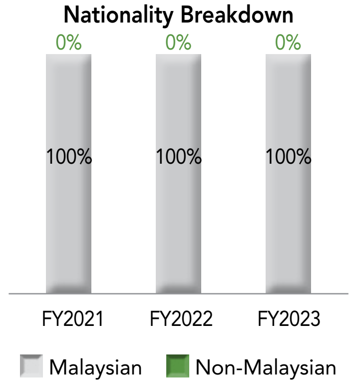
Board of Directors Gender Breakdown



Board of Directors Ethnicity Breakdown



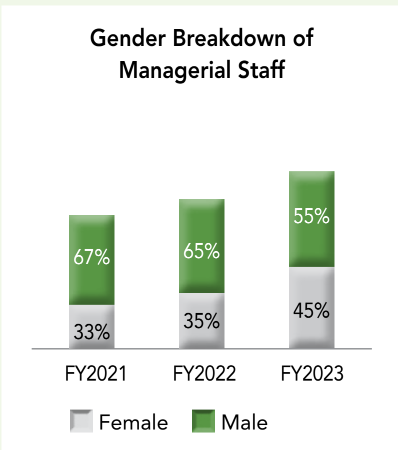
Board of Directors Nationality Breakdown

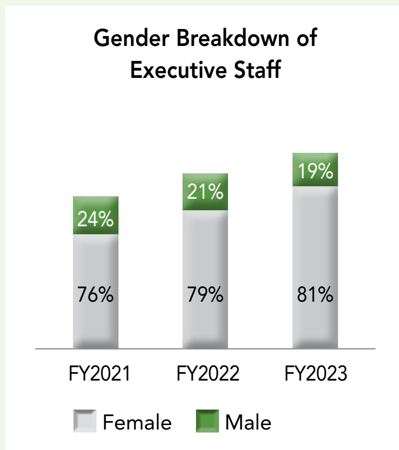


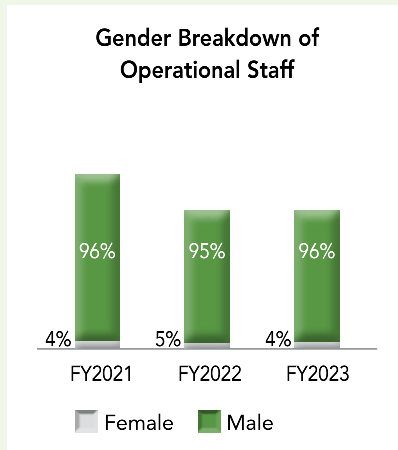
SKRB recognises the significance of fostering gender equality within the workplace. Despite the furniture manufacturing industry traditionally drawing a largely male workforce, the Group takes proactive measures to ensure inclusivity in its human resources strategies. This includes initiatives to narrow the gender pay disparity and advance women into leadership roles.

Additionally, SKRB has demonstrated its commitment in bridging the gender divide in its governing body and has successfully exceeded the 30% female representation on its Board as advised by Practice 5.9 of the MCCG 2021 in FY2023, with 3 out of its 8 Board positions held by female Directors.

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







Salary and Remuneration	FY2021	FY2022	FY2023
Salary difference between men and women	-1876.06	-1,517.96	1,574.63
Ratio of basic salary and remuneration of women to men for key employee categories-Managerial staff	-0.85	-0.58	0.02
Ratio of basic salary and remuneration of women to men for key employee categories- Executive	1.03	-0.17	-0.09
Ratio of basic salary and remuneration of women to men for key employee categories-Non-executive staff	-0.27	-0.41	0.27

In line with its commitment to gender equality, SKRB extends parental leave benefits to both male and female employees welcoming new additions to their family. Female employees are entitled to 98 consecutive calendar days of maternal leaves while male employees are entitled to 7 days of paid paternity leave, in accordance with Malaysia's amendments to its Employment Act.

This provision is a part of the Group's broader strategy to support a balanced work-life dynamic for all its staff members, irrespective of gender. By offering this entitlement, SKRB aims to foster an inclusive workplace environment where both men and women feel supported in their roles as parents, furthering the company's objectives in promoting gender inclusivity.

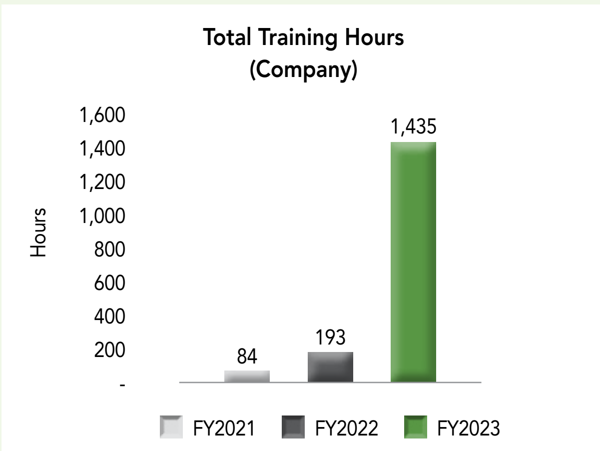
The parental leave utilisation at SKRB for the past 3 years are as follows:

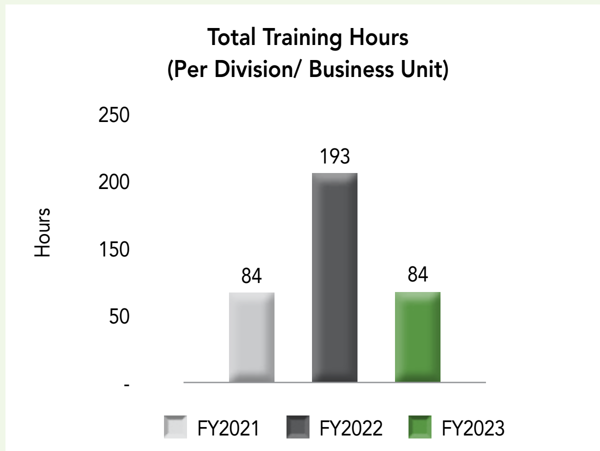
No. of Employees Utilising Parental Leaves	FY2021	FY2022	FY2023
Paternity Leave	0	0	1
Maternity Leave	1	1	1

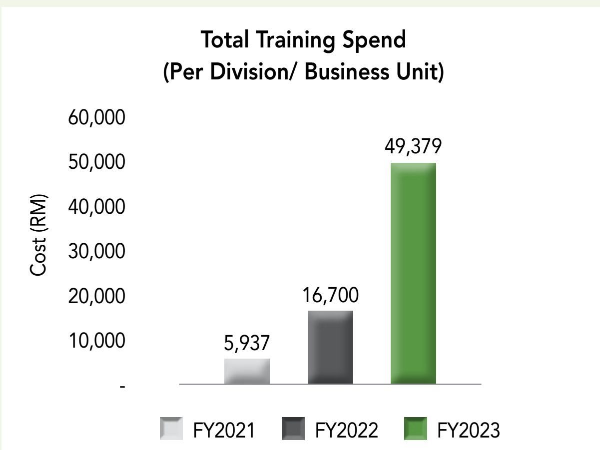
Return to Work Post Parental Leave	FY2021		FY2022		FY2023	
	Male	Female	Male	Female	Male	Female
Return to Work Rates (return to work after parental leave period)	N/A	100%	N/A	100%	100%	100%
Retention Rates (remain with the organisation for 12 months or more post parental leave)	N/A	100%	N/A	100%	100%	100%

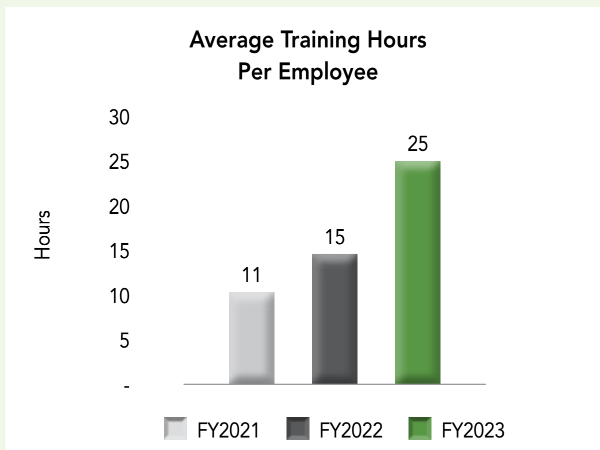
Talent Training

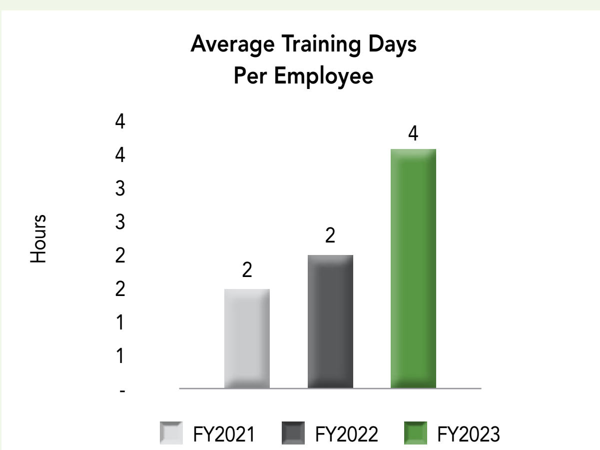
At SKRB, we recognise that our employees are our most valuable asset. Therefore, ongoing staff training is a cornerstone of our human resource strategy. We offer a comprehensive suite of training programmes aimed at skill enhancement, leadership development, and staying abreast of industry best practices. These educational initiatives not only empower our workforce to excel in their current roles but also prepare them for future responsibilities within the Group. By investing in the continuous learning and development of our staff, we are solidifying SKRB's competitive edge in the market while also contributing to employee satisfaction and retention.

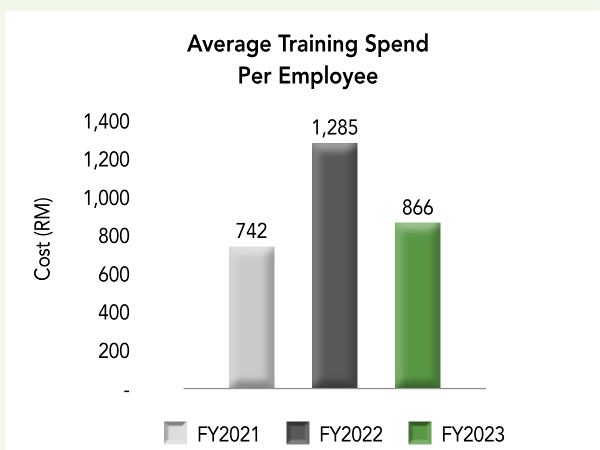

Total Training Hours
(Company)
Hours
1,600
1,400
1,200
1,000
800
600
400
200
-
84
193
1,435
FY2021
FY2022
FY2023

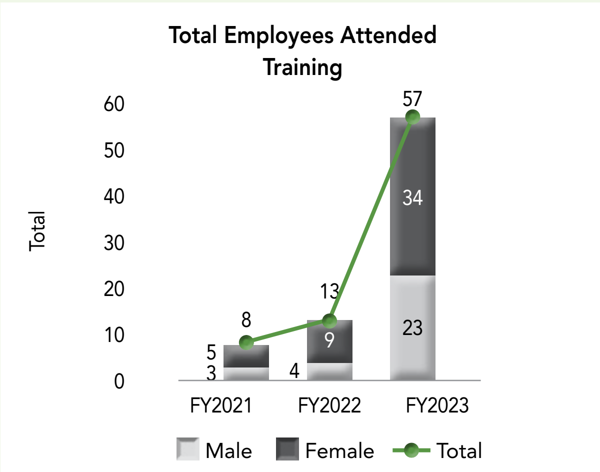

Total Training Hours
(Per Division/ Business Unit)
Hours
250
200
150
50
-
84
193
84
FY2021
FY2022
FY2023

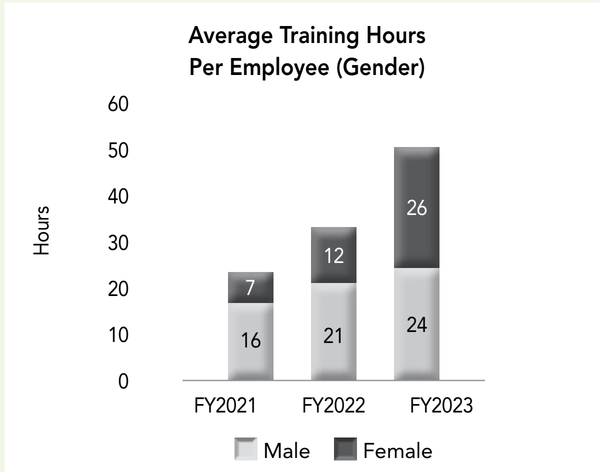

Total Training Spend
(Per Division/ Business Unit)
Cost (RM)
60,000
50,000
40,000
30,000
20,000
10,000
-
5,937
16,700
49,379
FY2021
FY2022
FY2023

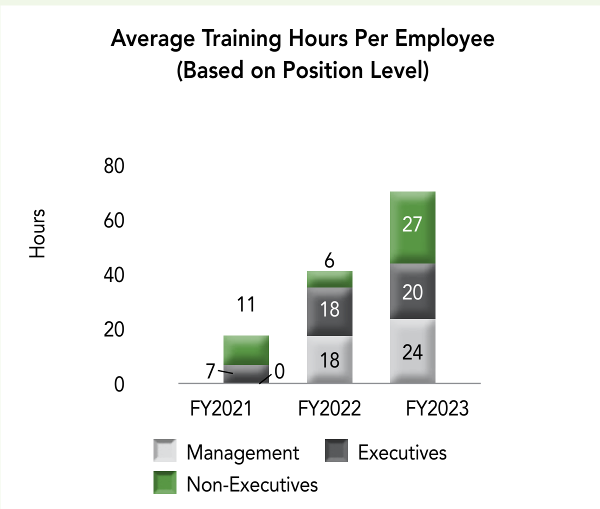

Average Training Hours
Per Employee
Hours
30
25
20
15
10
5
-
11
15
25
FY2021
FY2022
FY2023


Average Training Days
Per Employee
Hours
4
4
3
3
2
2
1
1
-
2
2
4
FY2021
FY2022
FY2023


Average Training Spend
Per Employee
Cost (RM)
1,400
1,200
1,000
800
600
400
200
-
742
1,285
866
FY2021
FY2022
FY2023







COMMUNITY DEVELOPMENT

As an accountable member of the community, SKRB is committed to enacting meaningful change in the areas where we operate. We regularly distribute aid and donations to the less fortunate, while also orchestrating a variety of outreach initiatives, volunteer programmes, and stakeholder engagements. These activities not only bolster the community's socioeconomic well-being but also enrich SKRB's relationships with key stakeholders.

Moreover, we encourage our employees to actively participate in community projects, reinforcing our corporate culture of social responsibility. By doing so, SKRB gains both reputational advantages and increased brand visibility, thereby amplifying the positive impact of our community efforts.

Going forward, we will persistently explore innovative ways to deepen our community involvement, continually striving to make a significant, positive difference in the lives of those around us.

ESG PERFORMANCE DATA TABLE

Topic	Indicators	FY2021	FY2022	FY2023
Common Indicators				
Anti-corruption	Percentage of employees who have received training on anticorruption by employee category	Director: 0% Managerial: 0% Executive: 0% Operational: 0%	Director: 0% Managerial: 0% Executive: 0% Operational: 0%	Director: 100% Managerial: 10% Executive: 52% Operational: 1%
	Percentage of operations assessed for corruption-related risks	0%	0%	0%
	Confirmed incidents of corruption and action taken	0	0	0
Community/ Society	Total amount invested in the community where the target beneficiaries are external to the listed issuer	RM0	RM0	RM0
	Total number of beneficiaries of the investment in communities	0	0	0
Diversity	Percentage of employees by gender:			
	- Managerial staff	Male: 67% Female: 33%	Male: 65% Female: 35%	Male: 55% Female: 45%
	- Executive staff	Male: 24% Female: 76%	Male: 21% Female: 79%	Male: 19% Female: 81%
	- Operational staff	Male: 96% Female: 4%	Male: 95% Female: 5%	Male: 96% Female: 4%
	Percentage of employees by age group:			
	- Managerial staff	< 30: 13.3% 31-50: 46.7% 51-65: 33.3% > 66: 6.7%	< 30: 5.9% 31-50: 58.8% 51-65: 29.4% > 66: 5.9%	< 30: 10.0% 31-50: 55.0% 51-65: 30.0% > 66: 5.0%
	- Executive staff	< 30: 9.5% 31-50: 85.7% 51-65: 4.8% > 66: 0.0%	< 30: 12.5% 31-50: 79.2% 51-65: 8.3% > 66: 0.0%	< 30: 14.8% 31-50: 74.1% 51-65: 11.1% > 66: 0.0%
	- Operational staff	< 30: 42.2% 31-50: 55.2% 51-65: 2.3% > 66: 0.4%	< 30: 35.4% 31-50: 60.8% 51-65: 3.3% > 66: 0.5%	< 30: 36.1% 31-50: 60.3% 51-65: 3.2% > 66: 0.5%

Sustainability Statement

Topic	Indicators	FY2021	FY2022	FY2023
Common Indicators				
Diversity	Percentage of directors by gender	Male: 86% Female: 14%	Male: 75% Female: 25%	Male: 62.5% Female: 37.5%
	Percentage of directors by age group	< 30: 12.5% 31-50: 25.0% 51-65: 50.0% > 66: 12.5%	< 30: 10.0% 31-50: 40.0% 51-65: 30.0% > 66: 20.0%	< 30: 12.5% 31-50: 50.0% 51-65: 37.5% > 66: 0.0%
Energy management	Total energy consumption (GJ)	31,111.3	24,405.2	22,839.9
Health and safety	Number of work-related fatalities	0	0	0
	Lost time incident rate	0.52	4.48	3.9
	Number of employees trained on health and safety standards	0	450	66
Labour practices and standards	Total hours of training by employee category	Managerial: 0 Executive: 7 Operational: 77	Managerial: 70 Executive: 105 Operational: 18	Managerial: 168 Executive: 245 Operational: 1020
	Percentage of employees that are contractors or temporary staff	0%	0%	0%
	Total number of employee turnover by employee category	Managerial: 0 Executive: 3 Operational: 169	Managerial: 1 Executive: 0 Operational: 174	Managerial: 0 Executive: 5 Operational: 163
	Number of substantiated complaints concerning human rights violations	0	0	0
Supply chain management	Proportion of spending on local suppliers	96%	95%	99%
Data privacy and security	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A	0	0
Water	Total volume of water used (Megalitres)	30.43	33.64	20.99
Waste management	Total waste generated, and a breakdown of the following:			
	(i) total waste diverted from disposal (tonnes)	14,336.14	16,002.55	16,731.00
	(ii) total waste directed to disposal (tonnes)	1.857	425.49	0.744

Topic	Indicators	FY2021	FY2022	FY2023
Common Indicators				
Emissions management	Scope 1 emissions in tonnes of CO_2e	458.44	390.80	501.64
	Scope 2 emissions in tonnes of CO_2e	3,834.42	2,944.83	2481.06
Sector-specific Indicators: Consumer Products & Services				
Customer Health & Safety / Product Responsibility	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	0%	0%	0%
	Total number of incidents of noncompliance with regulations or voluntary codes concerning the health & safety impacts of products and services within the reporting period	0	0	0
	Number of recalls issued and total units recalled for health and safety reasons	0	0	0
Materials	Total weight or volume of materials that are used to produce and package products and services	Wood (tonnes): 43,006	Wood (tonnes): 42,229	Wood (tonnes): 33,438

ASSURANCE STATEMENT

SKRB's SS2023 Report has not been subjected to a review by the Group's internal auditors. The data and information presented are based on our internal records and have been compiled in good faith.

Nevertheless, the Board and Management of SKRB give their assurance that the SS2023 offers a just and impartial representation of the Group's EESG achievements, undertakings, and pledges, as scrutinised by the sustainability working teams and the Risk Management and Sustainability Committee ("RMSC").

SKRB is committed to strengthen the credibility of our sustainability reporting going forward, particularly on improving our data accuracy and depth of disclosures and is working towards subjecting the Sustainability Statement to independent assurance in upcoming reporting cycles.

Directors' Profile

ONN KIEN HOE

Chairman and Independent Non-Executive Director
58 years of age, Male, Malaysian

MR ONN KIEN HOE was appointed as an Independent Non-Executive Chairman of Sern Kou Resources Berhad ("SKRB") on 25 November 2022.

He completed his professional qualification with the Association of Chartered Certified Accountants (U.K.) in 1988 and has been in the accounting profession since then. He is a fellow member of the Association of Chartered Certified Accountants. He is also a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Kampuchea Institute of Certified Public Accountants and Auditors.

Mr Onn Kien Hoe is a partner with Crowe Malaysia PLT, an internationally affiliated accounting firm. His role includes acting as the Head of the Corporate Advisory Division of Crowe Malaysia. He is also a Director in Crowe (KH) Co., Ltd, where he is also responsible for the operations of Crowe in Cambodia.

He has extensive experience in the disciplines of audit, advisory and insolvency. He has participated in cross border transactions including mergers and acquisitions, listing, reverse takeovers, due diligence reviews and valuation assignments. His cross-border experience involves transactions on international stock exchanges including London, Hong Kong, Singapore, Australia, Cambodia and Malaysia.

He has served as an examiner for the Malaysian Institute of Certified Public Accountants, a member of the Interpretation Committee of the Malaysian Accounting Standards Board and a member of the General Committee of Malaysian International Chamber of Commerce and Industry.

Currently, he is the Independent Non-Executive Director of Zurich Life Insurance Malaysia Berhad, a public listed company.

Directors' Profile

LOW PENG SIAN @ CHUA PENG SIAN

Managing Director

55 years of age, Male, 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., I&I Construction & Engineering Sdn. Bhd., United Capital Development Sdn. Bhd., UPG Development Sdn. Bhd., CPS Capital Sdn. Bhd. and Prima Alliance 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.

LOO ENG HUA

Non-Independent Non-Executive Director

59 years of age, Male, 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 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.

Prior to joining Sern Kou group, he held Finance Manager, Financial Controller, Senior General Manager and Chief Executive Officer for various companies involved in various business activities.

Currently, he is an Independent Non-Executive Chairman of BTM Resources Berhad, a public listed company.

Directors' Profile

LEE SHEN WANG

Executive Director

30 years of age, Male, 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 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

45 years of age, Female, 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 career 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

48 years of age, Female, Malaysian

MS TEH SU-CHING was appointed as the Independent Non-Executive Director of SKRB on 25 November 2021. She is the Chairperson of Audit Committee and a member of Risk Management and Sustainability Committee.

She is a Chartered Accountant of the Malaysian Institute of Accountants. a Fellow Member of Association of 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 Finance 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 General Manager of Finance and involved in project management and handled several key initiatives in Information Technology, Human Resources, Legal and Finance Department.

She is currently an advisor to a local FMCG company in the e-Commerce sector and a Venture Capital firm in Malaysia focused on early-stage start-ups. She is also a part-time tutor in Tunku Abdul Rahman University of Management and Technology and a certified volunteer with Tzu Chi Foundation in Malaysia.

Ms Teh Su-Ching is also 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

37 years of age, Female, Malaysian

MS SEOW JING HUI took on her role as an Independent Non-Executive Director of SKRB on 20 October 2022. Within the SKRB organization, she actively participates as a member of both the Audit Committee and the Nomination and Remuneration Committee.

Ms Seow Jing Hui is a graduate of Multimedia University, where she earned her LLB (Hons) degree. She achieved admission as an advocate and solicitor of the High Court of Malaya in 2011. At present, she holds the esteemed position of Managing Partner at Messrs Ling & Theng Book.

Throughout her distinguished career as a legal professional, she has showcased her expertise in various areas, including conveyancing, corporate law, and banking affairs. Her background in property development equips her with a comprehensive grasp of the entire property development process, spanning project management, regulatory approvals, and sales administration. Over the years, she has applied her legal knowledge to a wide array of commercial agreements and intricate business negotiations.

Beyond her legal pursuits, she is deeply committed to community service. As one of the founding members of the Lions Club of KL Agape Star, she has consistently demonstrated her dedication by assuming various leadership roles within the club, all in pursuit of the noble objective of extending assistance to those in need.

Directors' Profile

CHUA OOU CHUAN

Independent Non-Executive Director

47 years of age, Male, Malaysian

MR CHUA OOU CHUAN ("Anderson") was appointed as the Independent Non-Executive Director of SKRB on 20 October 2022. He is a Chairman of Nomination and Remuneration Committee and Risk Management and Sustainability Committee, and a member of Audit Committee.

Anderson is a highly accomplished professional with a diverse background in finance, accounting, and international business. He is a graduate of the University Putra of Malaysia and has been a Chartered Accountant of the Malaysian Institute of Accountants since 2004.

Anderson's career includes a pivotal role as the Chief Financial Officer of AmFund Management Berhad, where he served from 2008 to 2017. In this capacity, he oversaw all financial matters and played a crucial role in value creation for shareholders and clients. His leadership extended to serving as a member of the Credit Risk Committee and heading the Strategist & Program Management Office. Additionally, Anderson served as an Independent Advisor of BIMB Investment from 2021 to 2022, a subsidiary fully owned by Bank Islam.

Beyond his extensive experience in the banking industry, Anderson possesses a wealth of international knowledge in tourism and hospitality and fintech industry.

Committed to social responsibility, Anderson actively contributes to various initiatives. He serves as a Committee Member at Tung Shin Hospital Kuala Lumpur and lends his expertise as an Industry Expert Advisory Panel member at Tunku Abdul Rahman University of Management and Technology. Moreover, he is a Member of the Institute of Corporate Directors Malaysia (ICDM) and holds the esteemed position of Treasurer at the Malaysia-New Zealand Chamber of Commerce (MNZCC), where he diligently works towards building strong bilateral trade relationships between the two nations.

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 or potential conflict of interest, including interest in any competing business or any business arrangement involving the Company and the Group.

3. **Conviction of Offences**
   None of the Directors have any conviction for offences other than traffic offences within the past 5 years. There is no sanction or penalty imposed on the Directors by relevant regulatory bodies during the financial year end.

4. **Attendances at Board Meetings**
   The details of the Directors' attendance at Board Meetings are set out on page 94 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 page 202 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 or subsidiaries of public companies.

Key Senior Management

MS TANG CHOON YEN

MS TANG CHOON YEN, female, a Malaysian age 47, 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 44, 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 or potential conflict of interest, including interest in any competing business or any business arrangement involving the Company and the Group.
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

Onn Kien Hoe
Chairman / Independent Non-Executive Director
(Appointed on 25 November 2022)

Low Peng Sian @ Chua Peng Sian
Managing Director

Loo Eng Hua
Non-Independent Non-Executive Director

Lee Shen Wang
Executive Director

Siah Chew Peng
Executive Director

Teh Su-Ching
Independent Non-Executive Director

Seow Jing Hui
Independent Non-Executive Director

Chua Oou Chuan
Independent Non-Executive Director

AUDIT COMMITTEE

Teh Su-Ching - *Chairperson*
(Redesignated on 1 November 2022)
Chua Oou Chuan
(Appointed on 1 November 2022)
Seow Jing Hui
(Appointed on 1 November 2022)

NOMINATION AND REMUNERATION COMMITTEE

Chua Oou Chuan - *Chairman*
(Appointed on 1 November 2022)
Seow Jing Hui
(Appointed on 1 November 2022)
Loo Eng Hua

RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

Chua Oou Chuan - Chairman
(Appointed on 1 November 2022)
Teh Su-Ching
(Appointed on 1 November 2022)
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
E-mail : bsr.helpdesk@boardroomlimited.com

Corporate Information

PRINCIPAL BANKERS

Malayan Banking Berhad
AmBank Islamic Berhad
HSBC Bank Malaysia 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-Third Annual General Meeting ("23rd 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, 24 November 2023 at 10.00 a.m. or at any adjournment thereof, for the following purposes: -

1. To receive the audited financial statements for the financial year ended 30 June 2023 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 97 of the Company's Constitution: -

   i) Mr Loo Eng Hua **(Ordinary Resolution 1)**
   ii) Ms Siah Chew Peng **(Ordinary Resolution 2)**

3. To re-elect Mr Onn Kien Hoe, a Director who is retiring in accordance with Paragraph 104 of the Company's Constitution. **(Ordinary Resolution 3)**

4. To approve the payment of Directors' Fees amounting to RM705,848.00 for the financial year ended 30 June 2023. **(Ordinary Resolution 4)**

5. To approve the payment of Directors' Fees amounting up to RM800,000.00 only for the financial year ending 30 June 2024. **(Ordinary Resolution 5)**

6. 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 RM3,100,000.00 for the period from 1 December 2023 until 31 December 2024. **(Ordinary Resolution 6)**

7. 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 7)**

Special Business

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

8. **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 8)**

9. 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
26 October 2023

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 one (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 forty-eight (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 16 November 2023.

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 and 3 of the Agenda – Ordinary Resolutions 1 to 3

Mr Loo Eng Hua, Ms Siah Chew Peng and Mr Onn Kien Hoe are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 23rd AGM. The profile of the retiring Directors is set out in the Profile of Directors of the Annual Report 2023.

The Directors standing for re-election at the forthcoming 23rd Annual General Meeting of the Company are as: -

i.	Mr Loo Eng Hua	Paragraph 97	Ordinary Resolution 1
ii.	Ms Siah Chew Peng	Paragraph 97	Ordinary Resolution 2
ii.	Mr Onn Kien Hoe	Paragraph 104	Ordinary Resolution 3

The Company's Nomination and Remuneration Committee, having reviewed the performance and contribution of Mr Loo Eng Hua, Ms Siah Chew Peng and Mr Onn Kien Hoe respectively, was satisfied that each of them has performed and contributed to the effectiveness of the Board as a whole during the financial year.

The Board recommends shareholders to vote in favour of the re-election of Mr Loo Eng Hua, Ms Siah Chew Peng and Mr Onn Kien Hoe respectively based on the following consideration:-

(i) satisfactory performance and have met Board's expectation in discharging their duties and responsibilities;
(ii) met the criteria of character, experience, integrity, competence and time commitment in discharging their roles as directors of the Company; and
(iii) their ability to act in the best interest of the Company in decision-making.

The profiles of the above retiring Directors are set out in the Annual Report 2023.

(iii) Items 4, 5 and 6 of the Agenda – Ordinary Resolutions 4 to 6

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 23rd AGM on the Directors' Remuneration in three (3) separate resolutions as below: -

- Resolution 4 on payment of Directors' Fees for the financial year ended 30 June 2023;
- Resolution 5 on payment of Directors' Fees for the financial year ending 30 June 2024; and
- Resolution 6 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 2023 until 31 December 2024 ("Relevant Period").

The payment of the Directors' Fees in respect of the financial year ending 30 June 2024 will only be made if the proposed Resolution 5 has been passed at the 23rd 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 RM3,100,000.00 comprise the insurance premium.

(iii) Items 4, 5 and 6 of the Agenda – Ordinary Resolutions 4 to 6 (Continued)

Payment of Directors' Fees in respect of the financial year ending 30 June 2024 and the 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 Resolutions 5 and 6 has been passed at the 23rd AGM. The Board is of the view that it is just and equitable for the Directors to be paid the Directors' Fees in respect of the financial year ending 30 June 2024 and 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 mentioned financial period. In the event, where the payment of Payment of Directors' Fees in respect of the financial year ending 30 June 2024 and Directors' Remuneration (excluding Directors' Fees) payable during the above period exceeded the estimated amount sought at the AGM, a separate shareholders' approval will be sought at the next AGM.

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

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 23rd AGM.

(v) Item 8 of the Agenda - Ordinary Resolution 8

The proposed Ordinary Resolution 8, 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 2022 ("the Previous Mandate"). The Previous Mandate was not utilised and no proceeds were raised.

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 2023.

COMPOSITION OF AC

The composition of the AC are as follows:

Chairperson
Teh Su-Ching – Independent Non-Executive Director

Member
Chua Oou Chuan – Independent Non-Executive Director
Seow Jing Hui – Independent Non-Executive Director

AUDIT COMMITTEE MEETINGS

The AC met five (5) times during the financial year ended 30 June 2023. The details of their attendance at meetings are as follows:-

Name of Members	No. of Meetings Attended	Percentage (%)
Teh Su-Ching *(Redesignated as Chairperson on 1 November 2022)*	5/5	100
Chua Oou Chuan *(Appointed on 1 November 2022)*	3/3	100
Seow Jing Hui *(Appointed on 1 November 2022)*	3/3	100
Leou Thiam Lai *(Resigned as Chairman on 1 November 2022)*	2/2	100
Datuk Tay Puay Chuan *(Resigned as Member on 1 November 2022)*	2/2	100
Loo Eng Hua *(Resigned as Member on 1 November 2022)*	2/2	100

The composition of the AC complied with the Paragraph 15.09(1)(a), (b) and (c) which composed of 3 members and all the committee members are independent non-executive directors. The Chairperson of the AC, Ms Teh Su-Ching, an Independent Non-Executive Director of the Company, is a Chartered Accountant of the Malaysian Institute of Accountants, a Fellow Member of Association of Certified Accountants (ACCA) and a Member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Further, no alternate director is appointed as a member of the AC.

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.

AUDIT COMMITTEE MEETINGS (Continued)

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 had been revised and adopted on 25 November 2022 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 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;
(d) the direct communication channels with the external auditors and the internal auditors;
(e) the right to obtain independent professional or other advice and to invite outside 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, excluding the attendance of the Executive Directors, Management or employees of the Group, whenever deemed necessary.

The Group's external auditors, internal auditors and certain designated members of senior management also attended the meetings at the invitation of the Chairperson 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 Chairperson 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, which 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 2023, which are summarised as follows: -

a) Ensuring 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, major 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 Company and assessed whether the financial report represents a true and fair view of 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 Company, to be in line with the recommendations set out in the Malaysian Code of Corporate Governance and other applicable rules and regulations.

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, its scope of work and nature for the year and for the Group.
- 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 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 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 independent 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.

SUMMARY OF ACTIVITIES OF THE AC (Continued)

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 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 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.

e) Related Party Transactions and/or Conflict of Interest

- Reviewed related party transactions entered into by the Group and any conflict of interest or potential 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.
- Reviewed the insurance claim status and implication of the fire incident at the manufacturing plants of Sern Kou Furniture Industries Sdn. Bhd., a wholly-owned subsidiary of the Company.

Audit Committee Report

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 control 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.

During the financial year ended 30 June 2023, 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) <u>Enterprise Risk Management, which basically covers:</u>

  - Strategic Risks
  - Human Resources Risks
  - Operational Risks
  - Financial Risks
  - Legal and Regulatory Risks
  - Information Technology General Control Risk

ii) <u>Follow Up Audit</u>

  - Sern Kou Furniture Industries Sdn. Bhd. ("SKFI") Procurement & AP Management Review
  - Sern Kou Plywood Sdn. Bhd.'s Operations & Inventory Management Review
  - SKFI's Operations Management Review

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTIONS (Continued)

iii) Inventory Management, which basically covers:-

- Policies and Procedures of Inventory Management and Stock Impairment
- Inventory Physical Count and Stock Arrangement Control
- Stock Movement Monitoring
- Stock Level Monitoring
- Inventory Aging and Slow-Moving Stock Control
- Inventory Shipping and Delivery Control
- Inventory Transfer Control
- Inventory Return Inwards and Outwards Control
- Inventory Insurance Coverage
- Warehouse Access and Safety Control

iv) Sales, Marketing and Accounts Receivables Management, which basically covers:

- Review of Standard Operating Procedure and Compliance Test
- Matching of Sales Order Processing
- New Customer Assessment
- Existing Customer Evaluation
- Sales Credit Term and Credit Limit Approval
- Review of Marketing Plan and Strategies
- Review of Sales Price basis and system control
- Accounts Receivables tracking and collections
- Debtors Aging and Provision for Doubtful Debts

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 RM42,000 for the internal audit function for the financial year ended 30 June 2023.

This report is made in accordance with the resolution of the Board dated 18 October 2023.

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 2023 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, sustainability policy and practises of the Group, 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.

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 majority Non-Executive Directors which operate within clearly defined terms of reference.

1.1 Strategic Aims, Values and Standards (Continued)

The Board Committees consist of Audit Committee ("AC"), Nomination and Remuneration Committee ("NRC") and Risk Management and Sustainability Committee ("RMSC"), 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. Further, the Company also set up internal management committees to oversees risk and sustainability management of the Group.

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, expertise, 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, Independent Directors assessment checklist 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.

The former Chairman of the Company, Tan Sri Abdul Rahim Bin Mohd Noor had retired at the last Annual General Meeting held, in view of the nine-year policy for Independent Non-Executive Director pursuant to the MCCG.

Accordingly, the Company had on 25 November 2022, appointed Mr Onn Kien Hoe as new Chairman of Company to lead the Board.

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 Mr Onn Kien Hoe, 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 RMSC

The Chairman of the Board is Mr Onn Kien Hoe, an Independent Non-Executive Director and he is not a member of the AC, NRC, and RMSC 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.

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 25 November 2022.

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.

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 at the forthcoming annual general meeting of the Company.

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 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 Internal ESG Management Committee was also established to support RMSC in relation to the sustainability matters. The representative(s) of the Internal ESG Management Committee would be invited to the RMSC Meeting whenever necessary to present the report and findings respectively to the RMSC.

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 assessment result is then 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 2023 to the stakeholders, which provide further insight of the Group's efforts and commitment towards the sustainability issues surrounding the business operation.

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's 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 and Senior Management 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 the Senior Management and their efforts in addressing the company's material sustainability risks and opportunities.

Nevertheless, the Boards review and evaluates its own performance and the performance of its committees on an annual basis to ensure accountability in the performance of the directors and senior management against the sustainability targets set upon them.

The annual assessment of the Board take into the consideration of ability in addressing the Company's material sustainability risk and opportunities.

PART II – BOARD COMPOSITION

5. Strengthen Board's Objectivity

5.1 Board Composition Evaluation

The Board currently consists of eight (8) members, four (4) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Non-Independent Non-Executive Director. The Directors' profiles are disclosed in the Annual Report 2023.

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 50% or half of the Board members and complied with Practice 5.2 of the MCCG.

5.1 **Board Composition Evaluation (Continued)**

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.

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 compises INEDs.

5.3 **Tenure of Independent Director**

No independent director's tenure exceeding a cumulative term of nine (9) years.

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.

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 as well as its Senior Management.

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.

The Board would ensure the appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender to promote greater diversity in the board composition, senior management, and the employees of the Group.

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 (1/3), 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.

Mr Loo Eng Hua and Ms Siah Chew Peng will retire in accordance with Paragraph 97 of the Constitution of the Company and have offered themselves for re-election as Directors of the Company.

Meanwhile, Mr Onn Kien Hoe will retire in accordance with Paragraph 104 of the Constitution of the Company and being eligible, has offered himself for re-election as Director 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 is aware and may also utilise independent sources to identify suitable qualified candidates, which complies with Practice 5.6 of the MCCG.

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 Mr Onn Kien Hoe 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.

During the financial year, the NRC had reviewed, assessed and recommended the appointment of Mr Onn Kien Hoe as the Independent Non-Executive Chairman of the Company. The recommendation was proposed by the existing board member.

The NRC had considered and is of the view that the given the needs and size of the Company and the relevant higher cost to be incurred, the NRC opined that the utilisation of independent sources to identify suitably qualified candidates was not required at the moment.

5.8 NRC (Continued)

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

- Chua Oou Chuan (Independent Non-Executive Director) – Chairman (Appointed on 1 November 2022)
- Mr Loo Eng Hua (Non-Independent Non-Executive Director) – Member
- Ms Seow Jing Hui (Independent Non-Executive Director) – Member (Appointed on 1 November 2022)

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 Mr Onn Kien Hoe as an Independent Non-Executive Director/Chairman 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.

However, the Board has yet to implement gender diversity policy and target, or has any immediate plans to implement such policy and target as the Board is of the view that gender should not be a basis of evaluation and that candidate should be sought after based on their level of experience and skill set as well as other qualities as stated above.

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.

5.10 Gender Diversity Policy (Continued)

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

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 out 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 2023 is set out as follows:-

<u>Abbreviation</u>
AC : Audit Committee
NRC : Nomination and Remuneration Committee
RMSC : Risk Management and Sustainability Committee
AGM : Annual General Meeting

Meeting Attendance	Board	AC	NRC	RMSC	AGM
Tan Sri Abdul Rahim Bin Mohd Noor *(Retired on 25 November 2022)*	2/2	-	-	-	0/1
Low Peng Sian @ Chua Peng Sian	5/5	-	-	3/3	1/1
Datuk Tay Puay Chuan *(Retired on 25 November 2022)*	2/2	2/2	1/1	1/1	1/1
Leou Thiam Lai *(Resigned on 16 December 2022)*	3/3	2/2	1/1	1/1	1/1
Onn Kien Hoe *(Appointed on 25 November 2022)*	2/2	-	-	-	-
Loo Eng Hua	5/5	2/2	2/2	-	1/1
Lee Shen Wang	4/5	-	-	-	1/1
Siah Chew Peng	5/5	-	-	-	1/1
Teh Su-Ching	5/5	5/5	1/1	2/2	1/1
Chua Oou Chuan	3/3	3/3	1/1	2/2	1/1
Seow Jing Hui	3/3	3/3	1/1	-	1/1

6.1 Annual Evaluation (Continued)

__Notes:__

1. Mr Chua Oou Chuan has been appointed as an Independent Non-Executive Director ("INED") of the Company on 20 October 2022. He has been appointed as a Chairman of NRC, Chairman of RMSC, and a member of AC on 1 November 2022 respectively.
2. Mr Seow Jing Hui has been appointed as INED of the Company on 20 October 2022. She was appointed as a member of AC and NRC on 1 November 2022 respectively.
3. Datuk Tay Puay Chuan resigned as a Chairman of NRC, and members of AC and RMSC respectively on 1 November 2022. He retired on 25 November 2022 (upon the conclusion of the Annual General Meeting held on 25 November 2022).
4. Mr Leou Thiam Lai resigned as a Chairman of AC, Chairman of RMSC and member of NRC on 1 November 2022. He resigned as an INED on 16 December 2022 and accordingly his position in the board committees be ipso facto ceased.
5. Ms Teh Su-Ching has been redesignated as a Chairperson of AC and appointed as a member of RMSC on 1 November 2022 respectively. She resigned as a member of NRC on 1 November 2022.
6. Tan Sri Abdul Rahim Bin Mohd Noor retired on 25 November 2022 (upon the conclusion of the Annual General Meeting held on 25 November 2022).
7. Mr Onn Kien Hoe has been appointed as an INED and Chairman of the Board of Directors on 25 November 2022.

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.

None of the directors hold more than 5 directorships in public listed companies.

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.

6.2 Directors' Training (Continued)

During the financial year ended 30 June 2023, 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
Onn Kien Hoe	Updates on IFRS for SMEs	4 August 2022
	Financial Reporting Considerations under Uncertain Times	15 August 2022
	ISA 220 (Revised) New Approach to Quality Management at The Engagement	17 August 2022
	Equity Accounting, Joint Ventures and Joint Arrangements	19 August 2022
	MPERS: Practical Issues and Fair Value Measurements	22 August 2022
	Essential ISA Requirements: A Detailed Study with Practical Examples (Part 2) - ISA 500, 510 & 520 Audit Evidence, Opening Balances and Analytical Procedures	24 August 2022
	MIA Conference 2023	13 - 14 June 2023
	2023 ESG Targets & KPI Workshop	23 June 2023
	MPERS - Updates and Application of MPERS	4 - 5 July 2023
Low Peng Sian @ Chua Peng Sian	2023 ESG Targets & KPI Workshop	23 June 2023
Loo Eng Hua	Mastering INCOTERM 2020 And Letter of Credit – Term Compliance Technique for Collection Improvement	10 November 2022
	Identifying and Classifying Obligations Arising from Business Activities	19 December 2022
	Merger and Acquisition Activities – A Practitioners' Guide to Day-One Accounting	20 December 2022
	2023 ESG Targets & KPI Workshop	23 June 2023
Lee Shen Wang	2023 ESG Targets & KPI Workshop	23 June 2023
Siah Chew Peng	AGM, Accounts, Annual Returns under CA 2016	27 October 2022
	Compliance with Guidelines for the Reporting Framework for Beneficial Ownership of Legal Persons	6 December 2022
	Key Income Tax Updates	20 December 2022
	#Digital4ESG Forum 10.5.2023	10 May 2023
	Strengthening Corporate Governance in ESG	18 May 2023

6.2 Directors' Training (Continued)

Name of Director	Course Attended	Date
Teh Su-Ching	Invitation to talk in TARUC Inaugral Corporate Governance Awareness Campaign	23 September 2022
	SC InvestSmart ®Fest 2022	14 - 16 October 2022
	Sustainability Governance	12 January 2023
	ESG Workshop	25 February 2023
	Standard Chartered – Boosting Portfolio Immunity with Healthcare Equities	31 March 2023
	10th International Planters Conference	12 - 14 June 2023
	Foreign Sourced Income: Tax or No Tax	21 June 2023
	ECF Accelerator Programme – Fundraising Bootcamp	18 August 2023
Chua Oou Chuan	Advocacy Dialogue on the Enhanced Sustainability Reporting Framework	12 December 2022
	Mandatory Accreditation Programme	7 - 9 February 2023
	Power Talk - Advancing Cyber Resilience	25 May 2023
	2023 ESG Targets & KPI Workshop	23 June 2023
	Work 3.0 & Beyond – Reimagining Leadership in A Hybrid World	26 July 2023
Seow Jing Hui	Mandatory Accreditation Programme	7 - 9 February 2023
	2023 ESG Targets & KPI Workshop	23 June 2023

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.

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 Mr Chua Oou 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.

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.

7.2 Detailed Disclosure of Directors' Remuneration (Continued)

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 2023 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	-	-	-	3,050	10,250
Lee Shen Wang	-	-	-	-	3,050	3,050
Siah Chew Peng	-	315,000	38,920	-	3,050	356,970
TOTAL	**7,200**	**315,000**	**38,920**	**-**	**9,150**	**370,270**
Non-Executive Directors						
Tan Sri Abdul Rahim Bin Mohd Noor *(Retired on 25 November 2022)*	41,909	-	-	-	747	42,656
Datuk Tay Puay Chuan *(Retired on 25 November 2022)*	28,154	-	-	-	747	28,901
Leou Thiam Lai *(Resigned on 16 December 2022)*	30,882	-	-	-	897	31,779
Loo Eng Hua	348,100	-	-	-	3,050	351,150
Teh Su-Ching	73,300	-	-	-	3,050	76,350
Seow Jing Hui *(Appointed on 20 October 2022)*	50,624	-	-	-	1,346	51,970
Chua Oou Chuan *(Appointed on 20 October 2022)*	60,224	-	-	-	1,346	61,570
Onn Kien Hoe *(Appointed on 25 November 2022)*	65,455	-	-	-	1,196	66,651
TOTAL	**698,648**	**-**	**-**	**-**	**12,379**	**711,027**

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

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	1,320,000	149,217	24,794	3,050	1,504,261
Lee Shen Wang	-	640,000	77,919	23,950	3,050	744,919
Siah Chew Peng	-	315,000	38,920	11,100	3,050	368,070
TOTAL	**7,200**	**2,275,000**	**266,056**	**59,844**	**9,150**	**2,617,250**
Non-Executive Directors						
Tan Sri Abdul Rahim Bin Mohd Noor *(Retired on 25 November 2022)*	41,909	-	-	-	747	42,656
Datuk Tay Puay Chuan *(Retired on 25 November 2022)*	28,154	-	-	-	747	28,901
Leou Thiam Lai *(Resigned on 16 December 2022)*	30,882	-	-	-	897	31,779
Loo Eng Hua	348,100	-	-	17,400	3,050	368,550
Teh Su-Ching	73,300	-	-	-	3,050	76,350
Seow Jing Hui *(Appointed on 20 October 2022)*	50,624	-	-	-	1,346	51,970
Chua Oou Chuan *(Appointed on 20 October 2022)*	60,224	-	-	-	1,346	61,570
Onn Kien Hoe *(Appointed on 25 November 2022)*	65,455	-	-	-	1,196	66,651
TOTAL	**698,648**	**-**	**-**	**17,400**	**12,379**	**728,427**

7.2 Detailed Disclosure of Directors' Remuneration (Continued)

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	698,648	7,200	698,648
Salary and Bonus	2,275,000	-	315,000	-
EPF, SOCSO and EIS Contribution	266,056	-	38,920	-
Benefit-In-Kind*	59,844	17,400	-	-
Other Emoluments^	9,150	12,379	9,150	12,379

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

iv. Analysis of Directors' Remuneration

Total remuneration of Directors in respect of the financial year ended 30 June 2023, in bands of RM50,000 is tabulated below:

Range of Remuneration RM	Group		Company	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	-	-	2	-
50,001 – 100,000	-	4	-	4
100,001– 150,000	-	-	-	-
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	-	-	-	-
600,001 – 650,000	-	-	-	-
650,001 – 700,000	-	-	-	-
700,001 – 750,000	1	-	-	-
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.

The number of top two (2) senior management whose remuneration (comprising salary, bonus and other emoluments) for the financial year ended 30 June 2023 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	-
RM100,001 to RM150,000	1
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 2023, 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: -

- Teh Su-Ching – Chairperson (Redesignated on 1 November 2022)
- Chua Oou Chuan – Member (Appointed on 1 November 2022)
- Seow Jing Hui – Member (Appointed on 1 November 2022)

The AC has at least one (1) 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 three (3) years before being appointed as a member of the AC, which applied 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.

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 External 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 17 October 2023 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 2023.

8.2 **Transparency and Professional relationship with the external auditors (Continued)**

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 in the financial year ended 30 June 2023 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.

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 (1) 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.

Meanwhile, all members of the AC would undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules, whenever possible.

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 2023 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 engaging partner, 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.

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 2023 Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 30 June 2023.

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, Board Diversity 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.

11. Continuous Communication Between Company and Stakeholders (Continued)

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.

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.

The Company does not have meetings in remote locations nor does it have a large number of shareholders for it to leverage on technology to facilitate shareholders voting in absentia or having remote shareholders' participation in general meetings.

The Company's general meetings have always been held at a venue which is easily accessible.

Shareholders are entitled to appoint representatives or proxy/proxies/Chairman to vote on their behalf in their absence.

Having said that, the Company is also looking into the proposal and have explored to leverage on technology to facilitate virtual general meetings and remote shareholders' participation at previous general meetings held.

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 22nd 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 22nd 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 18 October 2023.

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 2023. 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 2023 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 at least 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 2023, 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 2023 was at RM42,000.

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 2023. 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 18 October 2023.

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 2023, 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 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 were 231,340,645 warrants converted into ordinary shares for financial year ended 30 June 2023. The Company had raised RM30,074,283.85 via the exercise of warrants and it has proposed to allocate only RM7,500,000 to be utilised as working capital for financial year ended 30 June 2023.

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 2023: -

Utilisation of proceeds	Proposed utilisation RM	Actual utilisation RM	Balance available for utilisation RM
Working capital	7,500,000	7,500,000	26,246,80 *

* *Balance available for utilisation from the total proceeds raised from the corporate proposal.*

The Warrants 2018/2023 as constituted in the Deed Poll dated 5 March 2018 had expired on 20 March 2023 ("Expiry Date") and a notice of warrants expiry had been issued to all warrants holders.

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 2023.

RECURRENT RELATED PARTY TRANSACTION

During the financial year ended 30 June 2023, the Company did not enter into any recurrent related party transactions.

Additional Compliance Information

SHARE ISSUANCE SCHEME

The Company did not implement any share issuance scheme during the financial year ended 30 June 2023.

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 2023 are as follow: -

Details of fees	Group (RM)	Company (RM)
Statutory Audit Fees	163,000	34,000
Non-Audit Fee	5,000	5,000
	168,000	39,000

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 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and provision of management services. The principal activities of the subsidiaries are mainly manufacturing, processing and trading all kinds of timber, wood and related products, and logging, processing and trading of rubberwood and timber. Further details of the subsidiaries are set out 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	1,252,760	421,088
Attributable to:		
Owners of the parent	1,302,468	421,088
Non-controlling interests	(49,708)	-
	1,252,760	421,088

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 2023.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary shares of the Company were increased from 846,756,897 to 1,078,097,542 by way of issuance of 231,340,645 new ordinary shares pursuant to 231,340,645 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.

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, 231,340,645 warrants were exercised. On 20 March 2023, remaining unexercised warrants expired and ceased to be valid.

The salient terms of the Warrants were 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 financial year 2021.

(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.

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>

Low Peng Sian @ Chua Peng Sian	
Loo Eng Hua	
Lee Shen Wang	
Siah Chew Peng	
Teh Su-Ching	
Seow Jing Hui	(Appointed on 20 October 2022)
Chua Oou Chuan	(Appointed on 20 October 2022)
Onn Kien Hoe	(Appointed on 25 November 2022)
Datuk Tay Puay Chuan	(Retired on 25 November 2022)
Tan Sri Abdul Rahim Bin Mohd Noor	(Retired on 25 November 2022)
Leou Thiam Lai	(Resigned on 16 December 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 2023 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 1.7.2022	Bought	Sold	Balance as at 30.6.2023
Shares in the Company				
Direct interests:				
Low Peng Sian @ Chua Peng Sian	106,161,000	46,903,500	-	153,064,500
Loo Eng Hua	800,000	100,000	(600,000)	300,000
Lee Shen Wang	120,000	-	-	120,000
Indirect interests:				
Low Peng Sian @ Chua Peng Sian	144,000,000	41,000,000	(30,000,000)	155,000,000

	Number of warrants				
	Balance as at 1.7.2022	Bought	Exercised	Sold	Balance as at 30.6.2023
Warrants in the Company					
Direct interests:					
Low Peng Sian @ Chua Peng Sian	40,509,900	-	(25,409,900)	(15,100,000)	-
Loo Eng Hua	100,000	-	(100,000)	-	-
Indirect interests:					
Low Peng Sian @ Chua Peng Sian	72,000,000	-	(41,000,000)	(31,000,000)	-

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' REMUNERATION

Directors' remuneration of the Group and of the Company for the financial year ended 30 June 2023 were as follow:

	Group RM	Company RM
Fees	705,848	705,848
Other emoluments	2,643,524	375,448
Estimated monetary value of benefits-in-kind	77,244	-
	3,426,616	1,081,296

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 RM21,529.

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.

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 render the amounts written off for bad debts or 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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 16 December 2022, a fire incident occurred at a plant consisting of one (1) single storey furniture factory building owned by Sern Kou Furniture Industries Sdn. Bhd. ("SKFI") situated at Lot 8805, Mukim of Jalan Bakri, District of Muar, Johor. The fire incident caused damage to certain assets and inventories which were destroyed and written off, as follows:

	Amounts written off and impairment RM	Revaluation impairment RM	Total RM
Factory building	1,945,663	5,134,307	7,079,970
Machinery, factory equipment, tools and equipment	578,673	-	578,673
Inventories	3,514,624	-	3,514,624
	6,038,960	5,134,307	11,173,267

During the financial year, the Group received interim insurance compensation for damages arising from the fire incident of RM8,260,363 which was recognised in other income.

AUDITORS

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

Auditors' remuneration of the Group and of the Company for the financial year ended 30 June 2023 were as follows:

	Group RM	Company RM
Statutory audit	163,000	34,000
Non-statutory audit	5,000	5,000
	168,000	39,000

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

Low Peng Sian @ Chua Peng Sian
Director

Lee Shen Wang
Director

Johor Bahru
18 October 2023

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 125 to 197 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 2023 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,

Low Peng Sian @ Chua Peng Sian Director	**Lee Shen Wang** Director

Johor Bahru
18 October 2023

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 125 to 197 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)
18 October 2023)

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 2023 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 125 to 197.

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 2023, 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 2023, trade receivables of the Group amounted to RM99,128,513. 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.

KEY AUDIT MATTERS (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.

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.

(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.

Independent Auditors' Report
To the Members of Sern Kou Resources Berhad
(Incorporated in Malaysia)

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

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
03056/04/2025 J
Chartered Accountant

Kuala Lumpur
18 October 2023

Statements of Financial Position
As at 30 June 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	82,019,596	88,607,746	-	-
Right-of-use assets	8	27,522,268	28,375,071	-	-
Investment properties	9	13,030,000	13,030,000	-	-
Investments in subsidiaries	10	-	-	112,937,457	112,937,457
		122,571,864	130,012,817	112,937,457	112,937,457
Current assets					
Inventories	11	28,805,345	30,619,480	-	-
Trade and other receivables	12	112,488,695	102,554,884	6,516,181	24,125
Current tax recoverable		2,289,633	1,318,328	76,875	-
Cash and bank balances	13	80,235,287	56,943,311	26,911,084	2,964,584
		223,818,960	191,436,003	33,504,140	2,988,709
TOTAL ASSETS		346,390,824	321,448,820	146,441,597	115,926,166
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	106,783,251	76,708,967	106,783,251	76,708,967
Reserves	15	126,076,887	126,205,846	39,535,547	39,114,459
		232,860,138	202,914,813	146,318,798	115,823,426
Non-controlling interests	10	3,942,400	2,032,108	-	-
TOTAL EQUITY		236,802,538	204,946,921	146,318,798	115,823,426
LIABILITIES					
Non-current liabilities					
Borrowings	16	10,711,038	12,490,181	-	-
Lease liabilities	8	3,388,438	4,522,097	-	-
Deferred tax liabilities	17	15,763,448	16,688,175	-	-
		29,862,924	33,700,453	-	-
Current liabilities					
Trade and other payables	18	15,040,485	24,617,160	122,799	102,740
Borrowings	16	62,951,464	55,500,557	-	-
Lease liabilities	8	1,733,413	1,841,670	-	-
Current tax liabilities		-	842,059	-	-
		79,725,362	82,801,446	122,799	102,740
TOTAL LIABILITIES		109,588,286	116,501,899	122,799	102,740
TOTAL EQUITY AND LIABILITIES		346,390,824	321,448,820	146,441,597	115,926,166

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 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Revenue	21	380,631,726	338,266,279	1,980,000	1,890,000
Cost of sales		(361,541,370)	(308,557,429)	-	-
Gross profit		19,090,356	29,708,850	1,980,000	1,890,000
Other income		2,074,894	2,086,785	57,525	-
Other income - insurance compensation	32	8,260,363	-	-	-
Loss on inventory and property, plant and equipment due to fire incident	32	(6,038,960)	-	-	-
Selling and distribution expenses		(3,210,297)	(3,612,207)	-	-
Administrative expenses		(11,296,953)	(9,255,992)	(1,468,437)	(1,406,137)
Other operating expenses		(1,117,627)	(65,509)	-	-
Impairment losses on trade receivables	12(c)	(310,765)	(100,000)	-	-
Finance costs	22	(3,670,450)	(2,798,038)	-	-
Profit before taxation	23	3,780,561	15,963,889	569,088	483,863
Taxation	24	(2,527,801)	(6,137,704)	(148,000)	(452,592)
Profit for the financial year		1,252,760	9,826,185	421,088	31,271
Other comprehensive income					
Item that will not be reclassified subsequently to profit or loss					
Fair value adjustment on revaluation of properties, net of tax	24(a)	(1,431,427)	-	-	-
Total other comprehensive loss, net of tax		(1,431,427)	-	-	-
Total comprehensive (loss)/income		(178,667)	9,826,185	421,088	31,271
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		1,302,468	9,213,414	421,088	31,271
Non-controlling interests	10	(49,708)	612,771	-	-
		1,252,760	9,826,185	421,088	31,271
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(128,959)	9,213,414	421,088	31,271
Non-controlling interests	10	(49,708)	612,771	-	-
		(178,667)	9,826,185	421,088	31,271
Earnings per ordinary share attributable to owners of the parent (sen)					
- Basic	25	0.14	1.12		
- Diluted	25	0.14	0.91		

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

Statements of Changes in Equity
For the Financial Year Ended 30 June 2023

	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 2022		76,708,967	46,293,987	79,911,859	202,914,813	2,032,108	204,946,921
Profit/(Loss) for the financial year		-	-	1,302,468	1,302,468	(49,708)	1,252,760
Other comprehensive loss, net of tax							
Fair value adjustment on revaluation of properties, net of tax							
- gain	24(a)	-	3,035,957	-	3,035,957	-	3,035,957
- loss	24(a)	-	(565,311)	-	(565,311)	-	(565,311)
Impairment loss	24(a)	-	(3,902,073)	-	(3,902,073)	-	(3,902,073)
Total comprehensive (loss)/income		-	(1,431,427)	1,302,468	(128,959)	(49,708)	(178,667)
Transactions with owners							
Ordinary shares issued pursuant to warrants exercised	14	30,074,284	-	-	30,074,284	-	30,074,284
Additional shares subscribed by non-controlling interests		-	-	-	-	1,960,000	1,960,000
Total transactions with owners		30,074,284	-	-	30,074,284	1,960,000	32,034,284
Balance as at 30 June 2023		106,783,251	44,862,560	81,214,327	232,860,138	3,942,400	236,802,538
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
Transactions 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		-	-	-	-	244,510	244,510
Total transactions 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

Statements of Changes in Equity
For the Financial Year Ended 30 June 2023

	Note	Share capital RM	Retained earnings RM	Total equity RM
Company				
Balance as at 1 July 2022		76,708,967	39,114,459	115,823,426
Profit for the financial year		-	421,088	421,088
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	421,088	421,088
Transaction with owners				
Ordinary shares issued pursuant to warrants exercised	14	30,074,284	-	30,074,284
Balance as at 30 June 2023		106,783,251	39,535,547	146,318,798
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

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

Statements of Cash Flows
For the Financial Year Ended 30 June 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		3,780,561	15,963,889	569,088	483,863
Adjustments for:					
Property, plant and equipment					
- depreciation	7	3,342,379	3,524,860	-	-
- written off		2,537,033	1,830	-	-
- impairment loss	7(c)(vi)	1,084,487	-	-	-
- gain on disposal	23	(643,042)	(44,296)	-	-
Right-of-use assets					
- depreciation	8	2,191,663	1,987,144	-	-
- rent concessions	8	-	(17,600)	-	-
Inventories					
- allowance for slow moving	11	-	400,000	-	-
- written off	11	3,514,624	-	-	-
Impairment loss on trade receivables	12(c)	310,765	100,000	-	-
Bad debt written off	23	186,801	-	-	-
Interest expense	22	3,670,450	2,798,038	-	-
Interest income	23	(186,358)	(44,446)	(57,525)	-
Unrealised gain on foreign exchange	23	(9,547)	(3,240)	-	-
Operating profit before changes in working capital		19,779,816	24,666,179	511,563	483,863
Changes in working capital:					
Inventories		(1,700,489)	(7,146,051)	-	-
Trade and other receivables		(10,431,377)	(9,671,739)	7,944	2,000
Trade and other payables		(10,128,369)	8,148,452	20,059	30,196
Cash (used in)/generated from operations		(2,480,419)	15,996,841	539,566	516,059
Tax paid		(4,813,861)	(7,853,378)	(224,875)	(480,712)
Net cash (used in)/from operating activities		(7,294,280)	8,143,463	314,691	35,347

Statements of Cash Flows
For the Financial Year Ended 30 June 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2023 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Consideration from non-controlling interest on subscription of new shares of a subsidiary		1,960,000	244,510	-	-
Advances to a subsidiary		-	-	(6,500,000)	-
Interest received		186,358	44,446	57,525	-
Investment in subsidiaries		-	-	-	(8,300,000)
Net cash payments on right-of-use assets	8(d)	(598,123)	(274,347)	-	-
Property, plant and equipment					
- purchase	7(d)	(2,776,855)	(1,077,749)	-	-
- proceeds from disposal		1,605,000	47,398	-	-
Proceeds from disposal of investment property		-	7,500,000	-	-
Net cash from/(used in) investing activities		376,380	6,484,258	(6,442,475)	(8,300,000)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest expense		(3,670,450)	(2,798,038)	-	-
Term loans					
- drawdown		-	3,516,640	-	-
- repayments		(3,458,143)	(2,376,066)	-	-
Net drawdown of bankers' acceptance		9,281,050	10,572,891	-	-
Placement of deposits pledged		(577,276)	(564,382)	-	-
Withdrawal of Escrow account		-	174,490	-	-
Repayment of lease liabilities	8	(1,869,063)	(1,749,602)	-	-
Proceeds from issuance of ordinary shares pursuant to warrants exercised	14	30,074,284	6,845,774	30,074,284	6,845,774
Net cash from financing activities		29,780,402	13,621,707	30,074,284	6,845,774
Net increase/(decrease) in cash and cash equivalents		22,862,502	28,249,428	23,946,500	(1,418,879)
Effect of exchange rate changes on cash and cash equivalents		3,341	340	-	-
Cash and cash equivalents at beginning of financial year		54,348,417	26,098,649	2,964,584	4,383,463
Cash and cash equivalents at end of financial year	13(d)	77,214,260	54,348,417	26,911,084	2,964,584

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Term loans (Note 16) RM	Bankers' acceptance (Note 16) RM	Lease liabilities (Note 8) RM
As 1 July 2022	15,985,260	49,974,966	6,363,767
Cash flows			
- Drawdown of principal	-	180,888,566	-
- Repayment of principal	(3,458,143)	(171,607,516)	(1,869,063)
- Payment of interests	(739,435)	(1,927,522)	(308,829)
Non-cash flows:			
- Additions	-	-	618,500
- Interest expense	739,435	1,927,522	308,829
- Reassessments	-	-	8,647
At 30 June 2023	12,527,117	59,256,016	5,121,851
As 1 July 2021	14,844,686	39,402,075	4,648,416
Cash flows			
- Drawdown of principal	3,516,640	161,464,973	-
- Repayment of principal	(2,376,066)	(150,892,082)	(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

** Borrowings exclude bank overdrafts*

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

Notes to the Financial Statements
30 June 2023

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 2023 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the Company's functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 18 October 2023.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Business combinations (continued)

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

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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Property, plant and equipment and depreciation (continued)

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.

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% - 25%
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 4.8 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Leases (continued)

The Group as lessee (continued)

Right-of-use asset (continued)

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%

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Investment properties (continued)

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.

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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Impairment of non-financial assets (continued)

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.

4.9 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 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.

4.11 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.

4.12 Impairment of financial assets

The Group applies the simplified approach to measure expected credit loss ("ECL"). This entails recognising a lifetime expected loss allowance for all trade receivables.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 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 amount owing from a subsidiary 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. Credit impaired refers to any individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

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.

4.13 Borrowing costs

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

4.14 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Income taxes (continued)

(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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 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.

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.

4.16 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 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 Company 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.

4.18 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 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:

<u>Sale of goods</u>

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.

Revenue recognition not in relation to performance obligations is described below:

(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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.21 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.

4.22 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.

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
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3 *Business Combinations*)	1 January 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 *Property, Plant and Equipment*)	1 January 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*)	1 January 2022

Adoption of the above Standards and 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 2023

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
MFRS 17 *Insurance Contracts*	1 January 2023
Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendment to MFRS 17 *Insurance Contracts*)	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*)	1 January 2023
Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 *Income Taxes*)	1 January 2023
International Tax Reform - Pillar Two Model Rules (Amendments to MFRS 112 *Income Taxes*)	Refer paragraph 98M of MFRS 112
Lease liability in a sale and leaseback (Amendments to MFRS 16 *Leases*)	1 January 2024
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2024
Non-current Liabilities with Covenants (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2024
Supplier Finance Arrangements (Amendments to MFRS 107 *Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures*)	1 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 *Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures*)	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 for the future financial years.

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.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.7.2022 RM	Additions RM	Disposals RM	Written off RM	Impairment due to fire incident (Note 32) RM	Net fair value adjustment RM	Transfer from right-of -use assets (Note 8) RM	Depreciation charge for the year RM	Balance as at 30.6.2023 RM
Carrying amount									
Freehold land	15,370,000	-	-	-	-	-	-	-	15,370,000
Buildings	61,965,195	431,160	-	-	(7,079,970)	1,326,556	-	(1,232,941)	55,410,000
Machinery, factory equipment, tools and equipment	9,711,901	2,077,714	(961,954)	(7,453)	(578,673)	-	678,299	(1,602,211)	9,317,623
Motor vehicle and forklifts	442,036	576,643	(4)	-	-	-	47,917	(319,729)	746,863
Office equipment, furniture and fittings	497,879	106,226	-	(5,244)	-	-	-	(89,434)	509,427
Renovation	620,735	143,012	-	-	-	-	-	(98,064)	665,683
	88,607,746	3,334,755	(961,958)	(12,697)	(7,658,643)	1,326,556	726,216	(3,342,379)	82,019,596

	At 30.6.2023 Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment RM	Carrying amount RM
Freehold land	-	15,370,000	-	-	15,370,000
Buildings	-	57,437,368	(199,048)	(1,828,320)	55,410,000
Machinery, factory equipment, tools and equipment	24,196,803	-	(14,879,180)	-	9,317,623
Motor vehicle and forklifts	4,891,879	-	(4,145,016)	-	746,863
Office equipment, furniture and fittings	1,802,244	-	(1,292,817)	-	509,427
Renovation	3,413,060	-	(2,747,377)	-	665,683
	34,303,986	72,807,368	(23,263,438)	(1,828,320)	82,019,596

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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)

(a) Had the revalued freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts would have been:

	Group 2023 RM	Group 2022 RM
Freehold land	6,343,186	6,343,186
Buildings	23,040,526	26,445,425
	29,383,712	32,788,611

(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 2023 RM	Group 2022 RM
Freehold land	11,780,000	11,780,000
Buildings	55,410,000	61,965,195
	67,190,000	73,745,195

(c) The fair value of the properties of the Group are categorised as follows:

2023	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Freehold land	-	-	15,370,000	15,370,000
Buildings	-	-	55,410,000	55,410,000
	-	-	70,780,000	70,780,000

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

(i) Freehold land and buildings ('properties') of the Group were revalued on 30 June 2023 and 30 June 2022 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.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) The fair value of the properties of the Group are categorised as follows (continued):

(iii) There were no transfer between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 30 June 2023 and 30 June 2022.

(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 RM40 (2022: RM6 to RM41)	Lower or higher price per square foot, lower or higher fair value.
Buildings	Cost method	Estimated replacement cost per square foot	RM54 to RM120 (2022: RM54 to RM120)	Lower or higher estimated replacement cost, higher or lower fair value.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) The fair value of the properties of the Group are categorised as follows (continued):

(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	
	2023 RM	2022 RM
Balance as at beginning of financial year	77,335,195	78,586,435
Additions	431,160	60,000
Depreciation	(1,232,941)	(1,311,240)
Impairment due to fire incident (Note 32) recognised in:		
- profit or loss	(1,945,663)	-
- other comprehensive income (Note 24(a))	(5,134,307)	-
	(7,079,970)	-
Fair value adjustment:		
- gain recognised in other comprehensive income (Note 24(a))	3,154,876	-
- loss recognised in profit or loss	(1,084,487)	-
- loss recognised in other comprehensive income (Note 24(a))	(743,833)	-
	1,326,556	-
Balance as at end of financial year	70,780,000	77,335,195

(d) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	2023 RM	2022 RM
Additions of property, plant and equipment	3,334,755	1,077,749
Amount owing to vendors (Note 18(c))	(557,900)	-
Cash payments on purchase of property, plant and equipment	2,776,855	1,077,749

(e) Arising from a fire incident which occurred on 16 December 2022, the Group has written off of building and machinery, factory equipment, tools and equipment amounting to RM7,079,970 and RM578,673 respectively as disclosed in Note 32 to the financial statements.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(I) Right-of-use assets

Carrying amount	Balance as at 1.7.2022 RM	Additions RM	Fair value adjustment RM	Reassessments RM	Transfer to property, plant and equipment (Note 7) RM	Depreciation RM	Balance as at 30.6.2023 RM
Leasehold land	21,220,061	476,722	839,806	-	-	(286,589)	22,250,000
Buildings	2,583,663	-	-	8,647	-	(802,762)	1,789,548
Machinery	788,184	246,500	-	-	(678,299)	(126,318)	230,067
Motor vehicle	3,783,163	493,401	-	-	(47,917)	(975,994)	3,252,653
	28,375,071	1,216,623	839,806	8,647	(726,216)	(2,191,663)	27,522,268

	At 30.6.2023			
	Cost RM	Valuation RM	Accumulated depreciation RM	Carrying amount RM
Leasehold land	-	22,250,000	-	22,250,000
Buildings	4,093,386	-	(2,303,838)	1,789,548
Machinery	246,500	-	(16,433)	230,067
Motor vehicle	5,314,154	-	(2,061,501)	3,252,653
	9,654,040	22,250,000	(4,381,772)	27,522,268

Carrying amount	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
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

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(I) Right-of-use assets (continued)

	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

(II) Lease liabilities

	Group	
	2023 RM	2022 RM
Balance as at 1 July 2022/2021	6,363,767	4,648,416
Additions	618,500	3,351,707
Payment of lease liabilities	(1,869,063)	(1,749,602)
Payment of lease interests	(308,829)	(316,696)
Reassessments	8,647	130,846
Rent concessions	-	(17,600)
Interest expense	308,829	316,696
Balance as at 30 June 2023/2022	5,121,851	6,363,767
Represented by:		
Current liabilities	1,733,413	1,841,670
Non-current liabilities	3,388,438	4,522,097
	5,121,851	6,363,767
Lease liabilities owing to financial institutions	3,183,617	3,641,365
Lease liabilities owing to non-financial institutions	1,938,234	2,722,402
	5,121,851	6,363,767

(a) As at the end of the reporting year, leasehold land with a carrying amount of RM21,740,000 (2022: RM21,220,061) 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.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(II) Lease liabilities (continued)

(c) The following are the amounts recognised in profit or loss:

	Group	
	2023 RM	2022 RM
Depreciation of right-of-use assets (included in cost of sales and administrative expenses)	2,191,663	1,987,144
Interest expense on lease liabilities (included in finance costs)	308,829	316,696
Expense relating to short-term leases (included in cost of sales)	129,850	163,250
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	
	2023 RM	2022 RM
Additions of right-of-use assets	1,216,623	2,978,054
Financed by lease arrangement:		
- addition of right-of-use assets for machinery	(246,500)	-
- addition of right-of-use assets for motor vehicle	(372,000)	(2,208,900)
Recognition of right-of-use assets for buildings	-	(494,807)
Net cash payments on right-of-use assets	598,123	274,347

(e) The following are total cash outflows for leases as a lessee:

	Group	
	2023 RM	2022 RM
Included in net cash flow on operating activities:		
Payment relating to short-term leases	129,850	163,250
Included in net cash flow on investing activities:		
Net cash payments on right-of-use assets	598,123	274,347
Included in net cash flow on financing activities:		
Payment of lease liabilities	1,869,063	1,749,602
Payment of lease interests	308,829	316,696
Total cash outflows for leases	2,905,865	2,503,895

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(II) 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 5.76% (2022: 5.46%) per annum.

(h) Had the revalued leasehold land been carried at historical cost less accumulated depreciation, the carrying amounts would have been:

	Group	
	2023 RM	2022 RM
Leasehold land	8,364,840	8,002,675

(i) The fair value of the properties of the Group are categorised as follows:

2023	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Leasehold land	-	-	22,250,000	22,250,000

2022	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Leasehold land	-	-	21,220,061	21,220,061

(i) Leasehold land ('properties') of the Group were revalued on 30 June 2023 and 30 June 2022 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 2023 and 30 June 2022.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(II) Lease liabilities (continued)

(i) 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.

(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	RM6 to RM40 (2022: RM10 to RM 40)	Lower or higher price per square foot, lower or higher 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	
	2023 RM	2022 RM
Balance as at 1 July 2022/2021	21,220,061	21,503,040
Additions	476,722	-
Depreciation	(286,589)	(282,979)
Fair value adjustment - gain recognised in other comprehensive income (Note 24(a))	839,806	-
Balance as at 30 June 2023/2022	22,250,000	21,220,061

9. INVESTMENT PROPERTIES

Group	Balance as at 1.7.2022 RM	Addition RM	Balance as at 30.6.2023 RM
At fair value			
Freehold land	4,490,000	-	4,490,000
Freehold building	8,540,000	-	8,540,000
	13,030,000	-	13,030,000

Group	Balance as at 1.7.2021 RM	Disposals 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

(a) At the end of the reporting year, investment properties with a carrying amount of RM13,030,000 (2022: 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	
	2023 RM	2022 RM
Lease income	384,000	360,000
Direct operating expenses - generating rental income	18,607	18,121

(c) The fair value of the investment properties of the Group are categorised as follows:

2023	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Freehold land	-	-	4,490,000	4,490,000
Freehold building	-	-	8,540,000	8,540,000
	-	-	13,030,000	13,030,000

9. INVESTMENT PROPERTIES (CONTINUED)

(c) The fair value of the investment properties of the Group are categorised as follows (continued):

2022	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Freehold land	-	-	4,490,000	4,490,000
Freehold building	-	-	8,540,000	8,540,000
	-	-	13,030,000	13,030,000

(i) Freehold land and building of the Group were revalued on 30 June 2023 and 30 June 2022 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) There were no transfer between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 30 June 2023 and 30 June 2022.

(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	RM40 (2022: RM40)	Lower or higher price per square foot, lower or higher fair value.
Freehold building	Cost method	Estimated replacement cost per square foot	RM119 (2022: RM119)	Lower or higher estimated replacement cost, higher or lower fair value.

9. INVESTMENT PROPERTIES (CONTINUED)

(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	
	2023 RM	2022 RM
Less than one year	396,000	120,000
One to two years	132,000	-
	528,000	120,000

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2023 RM	2022 RM
Unquoted shares, at cost	112,937,457	112,937,457

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

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity 2023 %	Effective interest in equity 2022 %	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

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity 2023 %	2022 %	Principal activities
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	Planting, replanting, transplanting, thinning and conserving of forests and timber tracts
SK Biotech Sdn. Bhd. ("SKB") #	Malaysia	51	51	Research and development on biotechnology, laboratory and related products and services

Audited by BDO PLT

(b) Subsidiaries of the Group which have non-controlling interests ("NCI") are as follows:

	NCI percentage of ownership interest and voting interest 2023 %	2022 %	Group 2023 RM	2022 RM
Carrying amount of NCI				
SKPW	49	49	3,969,243	1,846,525
SKB	49	49	(26,843)	185,583
			3,942,400	2,032,108
Profit/(Loss) for the financial year/Total comprehensive income/(loss) allocated to NCI				
SKPW			162,718	672,188
SKB			(212,426)	(59,417)
			(49,708)	612,771

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:

	SKPW 2023 RM	SKPW 2022 RM
Assets and liabilities		
Non-current assets	3,187,092	3,414,868
Non-current liabilities	(274,425)	(1,403,437)
Current assets	8,032,832	6,647,249
Current liabilities	(2,845,004)	(4,890,262)
Net assets	8,100,495	3,768,418
Results		
Revenue	20,499,262	23,250,377
Profit for the financial year/Total comprehensive income	332,077	1,371,813
Cash flows from operating activities	2,140,836	1,541,915
Cash flows used in investing activities	(2,426,569)	(116,826)
Cash flows from/(used in) financing activities	853,503	(1,607,644)
Net increase/(decrease) in cash and c ash equivalents	567,770	(182,555)
Dividend paid to NCI	-	-

	SKB 2023 RM	SKB 2022 RM
Assets and liabilities		
Non-current assets	539,987	662,462
Non-current liabilities	(222,658)	(321,233)
Current assets	484,592	475,205
Current liabilities	(856,702)	(437,693)
Net (liabilities)/assets	(54,781)	378,741
Results		
Revenue	938,760	558,212
Loss for the financial year	(433,522)	(121,259)
Cash flows (used in)/from operating activities	(403,864)	40,556
Cash flows from/(used in) investing activities	491,578	(283,424)
Cash flows (used in)/from financing activities	(111,864)	409,600
Net (decrease)/increase in cash and cash equivalents	(24,150)	166,732
Dividend paid to NCI	-	-

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(d) On 19 December 2022, the Group subscribed for an additional 2,040,000 ordinary shares out of total 4,000,000 shares in a subsidiary, SKPW, representing 51% equity interest in the share capital of SKPW for elimination against amount owing from SKPW of RM2,040,000. Consequently there was no change in the effective equity interest held by the Group in SKPW.

(e) On 28 March 2023, the Group subscribed for an additional 990,000 ordinary shares in a wholly-owned subsidiary, SKSF, representing 100% equity interest in the share capital of SKB for a total cash consideration of RM990,000. Consequently there was no change in the effective equity interest held by the Group in SKSF.

(f) In the previous financial year, the Group subscribed for an additional 254,490 ordinary shares out of total 499,000 shares in a subsidiary, SKB, representing 51% equity interest in the share capital of 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.

(g) In the previous financial year, the Company subscribed for an additional 10,000,000 ordinary shares in a wholly-owned subsidiary, SKFI, representing 51% equity interest in the share capital of 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.

11. INVENTORIES

	Group	
	2023 RM	2022 RM
At cost		
Raw materials	9,567,793	13,827,159
Work-in-progress	5,700,454	10,698,681
Finished goods	13,307,798	6,093,640
	28,576,045	30,619,480
At net realisable value		
Work-in-progress	190,196	-
Finished goods	39,104	-
	28,805,345	30,619,480

(a) During the financial year, inventories of the Group recognised as cost of sales amounted to RM332,354,704 (2022: RM274,702,879).

(b) In the previous financial year, the Group made allowance for slow moving inventories amounting to RM400,000.

(c) During the financial year, the Group had written off inventories of RM3,514,624 due to a fire incident as disclosed in Note 32 to the financial statements.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade receivables				
Third parties	100,914,112	96,368,579	-	-
Less: Impairment losses	(1,785,599)	(1,474,834)	-	-
Trade receivables - net	99,128,513	94,893,745	-	-
Other receivables				
Amount owing from a subsidiary	-	-	6,500,000	-
Deposits	1,013,619	1,095,425	-	1,000
Third parties	4,590,949	1,969,083	-	-
	5,604,568	3,064,508	6,500,000	1,000
Less: Impairment losses on other receivables	(559,297)	(559,297)	-	-
	5,045,271	2,505,211	6,500,000	1,000
Total receivables	104,173,784	97,398,956	6,500,000	1,000
Prepayments	8,314,911	5,155,928	16,181	23,125
	112,488,695	102,554,884	6,516,181	24,125

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 14 to 120 days (2022: 14 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	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	102,814,197	91,417,837	6,500,000	1,000
United States Dollar	1,318,582	5,940,114	-	-
Chinese Renminbi	41,005	41,005	-	-
	104,173,784	97,398,956	6,500,000	1,000

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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 2022	454,000	1,020,834	1,474,834
Charge for the financial year	-	310,765	310,765
At 30 June 2023	454,000	1,331,599	1,785,599
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

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.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Lifetime expected loss allowance for trade receivables of the Group are as follows:

	Gross carrying amount RM	Lifetime ECL allowance RM	Net arrying amount RM
Not past due	81,905,076	-	81,905,076
Past due:			
1 to 30 days	12,212,264	(305,000)	11,907,264
31 to 60 days	1,428,427	(30,000)	1,398,427
61 to 90 days	2,527,347	(27,000)	2,500,347
More than 90 days	1,509,399	(92,000)	1,417,399
	17,677,437	(454,000)	17,223,437
Credit impaired - individual assessment	1,331,599	(1,331,599)	-
As at 30 June 2023	100,914,112	(1,785,599)	99,128,513
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)	-
As at 30 June 2022	96,368,579	(1,474,834)	94,893,745

Trade receivables are not secured by any collateral or credit enhancement.

During the financial year, the Group did not renegotiate the terms of any trade receivables.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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.

The reconciliation of movements in the impairment losses on other receivables is as follows:

	Lifetime ECL - credit impaired RM
Group	
At 30 June 2022/30 June 2023	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 of the Group are:

(i) RM2,311,480 (2022: RM2,390,568) representing advance payments for purchase of raw materials;
(ii) RM1,233,886 (2022: RM1,202,750) representing prepayments for workers related levies; and
(iii) RM3,536,225 (2022: RM476,722) representing prepayments for purchase of property, plant and equipment and right-of-use assets.

(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	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	79,093,629	56,378,929	26,911,084	2,964,584
Deposits with a licensed bank	1,141,658	564,382	-	-
	80,235,287	56,943,311	26,911,084	2,964,584

13. CASH AND BANK BALANCES (CONTINUED)

(a) Deposits with a licensed bank of the Group have maturity period of three months (2022: three months).

(b) As at the end of the reporting year, deposits with a licensed bank of the Group amounting to RM1,141,658 (2022: RM564,382) 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) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	79,377,632	54,680,196	26,911,084	2,964,584
United States Dollar	826,681	2,211,275	-	-
Chinese Renminbi	27,880	31,418	-	-
Others	3,094	20,422	-	-
	80,235,287	56,943,311	26,911,084	2,964,584

(d) 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	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	79,093,629	56,378,929	26,911,084	2,964,584
Deposits with a licensed bank	1,141,658	564,382	-	-
	80,235,287	56,943,311	26,911,084	2,964,584
Less:				
Pledged with a licensed bank	(1,141,658)	(564,382)	-	-
Bank overdrafts included in borrowings (Note 16)	(1,879,369)	(2,030,512)	-	-
	77,214,260	54,348,417	26,911,084	2,964,584

(e) No expected credit losses are recognised arising from the deposits with licensed banks because the probability of default by these licensed banks is negligible.

(f) Information on financial risks of cash and bank balances is disclosed in Note 31 to the financial statements.

14. SHARE CAPITAL

	Group and Company			
	2023		2022	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up ordinary shares				
As at beginning of financial year	846,756,897	76,708,967	794,097,097	69,863,193
Issuance of ordinary shares pursuant to:				
- Warrant exercised (Note 27)	231,340,645	30,074,284	52,659,800	6,845,774
As at end of financial year	1,078,097,542	106,783,251	846,756,897	76,708,967

(a) During the financial year, the issued and fully paid-up ordinary shares of the Company has increased from 846,757,897 to 1,078,097,542 by way of issuance of 231,340,645 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 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.

(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.

15. RESERVES

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Non-distributable:				
Revaluation reserve	44,862,560	46,293,987	-	-
Distributable:				
Retained earnings	81,214,327	79,911,859	39,535,547	39,114,459
	126,076,887	126,205,846	39,535,547	39,114,459

Revaluation reserve

Revaluation reserve represents net revaluation surplus of property, plant and equipment and right-of-use assets.

16. BORROWINGS

	Note	Group 2023 RM	Group 2022 RM
Non-current liabilities			
Term loans		10,711,038	12,490,181
Current liabilities			
Bank overdrafts		1,879,369	2,030,512
Bankers' acceptance		59,256,016	49,974,966
Term loans		1,816,079	3,495,079
		62,951,464	55,500,557
Total borrowings			
Bank overdrafts	13	1,879,369	2,030,512
Bankers' acceptance		59,256,016	49,974,966
Term loans		12,527,117	15,985,260
		73,662,502	67,990,738

Term loans can be further analysed as follows:

	Group 2023 RM	Group 2022 RM
Current liabilities		
- not later than one year	1,816,079	3,495,079
Non-current liabilities		
- later than one year and not later than five years	5,541,711	6,562,516
- later than five years	5,169,327	5,927,665
	10,711,038	12,490,181
	12,527,117	15,985,260

(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.

(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 2023 RM	2022 RM
Balance at beginning of financial year	16,688,175	16,782,450
Recognised in profit or loss (Note 24)	(472,696)	(94,275)
Recognised in other comprehensive income	(452,031)	-
Balance at end of financial year	15,763,448	16,688,175
Presented after appropriate offsetting:		
Deferred tax assets	(1,409,564)	(1,895,224)
Deferred tax liabilities	17,173,012	18,583,399
Balance at end of financial year	15,763,448	16,688,175

(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 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
Recognised in profit or loss	958,356	-	-	485,660	(472,696)
Recognised in other comprehensive income	-	-	(452,031)	-	(452,031)
As at 30 June 2023	2,316,371	2,352,357	12,504,284	(1,409,564)	15,763,448

17. DEFERRED TAX LIABILITIES (CONTINUED)

(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	
	2023 RM	2022 RM
Unused tax losses:		
- Expires by 30 June 2028	839,000	839,000
- Expires by 30 June 2029	1,862,000	1,862,000
- Expires by 30 June 2031	50,000	50,000
- Expires by 30 June 2032	1,371,000	799,000
- Expires by 30 June 2033	2,162,000	-
Unabsorbed capital allowances - No expiry date	7,448,000	5,095,000
Incentive - Expires by 30 June 2025	183,000	183,000
Incentive - No expiry date	2,905,000	2,905,000
	16,820,000	11,733,000

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.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade payables				
Third parties	10,256,989	16,623,904	-	-
Other payables				
Third parties	2,697,581	3,369,998	40,583	37,500
Accruals	1,885,808	2,025,449	82,216	65,240
Deposits received	200,107	2,403,455	-	-
Amounts owing to non-controlling interests	-	194,354	-	-
	4,783,496	7,993,256	122,799	102,740
	15,040,485	24,617,160	122,799	102,740

18. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 120 days (2022: 14 to 120 days).

(b) Amounts owing to non-controlling interests in the previous financial year represented advances, which were unsecured, interest-free and payable upon demand.

(c) Other payables included amount owing to vendors represent costs for purchase of property, plant and equipment amounted to RM557,900 (2022: RM nil) for the Group as disclosed in Note 7(d) to the financial statements.

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

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	14,208,987	16,532,527	122,799	102,740
Chinese Renminbi	483,469	667,525	-	-
United States Dollar	348,029	7,417,108	-	-
	15,040,485	24,617,160	122,799	102,740

(e) Information on financial risks of trade and other payables is disclosed in Note 31 to the financial statements.

19. CAPITAL COMMITMENTS

	Group	
	2023 RM	2022 RM
Capital expenditure in respect of purchase of property, plant and equipment		
- Contracted but not provided for	11,417,000	142,000

20. CONTINGENT LIABILITIES

	Company	
Corporate guarantees - unsecured	2023 RM	2022 RM
In favour of banks for banking facilities granted to subsidiaries:		
- limit of guarantee	133,671,000	117,050,000
- amount utilised	74,044,502	68,392,738

20. CONTINGENT LIABILITIES (CONTINUED)

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	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue from contracts with customers				
Recognised at point in time:				
Sale of goods	380,631,726	338,266,279	-	-
Others				
Management services rendered	-	-	1,980,000	1,890,000
	380,631,726	338,266,279	1,980,000	1,890,000

22. FINANCE COSTS

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest expenses on:				
- bank overdrafts	694,664	398,274	-	-
- bankers' acceptance	1,927,522	1,308,228	-	-
- term loans	739,435	774,840	-	-
- lease liabilities	308,829	316,696	-	-
	3,670,450	2,798,038	-	-

23. PROFIT BEFORE TAXATION

Other than those disclosed elsewhere in the financial statements, the profit before taxation is arrived at:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
After charging:				
Auditors' remuneration:				
- statutory audit:				
- current year	163,000	144,000	34,000	32,000
- under provision in prior year	9,000	-	2,000	-
- non-statutory audit	5,000	5,000	5,000	5,000
Bad debts written off	186,801	-	-	-
And crediting:				
Gain on disposal of property, plant and equipment	643,042	44,296	-	-
Lease income from:				
- investment properties	384,000	360,000	-	-
- other assets	687,600	888,300	-	-
Gain on foreign exchange:				
- realised	96,123	460,837	-	-
- unrealised	9,547	3,240	-	-
Interest income	186,358	44,446	57,525	-

24. TAXATION

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Income tax expense for the financial year:				
- Current year	2,957,832	5,208,230	148,000	183,125
- Under provision in prior years	42,665	586,038	-	269,467
	3,000,497	5,794,268	148,000	452,592
Deferred tax (Note 17)				
- Relating to origination and reversal of temporary differences	(202,367)	112,635	-	-
- Over provision in prior years	(270,329)	(206,910)	-	-
	(472,696)	(94,275)	-	-
Real property gains tax	-	437,711	-	-
	2,527,801	6,137,704	148,000	452,592

24. TAXATION (CONTINUED)

The Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 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	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit before taxation	3,780,561	15,963,889	569,088	483,863
Tax at Malaysian tax rate of 24% (2022: 24%)	907,335	3,831,333	136,581	116,127
Real property gains tax	-	437,711	-	-
Tax effects in respect of:				
Deferred tax assets not recognised	1,220,880	689,603	-	-
Non-taxable income	(13,806)	-	(13,806)	-
Non-allowable expenses	641,056	799,929	25,225	66,998
	2,755,465	5,758,576	148,000	183,125
Under/(Over) provision in prior years				
- Current tax	42,665	586,038	-	269,467
- Deferred tax	(270,329)	(206,910)	-	-
	2,527,801	6,137,704	148,000	452,592

(a) Tax on each component of other comprehensive income is as follows:

Group	Before tax (Note 7(c)(vi) and Note 8(i)(vi)) RM	Tax effect RM	After tax RM
2023			
Items that will not be reclassified subsequently to profit or loss			
Fair value adjustment on revaluation of freehold land, leasehold land and buildings			
- gain	3,994,682	(958,725)	3,035,957
- loss	(743,833)	178,522	(565,311)
Impairment loss	(5,134,307)	1,232,234	(3,902,073)
	(1,883,458)	452,031	(1,431,427)
2022			
Items that will not be reclassified subsequently to profit or loss			
Fair value adjustment on revaluation of freehold land, leasehold land and buildings	-	-	-

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	
	2023	2022
Profit attributable to equity holders of the parent (RM)	1,302,468	9,213,414
Weighted average number of ordinary shares in issue	921,979,743	825,309,322
Basic earnings per ordinary share (sen)	0.14	1.12

(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.

	Group	
	2023	2022
Profit attributable to equity holders of the parent (RM)	1,302,468	9,213,414
Weighted average number of ordinary shares in issue	921,979,743	825,309,322
Effects of dilution due to warrants	-	188,783,274
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	921,979,743	1,014,092,596
Diluted earnings per ordinary share (sen)	0.14	0.91

26. EMPLOYEE BENEFITS

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Salaries, wages, bonuses and allowances	19,826,068	19,572,854	315,000	315,000
Contributions to defined contribution plan	963,588	862,048	37,800	37,800
Social security contribution	204,469	199,614	1,119	924
Other benefits	1,413,497	1,869,483	21,529	18,752
Fees	705,848	639,100	705,848	639,100
	23,113,470	23,143,099	1,081,296	1,011,576

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM2,638,345 (2022: RM2,069,098) and RM370,269 (2022: RM367,956) respectively.

(a) Directors' remuneration

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors of the Company				
Executive Directors:				
- salaries	1,812,000	1,362,000	252,000	252,000
- bonus	463,000	403,000	63,000	63,000
- others	275,205	222,524	48,069	45,756
	2,550,205	1,987,524	363,069	360,756
- fees	7,200	7,200	7,200	7,200
	2,557,405	1,994,724	370,269	367,956
Director of the subsidiary				
- salaries	66,000	60,000	-	-
- bonus	5,000	5,000	-	-
- others	9,940	9,374	-	-
	80,940	74,374	-	-
Total Executive Directors' remuneration (excluding benefits-in-kind)	2,638,345	2,069,098	370,269	367,956

26. EMPLOYEE BENEFITS (CONTINUED)

(a) Directors' remuneration (continued)

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors of the Company				
Estimated monetary value of benefits-in-kind	77,244	67,950	-	-
Total Executive Directors' remuneration including benefits-in-kind	2,715,589	2,137,048	370,269	367,956
Non-Executive Directors:				
- fees	698,648	631,900	698,648	631,900
- others	12,379	11,720	12,379	11,720
Total Non-Executive Directors' remuneration	711,027	643,620	711,027	643,620
Total Directors' remuneration (Note 28(c))	3,426,616	2,780,668	1,081,296	1,011,576

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.

During the financial year, 231,340,645 warrants were exercised. On 20 March 2023, remaining unexercised warrants were expired and ceased to be valid.

The salient terms of the Warrants were 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 financial year 2021.

(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.

27. WARRANTS 2018/2023 (CONTINUED)

(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)
Exercised in financial year 2023	(231,340,645)
Lapsed in financial year 2023	(1,902,458)
As of 20 March 2023	-

During the financial year, 231,340,645 warrants were exercised and converted to ordinary shares. On 20 March 2023, remaining unexercised warrants were expired and ceased to be valid.

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.

28. RELATED PARTY DISCLOSURES (CONTINUED)

(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	
	2023 RM	2022 RM	2023 RM	2022 RM
Subsidiaries				
Management fees received from:				
- Sern Kou Furniture Industries Sdn. Bhd.	-	-	(540,000)	(540,000)
- Valued Products (M) Sdn. Bhd.	-	-	(660,000)	(600,000)
- Souncern Timber Sdn. Bhd.	-	-	(420,000)	(390,000)
- S.K. Furniture Sdn. Bhd.	-	-	(180,000)	(180,000)
- Sern Kou Plywood Sdn. Bhd.	-	-	(180,000)	(180,000)

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.

(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	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors' remuneration (Note 26(a))	3,426,616	2,780,668	1,081,296	1,011,576
Other key management				
Basic salaries and bonus	288,044	271,036	-	-
Defined contribution plan	34,572	32,268	-	-
Social contribution	2,344	1,953	-	-
	324,960	305,257	-	-
	3,751,576	3,085,925	1,081,296	1,011,576

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.

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.

29. OPERATING SEGMENTS (CONTINUED)

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.

Group 2023	← Reportable segments Manufacturing and trading of furniture RM	Processing and trading of wood RM	Investment holding → RM	Total RM
Revenue				
Total revenue	43,092,089	341,567,680	1,980,000	386,639,769
Inter-segment revenue	(489,625)	(3,538,418)	(1,980,000)	(6,008,043)
Revenue from external customers	42,602,464	338,029,262	-	380,631,726
Interest income	5,100	123,733	57,525	186,358
Interest expense	(626,396)	(3,044,054)	-	(3,670,450)
Net interest expense	(621,296)	(2,920,321)	57,525	(3,484,092)
Segment (loss)/profit before income taxation	(6,102,995)	9,314,468	569,088	3,780,561
Segment assets	76,235,448	240,938,478	26,927,265	344,101,191
Segment liabilities	14,548,377	79,153,662	122,799	93,824,838
Other information				
Gain on disposal of property, plant and equipment	373,046	269,996	-	643,042
Bad debts written off	-	(186,801)	-	(186,801)
Inventories written off	(3,514,624)	-	-	(3,514,624)
Impairment losses on trade receivables	(310,675)	-	-	(310,675)
Impairment loss on property, plant and equipment	-	(1,084,487)	-	(1,084,487)
Property, plant and equipment written off	(2,535,973)	(1,060)	-	(2,537,033)
Unrealised gain on foreign exchange	3,341	6,206	-	9,547
Depreciation of:				
- property, plant and equipment	(1,280,985)	(2,061,394)	-	(3,342,379)
- right-of-use assets	(811,783)	(1,379,880)	-	(2,191,663)
Additions to non-current assets:				
- property, plant and equipment	2,437,999	896,756	-	3,334,755
- right-of-use assets	346,671	869,952	-	1,216,623
Fair value adjustment on:				
- property, plant and equipment	1,154,958	1,999,918	-	3,154,876
- right-of-use assets	270,233	569,573	-	839,806

29. OPERATING SEGMENTS (CONTINUED)

Group 2022	Reportable segments: 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

29. OPERATING SEGMENTS (CONTINUED)

(a) Reconciliations of reportable profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

	2023 RM	2022 RM
Profit for the financial year		
Total profit for reportable segments	3,780,561	15,963,889
Taxation	(2,527,801)	(6,137,704)
Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	1,252,760	9,826,185
Assets		
Total assets for reportable segments	344,101,191	320,130,492
Current tax recoverable	2,289,633	1,318,328
Assets of the Group per consolidated statement of financial position	346,390,824	321,448,820
Liabilities		
Total liabilities for reportable segments	93,824,838	98,971,665
Deferred tax liabilities	15,763,448	16,688,175
Current tax liabilities	-	842,059
Liabilities of the Group per consolidated statement of financial position	109,588,286	116,501,899

(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	
Revenue from external customers	**2023 RM**	**2022 RM**
Malaysia	342,020,532	283,331,280
United States of America and European countries	26,966,495	44,622,780
Asia-Pacific countries	11,644,699	10,097,592
Others	-	214,627
	380,631,726	338,266,279

(c) Major customers

Revenue from three (2022: three) customers from sales of products represent approximately RM140,057,806 (2022: RM114,873,683) of the Group revenue with whom the Group transacted ten percent (10%) or more of its revenue during the financial year.

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 2023 and 30 June 2022.

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	
	2023 RM	2022 RM	2023 RM	2022 RM
Borrowings	73,662,502	67,990,738	-	-
Lease liabilities owing to financial institutions	3,183,617	3,641,365	-	-
	76,846,119	71,632,103	-	-
Less:				
Cash and bank balances	(79,093,629)	(56,378,929)	(26,911,084)	(2,964,584)
(Net cash)/Net debt	(2,247,510)	15,253,174	(26,911,084)	(2,964,584)
Equity attributable to owners of the parent	232,860,138	202,914,813	146,318,798	115,823,426
Capital and net debt	230,612,628	218,167,987	119,407,714	112,858,842
Gearing ratio	N/A	7%	N/A	N/A

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments

Categories of financial instruments

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Financial assets				
Amortised cost				
Trade and other receivables, net of prepayments	104,173,784	97,398,956	6,500,000	1,000
Cash and bank balances	80,235,287	56,943,311	26,911,084	2,964,584
	184,409,071	154,342,267	33,411,084	2,965,584
Financial liabilities				
Amortised cost				
Trade and other payables	15,040,485	24,617,160	122,799	102,740
Borrowings	73,662,502	67,990,738	-	-
	88,702,987	92,607,898	122,799	102,740

(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.

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.

Exposure to credit risk

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.

Credit risk concentration profile

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 51% (2022: 58%) of the Group's gross trade receivables were due from four (2022: four) 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 RM6,500,000 (2022: RM nil).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

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	
		2023	2022
Profit after tax		RM	RM
USD/RM	- Strengthen by 10% (2022: 10%)	137,000	56,000
	- Weaken by 10% (2022: 10%)	(137,000)	(56,000)
CNY/RM	- Strengthen by 10% (2022: 10%)	(32,000)	(45,000)
	- Weaken by 10% (2022: 10%)	32,000	45,000

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

2023 Group	On demand or within one year RM	Two to five years RM	Over five years RM	Total RM
Financial liabilities				
Trade and other payables	15,040,485	-	-	15,040,485
Borrowings	63,605,670	7,211,365	5,802,936	76,619,971
Lease liabilities	1,981,176	3,631,961	-	5,613,137
Total undiscounted financial liabilities	80,627,331	10,843,326	5,802,936	97,273,593
Company				
Financial liabilities				
Trade and other payables/ Total undiscounted financial liabilities	122,799	-	-	122,799
2022				
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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2023	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	2.85	1,141,658	-	-	1,141,658
Bankers' acceptance	16	4.57	59,256,016	-	-	59,256,016
Floating rates						
Bank overdrafts	16	7.34	1,879,369	-	-	1,879,369
Term loans	16	5.59	1,816,079	5,541,711	5,169,327	12,527,117
2022						
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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

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	
Profit after tax	2023 RM	2022 RM
- Increase by 1% (2022: 1%)	(109,000)	(137,000)
- Decrease by 1% (2022: 1%)	109,000	137,000

32. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 16 December 2022, a fire incident occurred at a plant consisting of one (1) single storey furniture factory building owned by Sern Kou Furniture Industries Sdn. Bhd. ("SKFI") situated at Lot 8805, Mukim of Jalan Bakri, District of Muar, Johor. The fire incident caused damage to certain assets and inventories which were destroyed and written off, as follows:

	Amounts written off and impairment RM	Revaluation impairment RM	Total RM
Factory building (Note 7(c)(vi) and 7(e))	1,945,663	5,134,307	7,079,970
Machinery, factory equipment, tools and equipment (Note 7(e))	578,673	-	578,673
Inventories (Note 11)	3,514,624	-	3,514,624
	6,038,960	5,134,307	11,173,267

During the financial year, the Group received interim insurance compensation for damages arising from the fire incident of RM8,260,363 which was recognised in other income.

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 30.6.2023 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	18 years/ Freehold	104,431 sq. ft./ 102,600 sq. ft.	16,490	30 June 2023
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	23 years/ 99 years leasehold expiring on 29 December 2094	88,146 sq. ft./ 65,700 sq. ft.	11,100	30 June 2023
SKFI	Lot 8805 Mukim of Jalan Bakri District of Muar Johor	Vacant Industrial land	23 November 2001	99 years leasehold expiring on 29 December 2094	96,068 sq. ft.	3,840	30 June 2023
SKFI	Lot 11060 Mukim of Parit Bakar District of Muar Johor	Single storey detached factory building/Factory	7 December 2006	12 years/ Freehold	112,246 sq. ft/ 71,476 sq. ft	13,030	30 June 2023
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	17 years/ Freehold	248,883 sq. ft./ -	3,590	30 June 2023
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	25 years/ 99 years leasehold expiring on 29 December 2094	87,446 sq. ft./ 61,075 sq. ft.	10,370	30 June 2023

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 30.6.2023 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	23 years/ 99 years leasehold expiring on 29 December 2094	88,146 sq. ft./ 56,474 sq. ft.	9,380	30 June 2023
VPM	Lot 4573 Mukim of Telekong District of Kuala Krai Kelantan	A sawnmill complex/Factory	5 October 2016	8 years/ Freehold	1,240,001 sq.ft./ 207,716 sq.ft.	20,380	30 June 2023
VPM	Lot 5511 to 5517 Bandar Gua Musang District of Gua Musang Kelantan	A sawmill complex/Factory	22 June 2017	7 years/ 99 years leasehold expiring on 20 November 2100	733,872 sq.ft./ 184,158 sq.ft.	17,370	30 June 2023
VPM	HSD No. 11472 PT No. 15475 Bandar Gua Musang District of Gua Musang Kelantan	Vacant Industrial land	4 January 2023	66 years leasehold expiring on 3 January 2089	78,609 sq.ft.	510	30 June 2023

Analysis of Shareholdings
As at 10 October 2023

Issued and Paid-Up Share Capital	: RM 106,783,250.45 comprising 1,078,097,542 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	: 1,277

ANALYSIS OF SHAREHOLDINGS

Holdings	No. of holders	Total holdings	Percentage (%)
1 - 99	67	1,280	0.000
100 - 1,000	308	100,780	0.009
1,001 - 10,000	373	2,206,685	0.205
10,001 - 100,000	351	12,303,979	1.141
100,001 – 53,904,877[1]	176	699,427,828	64.876
53,904,878[2] and above	2	364,056,990	33.768
TOTAL	**1,277**	**1,078,097,542**	**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	137,000,000	12.708	-	-
Low Peng Sian @ Chua Peng Sian	164,982,100	15.303	137,000,000	12.708

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 10 October 2023

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*	269,056,990	24.957
2.	RHB NOMINEES (TEMPATAN) SDN BHD *OSK CAPITAL SDN BHD FOR GENIUS SUCCESS CAPITAL SDN BHD*	95,000,000	8.812
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHEE MENG*	45,244,200	4.197
4.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (MY4520)*	34,650,000	3.214
5.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN*	34,311,300	3.183
6.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GENIUS SUCCESS CAPITAL SDN BHD (MGN-LPS0005M)*	34,000,000	3.154
7.	CARTABAN NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR KENANGA ISLAMIC ABSOLUTE RETURN FUND*	30,000,000	2.783
8.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR NG AH CHAI (PB)*	28,091,700	2.606
9.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN*	26,000,000	2.412
10.	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN*	19,144,100	1.776
11.	TEH YOKE ANN	18,632,400	1.728
12.	TAN LEE CHU	17,264,700	1.601
13.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GAN BOON TIAN (MY4428)*	15,400,000	1.428
14.	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (MG0195-166)*	14,470,000	1.342
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT*	12,927,100	1.199
16.	TUNG BENG LEE	12,913,800	1.198
17.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TIEW HUAT SENG*	12,269,600	1.138
18.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOO CHEW FONG*	12,260,800	1.137
19.	CHEW GUAN TECK	10,789,600	1.001
20.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOH KUN CHUAN (7000351)*	9,570,835	0.888

Analysis of Shareholdings
As at 10 October 2023

LIST OF THIRTY (30) LARGEST REGISTERED SHAREHOLDERS (CONTINUED)

	Name	No. of shares held	Percentage (%)
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR YAP HENG SANG (PB)*	9,546,300	0.885
22.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN LEE CHU (CEB)*	9,500,400	0.881
23.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (MGN-LPS0005M)*	9,399,900	0.872
24.	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 22)*	9,253,900	0.858
25.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN*	8,625,800	0.800
26.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG (100430)*	8,300,000	0.770
27.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW PENG SIAN @ CHUA PENG SIAN (7014147)*	8,000,000	0.742
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GENIUS SUCCESS CAPITAL SDN BHD*	8,000,000	0.742
29.	ANG CHYAU CHIN	7,441,900	0.690
30.	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR KENANGA INVESTORS BHD*	7,413,600	0.688
TOTAL		**837,478,925**	**77.681**

DIRECTORS' SHAREHOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Onn Kien Hoe	-	-	-	-
Low Peng Sian @ Chua Peng Sian	164,982,100	15.303	137,000,000[1]	12.708
Teh Su-Ching	-	-	-	-
Loo Eng Hua	180,000	0.017	-	-
Lee Shen Wang	120,000	0.011	-	-
Siah Chew Peng	-	-	-	-
Teh Su-Ching	-	-	-	-
Seow Jing Hui	-	-	-	-
Chua Oou Chuan	-	-	-	-

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.

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/Passport No ______________________

__________ 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-Third 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, 24 November 2023 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:-

	Ordinary Resolutions	For	Against
1.	To re-elect Mr Loo Eng Hua as Director (Ordinary Resolution 1)		
2.	To re-elect Ms Siah Chew Peng as Director (Ordinary Resolution 2)		
3.	To re-elect Mr Onn Kien Hoe as Director (Ordinary Resolution 3)		
4.	To approve the payment of Directors' Fees for the financial year ended 30 June 2023 (Ordinary Resolution 4)		
5.	To approve the payment of Directors' Fees amounting up to RM800,000.00 only for the financial year ending 30 June 2024 (Ordinary Resolution 5)		
6.	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 RM3,100,000 for financial period from 1 December 2023 until 31 December 2024 (Ordinary Resolution 6)		
7.	To appoint Messrs BDO PLT as Auditors of the Company (Ordinary Resolution 7)		
8.	To approve Proposed Waiver and Authority to Issue Shares (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 2023

....
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 one (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 forty-eight (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 16 November 2023.

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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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