Registration No.: 202101025778 (1426078-V)

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Initiat	ed For Identif	fication Purposes Only
	Crowe	Hundrey
20190	e Malaysia PL 6630005 (LLP0 pred Accountan	018817-LCA) & AF 1018

APPENDIX A

SYNERGY HOUSE BERHAD

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

3.1 Notes to Pro Forma Combined Statements of Financial Position (Cont'd)

(c) Pro Forma III (Cont'd)

The estimated listing expenses totaling RM4.20 million to be borne by the Group comprise professional advisory fees, underwriting commission, brokerage fees and placement fees, and miscellaneous expenses. A total of RM1.379 million is assumed to be directly attributable to the issuance of new shares and therefore will be set off against the share capital.

The remaining expenses of RM2.821 million are assumed to be attributable to the Listing and therefore will be charged to the statements of profit or loss and other comprehensive income. As of 31 December 2022, the retained profits have captured an amount of RM1.611 million whilst the remaining RM1.210 million will be charged to the statements of profit or loss and other comprehensive income in subsequent financial period as and when incurred.

3.2 Cash and bank balances

	RM'000
At 31 December 2022	14,723
Distribution of dividends	(700)
As per Pro Forma I	14,023
Pursuant to Public Issue	34,400
As per Pro Forma II	48,423
Pursuant to utilisation of proceeds from IPO (Note 3.3, 3.5, 3.6 & 3.7)	(12,589)
As per Pro Forma III	35,834

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Initiat	ted For Identifi	ication Purposes Only	4
	Crowe	Hundry	
20190	e Malaysia PL1 06000005 (LLP0) ered Accountants	018817-LCA) & AF 1018	

SYNERGY HOUSE BERHAD

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

3.3 Share capital/Invested capital

	Number of Ordinary Shares ('000)	Amount of Share Capital RM'000
At 31 December 2022 Pursuant to Acquisitions	# 420,000	^ 34,398
As per Pro Forma I Pursuant to Public Issue	420,000 80,000	34,398 34,400
As per Pro Forma II Estimated listing expenses (Note 3.2)	500,000	68,798 (1,379)
As per Pro Forma III	500,000	67,419
# Represents 2 shares		

^ Represents RM2

3.4 Re-organisation reserve

	RM'000
At 31 December 2022 Pursuant to Acquisitions	(31,788)
As per Pro Forma i to III	(31,788)

APPENDIX A

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

			Initiated For Identification Purposes Only	
			A Crowe Hundry	
SY	NERG	Y HOUSE BERHAD	Crowe Malaysia PLT 201906000005 (LLP0018817-LCA) & AF 1018 Chartered Accountants	APPENDIX A
3.		FORMA COMBINED STAT EMBER 2022 (CONT'D)	TEMENTS OF FINANCIAL POSITION	AS AT 31
	3.5	Retained profits		
				RM'000
		At 31 December 2022 Distribution of dividends		36,085 (700)
		As per Pro Forma I to II Estimated listing expenses (Note	3.2)	35,385 (1,210)
		As per Pro Forma III		34,175
	3.6	Bank borrowings (Non-curre	nt liabilities)	
				RM'000
		At 31 December 2022/ As per Pr Pursuant to utilisation of Proceed	ro Forma I to II ds from IPO (Note 3.2)	37,749 (9,641)
		As per Pro Forma III		28,108
	3.7	Bank borrowings (Current li	abilities)	
				RM'000
		At 31 December 2022/ As per Pr Pursuant to utilisation of Proceed		25,241 (359)
		As per Pro Forma III		24,882

Registration No.: 202101025778 (1426078-V)

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Initiated For Identification Purposes Only

A Huden Crowe

SYNERGY HOUSE BERHAD

Crowe Mataysia PLT 201906000005 (LLP0018817-LCA) & AF 1018 Chartered Accountants

APPENDIX A

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 12 April 2023

On behalf of the Board of Directors,

Tan Eu



14. ACCOUNTANTS' REPORT



Date: 1 2 APR 2023

The Board of Directors Synergy House Berhad Lot 19.A, Level 19, Top Glove Tower, No. 16, Persiaran Setia Dagang, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan. Crowe Malaysia PLT 20190600005 (LEP0016617-LCA) & AF 1016 Chartered Accountants 8, Jalan Pesta 1/1 Taman Tun Dr. Ismail 1, Jalan Bakri 84000 Muar, Johor Malaysia Main +6 06 9524 328 Fax +6 06 9527 328

info.muar@crowe.my www.crowe.my

Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF SYNERGY HOUSE BERHAD (Registration No.: 202101025778 (1426078 – V)) ("SHB" OR "the Company")

OPINION

We have audited the accompanying combined financial statements of SHB which comprise the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for each of the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022, and notes to the combined financial statements including a summary of significant accounting policies as set out on pages 4 to 87. SHB and its combining entities, namely Synergy House Furniture Sdn. Bhd., Synergy House International Sdn. Bhd., and Sunny & Ker Furniture Industries Sdn. Bhd. are collectively known as "the Group" hereinafter.

These historical combined financial statements have been prepared for inclusion in the prospectus of the Company in connection with the listing of and quotation for its entire enlarged number of issued ordinary shares of SHB on the ACE Market of Bursa Malaysia Securities Berhad. This report is prepared for the purpose of complying with Chapter 10, Part II, Division 1: Equity of Prospectus Guidelines-Equity issued by the Securities Commission Malaysia ("Prospectus Guidelines") and for no other purpose.

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 of the Group's financial performance and cash flows for each of the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

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 *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements section* of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group 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.



REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF SYNERGY HOUSE BERHAD (CONT'D)

DIRECTORS' RESPONSIBILITIES FOR THE COMBINED FINANCIAL STATEMENTS

The directors of the Company ("the Directors") are responsible for the preparation of the combined financial statements of the Company that give a true and fair view in accordance with MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 combined 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:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to
 fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that
 is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material
 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,
 forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the
 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Page 2

Crowe Malaysia PLT is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal antity. Crowe Malaysia PLT and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe Malaysia PLT.



REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF SYNERGY HOUSE BERHAD (CONT'D)

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

RESTRICTION ON DISTRIBUTION AND USE

We understand that this report will be used solely for the purpose of inclusion in the prospectus of SHB in connection with the listing of and quotation for its entire enlarged number of Issued ordinary shares on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

(PANG

Crowe Malaysia PLT 201906000005 (LLP0018817-LCA) & AF1018 Chartered Accountants Hundry

Gan Hwee Ling 03516/08/2024 J Chartered Accountant

Muar, Johor Darul Takzim

Crowe Malaysia PLT is a member of Crowe Global, a Swiss verein. Each mamber firm of Crowe Global is a separate and independent legal entity. Crowe Malaysia PLT and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe Malaysia PLT.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

	_	Audited As at 31 December			
		2019	2020	2021	2022
ASSETS	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS Property, plant and equipment	4	1,524	22,198	22,869	32,271
Right-of-use assets	4 5	12,435	13,410	20,954	22,462
Other investment	ő	416	-		~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
	······	14,375	35,608	43,823	54,733
CURRENT ASSETS		Hundred Holes			······································
Inventories	7	3,709	6,217	9,271	26,889
Trade receivables	8	10,354	13,730	21,792	15,404
Other receivables, deposits	-				
and prepayments	9	11,694	16,700	14,825	5,908
Current tax assets Deposits with licensed banks	10	238 9,577	291 1,656	379 5,668	584 12,704
Cash and bank balances	10	6,312	12,591	15,861	14,723
		41,884	51,185	67,796	76,212
TOTAL ASSETS	-	56,259	86,793	111,619	130,945
IVIAL ASSETS	-		00,790	111,010	130,840
EQUITY AND LIABILITIES					
EQUITY					
Invested capital	11	2,610	2,610	2,610	2,610
Reserves	12	15,875	17,582	31,739	43,740
TOTAL EQUITY		18,485	20,192	34,349	46,350
NON-CURRENT LIABILITIES			R.C	-	
Bank borrowings	13	17,359	34,064	35,363	37,749
Lease liabilities	14	235	944	238	561
Deferred tax liabilities	15	28	55	2,101	2,688
		17,622	35,063	37,702	40,998
CURRENT LIABILITIES		kannen ander an	<u> </u>		
Trade payables	16	9,127	4,817	9,600	9,772
Other payables and accruals	17	2,668	11,166	3,696	6,616
Bank borrowings	13	4,160	14,716	25,321	25,241
Lease liabilities	14	322	667	688	401
Dividend payable	18	3,000 875	172	263	1,567
Current tax liabilities	-	The second division of the			
	10 1000	20,152	31,538	39,568	43,597
TOTAL LIABILITIES		37,774	66,601	77,270	84,595
TOTAL EQUITY AND LIABILITIES	3	56,259	86,793	111,619	130,945

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited Financial year ended 31 December				
	Note	2019 RM'000	2020 RM'000	202 1 RM'000	2022 RM'000	
REVENUE	19	111,482	122,891	184,292	194,093	
COST OF SALES		(89,643)	(96,425)	(147,492)	(147,733)	
GROSS PROFIT		21,839	26,468	36,800	46,360	
OTHER INCOME		2,305	1,202	1,385	2,655	
SELLING AND DISTRIBUTION EXPENSES		(3,159)	(3,238)	(6,899)	(11,636)	
ADMINISTRATIVE EXPENSES		(4,423)	(4,721)	(9,609)	(10,092)	
OTHER EXPENSES		(431)	(1,067)	(112)	(489)	
PROFIT FROM OPERATIONS		16,131	18,642	21,565	26,798	
FINANCE COSTS	22	(2,018)	(1,884)	(2,338)	(3,410)	
(NET IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS	23	-	(45)	(1)	11	
PROFIT BEFORE TAX	24	14,113	16,713	19,226	23,399	
INCOME TAX EXPENSE	25	(3,218)	(4,606)	(4,839)	(6,775)	
PROFIT AFTER TAX ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		10,895	12,107	14,387	16,624	
OTHER COMPREHENSIVE INCOME Items that Will Not be Reclassified Subsequently to Profit or Loss	26					
Revaluation of property, plant and equipment and right-of-use assets				6,158	1,277	
TOTAL OTHER COMPREHENSIVE INCOME			-	6,158	1,277	
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		10,895	12,107	20,545	1 7,901	
EARNINGS PER SHARE (RM) Basic	27	4.17	4.64	5.51	6.37	
Diluted		N.A	N.A	N.A	N.A	

N.A - Not applicable. There are no dilutive potential equity instruments that would give a diluted effect to the basic earnings per share.

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

		DI	stributable	
	Note	Invested capital RM'000	Retained profits RM'000	Total equity RM'000
Audited Balance at 1 January 2019		1,522	10,111	11,633
Profit after tax and total comprehensive income for the financial year		-	10,895	10,895
Contributions by and distributions to owners of the Company: - Issuance of shares - Dividends	11 28	1,088	(5,131)	1,088 (5,131)
Balance at 31 December 2019	_	2,610	15,875	18,485
Audited Balance at 1 January 2020		2,610	15,875	18,485
Profit after tax and total comprehensive income for the financial year			12,107	12,107
Distributions to owners of the Company: - Dividends	28	-	(10,400)	(10,400)
Balance at 31 December 2020		2,610	17,582	20,192

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		invested	Non - Distributable Revaluation	Distributable Retained	
١	Note	capital RM'000	reserve RM'000	profits RM'000	Total equity RM'000
Audited Balance at 1 January 2021		2,610	-	17,582	20,192
Profit after tax for the financial year			-	14,387	14,387
Other comprehensive income for the financial year: - Revaluation of property,	26		(200)		(220)
plant and equipment - Revaluation of right-of-use assets			(220) 6,378		(220) 6,378
Total comprehensive income for the financial year		-	6,158	14,387	20,545
Contributions by and distributions to owners of the Company: - Issuance of shares	11		nen alle dans an bartisterari fastarare	a mana a Madri Mana - a and Matrice	
- Dividends Total transaction with owners	28	*	-	(6,388) (6,388)	(6,388) (6,388)
Balance at 31 December 2021		2,610	6,158	25,581	34,349
Audited Balance at 1 January 2022		2,610	6,158	25,581	34,349
Profit after tax for the financial year		-		16,624	16,624
Other comprehensive income for the financial year: - Revaluation of property,	26				
plant and equipment - Revaluation of right-of-use assets		-	254 1,243	(220)	34 1,243
Total comprehensive income for the financial year		*	1,497	16,404	17,901
Distributions to owners of the Company: - Dividends	28			(5,900)	(5,900)
Balance at 31 December 2022		2,610	7,655	36,085	46,350

*Represents amount less than RM 500

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

4

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CASH FLOWS

		Finan	Audite cial year ende	d d 31 December	r
	_	2019	2020	2021	2022
0400 EL 0140 ED014	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM					
OPERATING ACTIVITIES Profit before tax		14,113	16,713	19,226	22 200
Adjustments for:		14,113	10,713	19,220	23,399
Bad debt written off		100	*	-	-
Depreciation of property, plant					
and equipment		307	365	61 0	905
Depreciation of right-of-use assets		667	885	778	817
Fair value gain on other investment		(16)	-	-	-
Gain on disposal of property, plant					
and equipment		(27)	(88)	(121)	(12)
Gain on reassessment and		•			(10)
modification of leases		•	(5)	-10	(40)
Impairment loss on trade receivables		- 	45	12	420
Inventories written down Inventories written off		57	807	-vē,	138
Net fair value changes on revaluation		-	007	***	201
Property, plant and equipment written off		2	101	9	5
Reversal of impairment lossess		-		Ū	Ū
on trade receivables		-		(11)	(11)
Reversal of inventories				. ,	()
previously written down		-	(192)	(175)	-
Unrealised loss on foreign exchange		327	109	57	268
Interest expenses		1,650	1,707	2,161	3,343
Interest income	_	(410)	(657)	(275)	(181)
Operating profit before working					
capital changes		16,770	19,790	22,271	28,832
Inventories		484	(3,123)	(2,879)	(17,756)
Trade receivables		(1,755)	(3,382)	(8,153)	6,442
Other receivables, deposits		(1), 4-7	()	(-, ,	
and prepayments		(1,050)	408	(2,718)	4,226
Trade payables		1,888	(4,318)	4,799	157
Other payables and accruals		1,767	416	603	2,945
CASH FROM OPERATIONS		18,104	9,791	13,923	24,846
Interest paid			(69)	~	
interest received		410	657	275	1 81
Tax paid		(2,157)	(6,176)	(4,776)	(5,492)
Tax refund		2,418	841	194	*
NET CASH FROM	-			Santain	
OPERATING ACTIVITIES		18,775	5,044	9,422	19,535
or civering Automico				/0400425000 min	
CARRIED FORWARD		18.775	5,044	9,422	19,535

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		Audited Financial year ended 31 December			
	Note	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
BROUGHT FORWARD CASH FLOWS (FOR) INVESTING ACTIVITIES		18,775	5,044	9,422	19,535
Addition to right-of use assets Deposit paid for purchase of	29(a)		(70)	-	-
property, plant and equipment Net (increase)/decrease in fixed		-	(500)	(356)	-
deposit pledged Purchase of property, plant		(1,007)	1,007	(5,392)	(5,235)
and equipment Purchase of other investment Proceeds from disposal of property,	29(a)	(596) (400)	(14,3 92) -	(8,393)	(9,667)
plant and equipment Proceeds from disposal of		210	210	133	52
other investment Withdrawal/(Placement) of fixed deposits with tenure		-	416	-	-
more than 3 months	_	425	(1,231)	1,031	200
NET CASH (FOR) INVESTING ACTIVITIES		(1,368)	(14,560)	(12,977)	(14,650)
CARRIED FORWARD		17,407	(9,516)	(3,555)	4,885

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		-	Audite		
	-	Finan	cial year ende	d 31 Decembe	r
	Note	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
BROUGHT FORWARD		17,407	(9,516)	(3,555)	4,885
CASH FLOWS (FOR)/FROM					
FINANCING ACTIVITIES					
Advance (to)/from holding company		~	(3,713)	3,713	~
Repayment from related party		40	16	17	3,837
Dividends paid	28	(2,131)	(13,400)	(6,388)	(5,900)
Drawdown of bankers' acceptances	29(b)	12,188	7,494	16,756	72,294
Drawdown of revolving financing	29(b)	1,415	19,933	11,069	3,187
Drawdown of receivable financing	29(b)	4-	-	24,274	24,998
Drawdown of term loans	29(b)	*	17,615	15,132	4,720
Drawdown of involce financing	29(b)	*	925	1,097	1,965
Interest paid	29(b)	(1,650)	(956)	(2,085)	(3,343)
Proceeds from issuance of					
ordinary shares	11	1,088	~	4	~
Repayment of bankers' acceptances	29(b)	(11,416)	(7,994)	(9,712)	(62,817)
Repayment of lease liabilities	29(b)	(598)	(731)	(627)	(614)
Repayment of revolving financing	29(b)	(4,621)	(10,966)	(7,870)	(13,221)
Repayment of receivable financing	29(b)	-	-	(22,665)	(24,793)
Repayment of term loans	29(b)	(375)	(223)	(14,813)	(2,260)
Repayment of invoice financing	29(b)		(205)	(1,440)	(1,647)
NET CASH (FOR)/FROM					
FINANCING ACTIVITIES		(6,060)	7,795	6,458	(3,594)
NET INCREASE/(DECREASE) IN					
CASH AND CASH EQUIVALENTS		11,347	(1,721)	2,903	1,291
EFFECTS OF FOREIGN EXCHANGE					
TRANSLATION		(87)	(145)	18	(428)
CASH AND CASH EQUIVALENTS					
AT BEGINNING			44.000	40.040	45 007
OF THE FINANCIAL YEAR	-	3,622	14,882	13,016	15,937
CASH AND CASH EQUIVALENTS					
AT END OF THE					
FINANCIAL YEAR	29(d)	14,882	13,016	15,937	16,800
	-			interest interest	

*Represents amount less than RM 500

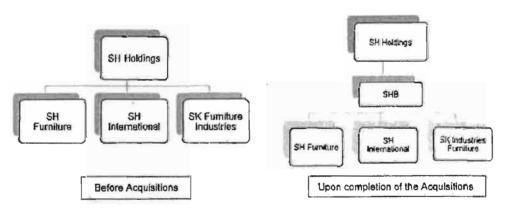
SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 + V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

- (a) The Company was incorporated in Malaysia as a private limited liability company on 3 August 2021 under the Companies Act 2016.
- (b) On 21 December 2021, the Company was converted from a private company to a public company limited by shares and assumed its present name of Synergy House Berhad ("SHB").
- (c) As an integral part of listing the Company on the ACE Market of Bursa Malaysia Securities Berhad, the Company entered into a conditional share sale agreement and its supplemental agreement respectively on 6 December 2021 and 20 May 2022 to acquire the entire equity interest in Synergy House Furniture Sdn. Bhd. ("SH Furniture"), Synergy House International Sdn. Bhd. ("SH International"), and Sunny & Ker Furniture Industries Sdn. Bhd. ("SK Furniture Industries") which were completed on 20 January 2023 (collectively referred to as "the Acquisitions"). Upon completion of the above shares swap, the Company becomes a subsidiary of Synergy House Furniture Holdings Sdn Bhd ("SH Holdings").



(d) The Company is principally engaged in investment holding and provision of management services. The details of the combined entities, which are incorporated in Malaysia, are as follows:

Name of Company	Date of Incorporation	Equity Interest	Principal Activities
SH Furniture	27 July 1990	100%	Design & development and sale of all types of furniture and related products.
SH International	31 March 2006	100%	Trading of all types of furniture and related products.
SK Furniture Industries	28 December 2004	100%	Trading of all types of furniture and related products.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION (CONT'D)

(e) SHB, SH Furniture, SH International, and SK Furniture Industries shall be collectively referred to as "the Group" hereinafter. The registered office and principal place of business are as follows:

Registered office	Principal place of business
Unit 30-01, Level 30, Tower A,	Lot 19.A, Level 19, Top Glove Tower,
Vertical Business Suite,	No. 16 Persiaran Setia Dagang,
Avenue 3, Bangsar South,	Bandar Setia Alam, Seksyen U13,
No. 8, Jalan Kerinchi,	40170 Shah Alam,
59200 Kuala Lumpur.	Selangor, Malaysia.

2. BASIS OF PREPARATION

(a) As the Acquisitions were only completed on 20 January 2023, there are no consolidated financial statements of SHB for financial years ended 31 December 2019, 2020, 2021, and 2022.

For the purpose of inclusion in the prospectus of SHB in connection with the listing of and quotation for its entire enlarged number of issued ordinary shares on the ACE Market of Bursa Malaysia Securities Berhad in accordance with the Chapter 10, Part II, Division I: Equity of Prospectus Guidelines-Equity issued by Securities Commission Malaysia ("Prospectus Guidelines"), the combined financial statements of SHB, which are the combination or aggregation of the financial statements of the following combining entities, have been prepared based on the separate financial statements for the relevant reporting periods as follows:

Combining	Relevant Reporting	Accounting	Statutory Auditors
Entity	Periods	Standards Applied	
SHB	FPE 31 December 2021	MFRSs	Crowe Malaysia PLT
	FYE 31 December 2022	MFRSs	Crowe Malaysia PLT
SH Furniture	FYE 31 December 2019	MPERS	P.S. Kong & Co
	FYE 31 December 2020	MFRSs	Crowe Malaysia PLT
	FYE 31 December 2021	MFRSs	Crowe Malaysia PLT
	FYE 31 December 2022	MFRSs	Crowe Malaysia PLT
SH International	FYE 31 December 2019	MPERS	K.B. Tan & Co
	FYE 31 December 2020	MFRSs	Crowe Malaysia PLT
	FYE 31 December 2021	MFRSs	Crowe Malaysia PLT
	FYE 31 December 2022	MFRSs	Crowe Malaysia PLT
SK Furniture Industries	FYE 31 December 2019 FYE 31 December 2020 FYE 31 December 2021 FYE 31 December 2022	MPERS MFRSs MFRSs MFRSs	K.B. Tan & Co Crowe Malaysia PLT Crowe Malaysia PLT Crowe Malaysia PLT

Notes: FYE FPE

MFRSs

≈ Financial year ended ∞ Financial period ended

FPE = Financial MPERS = Malayslan

= Malaysian Private Entities Reporting Standard

· Malaysian Financial Reporting Standards

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

(a) The audited financial statements of the combining entities for the relevant reporting periods were not subject to any modification and qualification.

The financial statements of SH Furniture, SH International and SK Furniture Industries for FYE 31 December 2019 were re-prepared by their directors to comply with MFRSs and were re-audited by Crowe Malaysia PLT for the purpose of inclusion in the prospectus to be issued by SHB in connection with the Proposed Listing and should not be relied upon for any other purpose.

The combined financial statements were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest period covered by the relevant reporting periods. Such manner of presentation reflects the economic substance of the combining entities, which were under common control throughout the relevant reporting periods.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs, All material intra-group transactions and balances are eliminated upon combination, where applicable.

- (b) The combined financial statements of SHB for the relevant reporting periods are prepared under the historical cost convention and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), including related interpretations which are effective for accounting periods on or before 1 January 2022.
- (c) Early adoption of new accounting standards

For the purpose of preparing the combined financial statements, the following standard is early adopted with the initial application date of 1 January 2021 to enhance comparability:

MFRS

Effective date

1 April 2021

Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

(d) For the purpose of preparing the combined financial statements, the Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the relevant reporting periods:

MFRSs and/or IC Interpre	atations	
(Including The Conseque	ential Amendments)	Effective Date
MFRS 17	: Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16	: Lease liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17	: Insurance Contracts	1 January 2023
Amendment to MFRS 17	: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendment to MFRS 101	: Classification of Liabilities as Current or Non- current	1 January 2024
Amendments to MFRS 101	: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 101	: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Critical Accounting Estimates and Judgements

The outbreak of the Covid-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the Covid-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

(a) Write-down of Inventories

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

(b) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

(c) Income Taxes

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

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Critical Accounting Estimates and Judgements (Cont'd)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the combined financial statements other than as disclosed below:

Lease Terms

Some lease contains extension options exercisable by the Group before the end of the noncancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the incremental borrowing rate of the respective leases, the Group first determines the closet available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3.2 Basis of Consolidation

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

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

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

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

3.2.1 Business Combination within the scope of MFRS 3

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

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Combination (Cont'd)

3.2.1 Business Combination within the Scope of MFRS 3 (Cont'd)

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

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

(a) Goodwill

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of noncontrolling interests recognised 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 at the date of acquisition is recorded as goodwill. Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(b) Non-controlling Interests

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

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Combination (Cont'd)

3.2.1 Business Combination within the scope of MFRS 3 (Cont'd)

(d) Loss of Control

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

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

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.2.2 Business Combination under Common Control

A business combination involving entity under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reverse as applicable. The results of the subsidiaries being merged are included for the full financial year.

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Functional and Foreign Currencies

(a) Functional and Presentation Currency

The combined financial statements of the Group are presented in Ringgit Malaysia ("RM"), which is the functional and presentation currency.

(b) Foreign Currency Transactions and Balances

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

3.4 Financial Instruments

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

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

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

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss on the financial instrument at fair value through profit or loss.

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial Instruments (Cont'd)

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

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

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, Interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 -- V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial Instruments (Cont'd)

(c) Equity Instruments

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

Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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

(d) Derivative Financial Instruments

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

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial Instruments (Cont'd)

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

(f) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

3.5 Investment in Subsidiaries

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

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

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Freehold buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Freehold land and buildings are revalued periodically, at least once in every five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised.

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

Buildings	2%
Plant and machinery	10%
Motor vehicles	20%
Furniture and fittings, office and computer equipment	10% - 20%
Renovation and signboard	10% - 20%
Tools and equipment	10%

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

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Property, Plant and Equipment (Cont'd)

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

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

3.7 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out and comprises the purchase price conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

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

3.9 Cash and Cash Equivalents

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

3.10 Impairment

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment (Cont'd)

(b) Impairment of Non-financial Assets

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

An impairment loss is recognised in profit or loss.

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

3.11 Employee Benefits

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Income Taxes

(a) Current Tax

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

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

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the combined financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

3.14 Operating Segments

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

3.15 Earnings per Ordinary Share

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

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

3.16 Borrowing Costs

Borrowing costs are directly recognised as expenses in profit or loss in the period in which they are incurred by using effective interest method.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Fair Value Measurements

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

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

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

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

3.18 Revenue from Contracts with Customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

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 that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met;

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- 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.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Revenue from Contracts with Customers (Cont'd)

Sale of ready-to-assemble ("RTA") home furniture

Revenue from sale of RTA home furniture is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3.19 Revenue from Other Sources and Other Operating Income

(a) Interest income

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

(b) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

Registration No.: 202101025778 (1426078-V)

14. ACCOUNTANTS' REPORT (CONT'D)

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

			Furniture and fittings, office			
	Plant and		and computer	Renovation	Tools and	
Audited	machinery	machinery Motor vehicles	equipment	and signboard	equipment	Total
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost						
At 1 January 2019	1,298	1,789	1,462	298	476	5,323
Additions	128	362	100	ť	en N	596
Disposals	(243)	(238)	ı	ı	1	(481)
Reclassification (Note 5)	•	701	đ	1	ţ	701
Write off	4	ŧı	(8)	(4)	j)	(12)
At 31 December 2019	1,183	2,614	1,554	297	479	6,127
Less: Accumulated depreciation						
At 1 January 2019	834	1,717	785	246	321	3,903
Charge for the financial year	59	38	159	15	36	307
Disposals	(11)	(227)	¥	ł	8	(298)
Reclassification (Note 5)		701	¥	I	,	701
Write off	Ŧ	ι	(9)	(4)	-	(10)
At 31 December 2019	822	2,229	938	257	357	4,603
Carrying amount At 31 December 2019	361	385	616	40	122	1,524

Page 32

ACCOUNTANTS' REPORT (CONT'D) 14.

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

			Plant and		Furmiture and fittings, office and computer	Renovation	Tools and	
Audited 2020	Freehold land RM'000	Buildings RM'000	machinery Motor vehicles RM*000 RM*000		equipment a	equipment and signboard RM*000 RM*000	equipment RM'000	Total RM'000
At tost At 1 January 2020		* *	1,183	2,614	1,554	297	479	6,127
Additions Disposals	14,224	a'an d	- (128)	,027) (1,027)	(5)	,	132	(1,160)
Reclassification (Note 5) Write off	Ŷ \$	v (- (225)	369	(303)	(287)	(280)	369 (1,095)
At 31 December 2020	14,224	6,604	830	1,989	1,424	101	331	25,503
Less: Accumulated depreciation At 1 January 2020		¢	822	2,229	938	257	357	4,603
Charge for the financial year		٢	63	6	153	27	32	365
Disposals	. 1	\$.	(10)	(1,027)	(1)	,	¥	(1,038)
Reclassification (Note 5)	,	y	" (1704)	369	, 1757)	-	(040)	369 (994)
write of At 31 December 2020	a de la constante de la consta	x e	654	1,661	833	17	140	3,305
Carrying amount At 31 December 2020	14,224	6,604	176	328	591	84	191	22,198

14. ACCOUNTANTS' REPORT (CONT'D)

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

		Plant and		runnue and fittings, office and computer	Renovation and	Tools and	Capital work-	
Freehold land RM'000	Buildings RM*000	machinery Motor vehicles RM'000 RM'000	tor vehicles RM'000	equipment RM'000	signboard RM'000	equipment RM'000	ìn-progress RM'000	Total RM'000
14,224	6,604	830	1,989	1,424	101	331	,	25,503
*	52	377	37	802	ន	237		1,538
3	£	(15)	(801)	•	ł	ŧ	ť	(816)
,	•	,	166	J	ı	ı	ŀ	166
1	÷	(31)	F	,	,	(2)	١	(33)
ŧ	(132)	1	÷ŧ	J	ı	ı	,	(132)
(224)	(24)	ı	ą	, 1	•	¥	1	(248)
14,000	6,500	1,161	1,391	2,226	123	566	11	25,978
Less: Accumulated depreciation		Water and the second						-
¢	ŧ	654	1,661	833	17	140	٩	3,305
ı	132	74	98	240	20	46	ı	610
ſ	3	(15)	(586)	ł	ſ	í	ı	(804)
•	,	t	154	ı	١	ł	ι	154
ı	(132)	¥	ł	ł	ĸ	t	J	(132)
•	3	(22)	ŕ	ę	ł	(2)	1	(24)
	.)	691	1,124	1,073	37	184	.t	3,109
ę		470	267	1,153	86	382	11	2,369
14,000	6,500		7	9.	ŧ	¥	Ŧ	20,500
14.000	6,500	470	267	1,153	9 6	382	11	22,869

333

14. ACCOUNTANTS' REPORT (CONT'D)

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

			Plant and		fittings, office and computer	Renovation and	Tools and	Canital work-	
Audited 2022 Af creef	Freehold land RM'000	Buildings RM'000	machinery Motor vehicles RM'000 RM'000	lor vehicles RM'000	equipment RM'000	signboard RM'000	equipment RM'000	In-progress	Total RM'000
At 1 January 2022	14,000	6,500	1.161	1.391	2.226	123	566	11	75 Q78
Additions	, k	7,541	692	159	926	249	318	623	10.508
Disposals	7.8		(134)	(38)	(48)	1 *	2		0201
Reclassification (Note 5)	,	*9	*	78		•	ı		76
Write off		ĩ	•	•		(2)	·	,	(5)
Transfer [#]	,	(65)	۱	,	,		ι	r	(65)
Revaluation	*	(156)	8	â	ł	¥	ŧ	ł	(156)
At 31 December 2022	14,000	13,820	1,719	1,588	3,104	367	884	634	36,116
Less: Accumulated depreciation	eclation		a man daya wa kati wa a dawada wa kati						
At 1 January 2022	I	•	691	1,124	1,073	37	184	,	3,109
Charge for the financial year		000	150	125	160	с С	u u		1 0 0
	\$	2 U 3		C71	400	S	00	ſ	COA
nisposais	•	\$	(JR)	(38)	(42)	ł	ì	ł	(180)
Transfer [*]	•	(65)	91	,	1	,	,	ð	(65)
Reclassification (Note 5)	,	1	,	76	ι	ł	۲	ı	76
Write off	•	ş	3	ł	t	•	,	ş	*
At 31 December 2022	*	144	753	1,287	1,362	60	239	£	3,845
Carrying amount - At cost		,	966	301	1,742	307	645	634	4,595
 At valuation 	14,000	13,676	ł	ŕ	ţ	4	ŧ	1	27,676
At 31 December 2022	14,000	13,676	966	301	1,742	307	645	634	32,271

Page 35

334

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

(a) The following property, plant and equipment have been pledged to a licensed bank as security for banking facilities granted to the Group (Note 13):

		Audite As at 31 De		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Carrying amount Freehold land		14,224	14,000	14,000
Buildings	-	6,604	6,500	13,676
		20,828	20,500	27,676

- (b) On 30 June 2022, the Group's freehold land and buildings were revalued based on independent professional valuation. The deficits arising from the revaluations, net of deferred taxation, have been debited to other comprehensive income and accumulated in equity under the revaluation reserve.
- (c) On 31 December 2021, the Group's freehold land and buildings were revalued based on independent professional valuation. The deficits arising from the revaluations, net of deferred taxation, have been debited to other comprehensive income and accumulated in equity under the revaluation reserve.
- (d) The details of the Group's freehold land and buildings carried at fair value are analysed as follows:

		Audite	d	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
Freehold land	N	14,000	14	14,000
Buildings	680	13,820	1980	13,820
		27,820	-	27,820
		Audite	eđ	
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Freehold land		14,000	,	14,000
Buildings	**	6,500	÷	6,500
	annan di shi sa ng shini sa 1975	20,500	-	20,500

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

(d) The level 2 fair values have been determined based on the market comparison approach that reflects recent transaction prices for similar properties and cost approach as a check to ascertain the value of the properties. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

There were no transfers between level 1 and level 2 during the financial year.

The fair value measurements of the freehold land and buildings are based on the highest and best use which does not differ from their actual use.

(e) If the freehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

		Audite As at 31 De		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Carrying amount Freehold land Buildings	-	14,224 6,604	14,224 6,523	14,224 13,857
	-	20,828	20,747	28,081

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. RIGHT-OF-USE ASSETS

Audited Carrying amount	Leasehold land RM'000	Office and hostel RM'000	Factory RM'000	Motor vehicles RM'000	Showrooms RM'000	Total RM'000
At 1 January 2019 Additions	12,187	165	2	285	88 375	12, 727 375
Depreciation Derecognition due to	(133)	(136)	(2)	(119)	(275)	(667)
lease modification Reclassification (Note 4)				•		*
At 31 December 2019 / 1 January 2020 Additions	12,054	27	-	166 270	188 1,292	12,435 1,562
Depreciation Derecognition due to	(133)	(135)	-	(92)	(525)	(885)
lease modification Reassessment and modification		392	-		(94)	(94) 39 2
Reclassification (Note 4)	•	-	~	*	-	*
At 31 December 2020 / 1 January 2021 Additions	11,921	284 24	-u-u- 2006.	344	861	13,410 24
Depreciation Revaluation Reassessment and	(133) 8,392	(139)	-	(116)	(390)	(778) 8,392
modification Reclassification (Note 4)		44 24		(12)	(82)	(82) (12)
At 31 December 2021/ 1 January 2022	20,180	169	-	216	389	20,954
Additions Depreciation Revaluation	(240) 1,635	885 (311)	*	(72)	(194)	885 (817) 1,635
Derecognition due to lease modification Reclassification (Note 4)	-	-	ж 14	۰ ۲	(195) -	(195)
At 31 December 2022	21,575	743	*	144		22,462

* Represents amount less than RM 500

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

RIGHT-OF-USE ASSETS (CONT'D)

- (a) The Group leases certain leasehold land, offices, hostel, factory, motor vehicles and showrooms based on terms and conditions summarised below;
 - (i) Leasehold land The Group has entered into a non-cancellable operating lease agreements for the use of land. The lease is for a period of 95 years with no renewal or purchase option included in the agreements.
 - (ii) Offices and hostel The Group has entered into a non-cancellable operating lease agreement for the use of office. The lease is for a period of 2 to 3 years with renewal option included in the agreement.
 - (iii) Factory The Group has entered into a non-cancellable operating lease agreement for the use of factory. The leases is for a period of 2 years with renewal option included in the agreement.
 - (iv) Motor vehicles The Group has leased certain motor vehicles under hire purchase arrangements. The Company has an option to purchase the assets at the expiry of the lease period at an insignificant amount. The leases bear effective annual interest rates at 4.71% 6.24% (2021: 4.71% 6.24%, 2020: 4.71% 6.24% and 2019: 4.57% 6.55%) and are secured by the leased assets.
 - (v) Showrooms The Group has entered into non-cancellable operating lease agreements for the use of showrooms. The leases are for a period of 2 to 3 years with renewal option included in the agreements.
- (b) The leasehold land held by SH Furniture has been pledged to a licensed bank as security for banking facilities granted to the Group (Note 13(a)).
- (c) On 30 June 2022, the Group's leasehold land was revalued based on independent professional valuation. The surplus arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.
- (d) On 31 December 2021, the Group's leasehold land was revalued based on independent professional valuation. The surplus arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. RIGHT-OF-USE ASSETS (CONT'D)

(e) The details of the Group's leasehold land carried at fair value is analysed as follows:

		Audite	d	
2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Leasehold land	-	21,700	-	21,700
		Audite	be	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021 Leasehold land		20,180		20,180

The level 2 fair values have been determined based on the market comparison approach that reflects recent transaction prices for similar properties and cost approach as a check to ascertain the value of the properties. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

There were no transfers between level 1 and level 2 during the financial year.

The fair value measurement of the leasehold land is based on the highest and best use which does not differ from their actual use.

(f) If the leasehold land were measured using the cost model, the carrying amounts would be as follows:

		Audite As at 31 De		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Carrying amount Leasehold land	12,054	11,921	11,788	11,655

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6. OTHER INVESTMENT

		Audite As at 31 De		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Bonds, at fair value	416	-		ž

The other investment is held in trust by the directors of SH Furniture.

7. INVENTORIES

		Audite As at 31 De		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Raw materials Finished goods	2,414 1,295	1,569 4,648	672 8,599	1 9 4 26,695
	3,709	6,217	9,271	26,889
Recognised in profit or loss: Inventories recognised as cost of sales Inventories written down Inventories written off	89,643 57	96,425 807	147,492 -	147,733 138
Reversal of inventories previously written down	99 	(192)	(175)	-

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

8. TRADE RECEIVABLES

	a start the	Audite As at 31 Dec		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Third parties Related party	10,349 5	13,775	21,830	15,431 -
Allowance for impairment losses	10,354	13,775 (45)	21,830 (38)	15,431 (27)
	10,354	13,730	21,792	15,404
Allowance for impairment losses:			1855	(22)
At 1 January Addition	-	(45)	(45) (12)	(38)
Reversal	-	(43)	11	 11
Write off			8	
At 31 December		(45)	(38)	(27)

The Group's normal trade terms granted to customers and related party are as follows:

		Aud As at 31 D		a let ak inge
	2019	2020	2021	2022
	Cash to 90	Cash to 90	Cash to 120	Cash to 120
Third parties	days	days	days	days
Related party	30 days		-	*

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Audite As at 31 Dec		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Amount owing by related parties Amount owing by holding company Sundry receivables	7,879 3 1,327	3,778 4,930 1,313	3,837 - 883	12 - 338
Deposits Deposits paid to suppliers Goods and services tax recoverable Prepayments	9,209 331 1,979 152 23	10,021 1,388 5,132 * 159	4,720 1,204 8,518 383	350 1,083 3,699 776
	11,694	16,700	14,825	5,908

* Represents amount less than RM 500

(a) Included in the amount owing by related parties which are unsecured, repayable on demand and to be settled in cash with interest rate are as follows:

		Audi As at 31 D		
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Amount owing by related party	3, 8 44	3,778	3,837	• • .
Interest rate (% per annum)	7,65	5.45 - 6.10	5.45	

- (b) Included in amount owing by holding company as at 31 December 2020 is an amount of RM4,930,000 which is unsecured, repayable on demand and to be settled in cash with interest bearing at 3.20% per annum.
- (c) The remaining amount owing by related parties and holding company other than (a) and (b) are unsecured, interest-free and repayable on demand.
- (d) Included in deposits is an amount of NIL (2021: RM855,793; 2020: RM500,000; 2019: NIL) for the purchase of property, plant and equipment.

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10. DEPOSITS WITH LICENSED BANKS

(a) The effective annual interest rates and maturity periods for the deposits with licensed banks of the Group are as follows:

	-	Audi As at 31 D		
	2019	2020	2021	2022
Effective annual interest rates (%) Maturity period (days)	2.30 - 3.10 2 - 365	1.45 - 3.10 30 - 365	1.50 - 1.65 30 - 365	1.65 - 2.65 11 - 365

(b) Included in the deposits with licensed banks is the following amount held by SH Furniture and SK Furniture Industries being pledged for banking facilities of the Group (Note 13(a)):

		Audite As at 31 Dec		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Fixed deposits with licensed banks	1,007		5,392	10,627

(1426078-V)
.: 202101025778
Ž
Registration

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

11. INVESTED CAPITAL

				Aud As at 31 E	Audited As at 31 December			
	2019		2020		2021		2022	
	Number of shares		Number of shares		Number of shares		Number of shares	
	(000.)	RM'000	(000,)	RM'000	(000.)	RM'000	(000,)	RM'000
lssued and fully paid-up Ordinary shares								
At 1 January Issuance of new shares	1,522 1,088	1,522 1,088	2,610 -	2,610 `	2,610	2,610	2,610 -	2,610 -
At 31 December	2,610	2,610	2,610	2,610	2,610	2,610	2,610	2,610

* Represents 2 shares and RM2.

- (a) For the purpose of preparing the combined financial statements, the invested capital at the end of each reporting period is the aggregate of the share capital of the combining entities constituting the Group.
- (b) During the financial year ended 31 December 2019, SK Furniture Industries increased its issued and paid-up share capital from RM 472,000 to RM 1,560,000 by way of issuance of 1,088,000 new ordinary shares at RM 1 each for total cash consideration of RM 1,088,000.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

12. RESERVES

2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
-	-	6,158	7,655
15,875	17,582	25,581	36,085
15,875	17,582	31,739	43,740
	RM'000	As at 31 Dec 2019 2020 RM'000 RM'000 15,875 17,582	RM'000 RM'000 RM'000 - 6,158 15,875 17,582 25,581

Revaluation reserve

The revaluation reserve represents the net increase in the fair value of freehold land, buildings and leasehold land of the Group (net of deferred tax, where applicable) held as property, plant and equipment and right-of-use assets.

13. BANK BORROWINGS

	-		Audite As at 31 Dec		
	-	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Current liat	oilities				
Secured	Bankers' acceptances Revolving financing	2,364 1,055	1,864 10,022	8,908 13,221	18,265 3,187
	 Receivable financing Term loans Invoice financing 	741	2,110 720	1,609 1,206 377	1,814 1,280 695
	-	4,160	14,716	25,321	25,241
Non-curren	t liabilities				
Secured	- Term loans	17,359	34,064	35,363	37,749
		21,519	48,780	60,684	62,990
Total bank	borrowings				
Secured	- Bankers' acceptances - Revolving financing - Receivable financing - Term loans - Invoice financing	2,364 1,055 18,100	1,864 10,022 36,174 720	8,908 13,221 1,609 36,569 377	18,265 3,187 1,814 39,029 695
		21,519	48,780	60,684	62,990

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

13. BANK BORROWINGS (CONT'D)

- (a) The bank borrowings are secured by the followings:
 - (i) Freehold land and buildings of the Group (Note 4);
 - (ii) Leasehold land of the Group held as right-of-use assets (Note 5);
 - (iii) Properties held by a related party, namely Southampton Property Sdn. Bhd. (formerly known as Synergy House Properties Sdn. Bhd.);
 - (iv) Corporate guarantee by holding company, Synergy House Furniture Holdings Sdn. Bhd;
 - (v) Fixed deposits with licensed banks held by SH Furniture and SK Furniture Industries (Note 10);
 - Joint and several guarantee by directors of SH Furniture, SH International and SK Furniture Industries;
 - (vii) Guarantee cover for 80% of the facilities and interest thereon to SH Furniture from the Government of Malaysia under Special Relief Facility Scheme ("SRFS") as administered by Syarikat Jaminan Pembiayaan Perniagaan Berhad;
 - (viii) Guarantee cover for 70% of the facilities to SH International and SK Furniture from Syarikat Jaminan Pembiayaan Perniagaan Berhad under Working Capital Guarantee Scheme ("WCGS – Extension"); and
 - (ix) Letter of Guarantee from Credit Guarantee Corporation Malaysia Berhad (CGC) under Portfolio Guarantee (PG) for RM504,000 for the facility for SK Furniture Industries.
- (b) The bank borrowings of the Group at the end of each reporting period bear effective annual interest rates as follows:

		Audi As at 31 D		
	2019 %	2020 %	2021 %	2022 %
Bankers' acceptances Revolving financing Receivable financing Term loans Invoice financing	3.49 - 3.70 6.10 7.22 - 7.65	2.08 - 2.10 5.45 3.20 - 8.90 6.90	3,54 - 3.56 5.45 3,89 3,50 - 8.90 6.90	2.87 - 4.75 6.10 4.02 - 5.43 3.50 - 9.65 7.40 - 7.65

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

14. LEASE LIABILITIES

_		Audite As at 31 Dec		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
At 1 January	780	557	1,611	926
Additions (Note 29(b))	375	1,492	24	885
Changes due to lease modification	-	392	(82)	-
Derecognition due to lease modification	*	(99)	~	(235)
Interest expense recognised in profit or loss	52	123	84	62
Repayment of principal	(598)	(731)	(627)	(614)
Repayment of interest expense	(52)	(123)	(84)	(62)
At 31 December	557	1,611	926	962
Analysed by:				
Current liabilities	322	667	688	401
Non-current liabilities	235	944	238	561
	557	1,611	926	962

* Represents amount less than RM 500

(a) The lease liabilities of the Group are secured by its motor vehicles under the hire purchase arrangements with lease terms as follows:

		Aud As at 31 D		
	2019	2020	2021	2022
Lease terms	5 to 7 years	5 to 7 years	5 to 7 years	5 to 7 years

(b) The lease liabilities of the Group at the end of each reporting period bear effective annual interest rates as follows:

	Audited As at 31 December				
	2019 %	2020 %	2021 %	2022 %	
Effective annual interest rates	4.57 - 7.00	4.71 - 7.00	4.71 - 7.00	4.71 - 7.00	

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

15. DEFERRED TAX LIABILITIES

	Audited As at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
(a) Movement of deferred tax liabilities				
At 1 January	302	28	55	2,101
Recognised in profit or loss (Note 25) Recognised in other comprehensive	(274)	27	60	184
income (Note 26)	ч.	*	1,986	403
At 31 December	28	55	2,101	2,688
(b) Components of deferred tax liabilities Excess of capital allowances over				
corresponding book depreciation	88	92	142	568
Other temporary differences	(60)	(37)	(27)	(297)
Net surplus of revaluation	-	at.	1,986	2,417
	28	55	2,101	2,688

16. TRADE PAYABLES

		Audited As at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
Third parties Related parties	8,874 253	4,564 253	9,600	9,772	
	9,127	4,817	9,600	9,772	

The normal trade terms granted to the Group by suppliers and related parties are as follows;

		Audited As at 31 December		
	2019	2020	2021	2022
	Cash to 60	Cash to 60	Cash to 60	Cash to 60
Third parties	days	days	days	days
Related parties	30 days	30 days		

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

17. OTHER PAYABLES AND ACCRUALS

	Audited As at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Accruais	48	872	297	727
Accrued purchase	148	304	719	1,205
Amount owing to directors	199	118	~	
Amount owing to holding company	-	1,328		-
Amount owing to related parties	-	6,083	-	~
Customer deposits	386	141	159	213
Payroll liabilities	855	1,072	1,288	рац.
Provision of bonus	-	-	-	1,284
Provision of rebate to customers	714	542	323	453
Sales tax payables	•	•	-	33
Sundry payables	318	706	910	2,701
	2,668	11,166	3,696	6,616

* Represents amount less than RM500

- (a) Included in accruals as at 31 December 2020 is an amount of RM784,000 which is stamp duty accrued for the purchase of freehold land and warehouse building.
- (b) The amount owing to directors and related parties are unsecured, interest-free and repayable on demand.
- (c) Included in amount owing to holding company as at 31 December 2020 is an amount of RM1,216,931 which is unsecured, repayable on demand and to be settled in cash with interest bearing at 3.20% per annum.
- (d) Included in the following amount are payables for the purchase of property, plant and equipment (Notes 29(a)).

		Audited As at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
Accruals		784		-	
Related parties		6,035	we we	-	
Sundry payables		51	15		
		6,870	15	-	

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

18. DIVIDEND PAYABLE

	Audited As at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
SH Furniture				
In respect of financial year ended 31 December 2019 An interim dividend	1,500	-	-	
SK Furniture Industries In respect of financial year ended 31 December 2019 An interim dividend	1,500			
	3,000		-	

19. REVENUE

Revenue of the Group comprises the followings:

	Audited				
	Financial year ended 31 December				
-	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
Revenue from contracts with customers Recognised at a point in time					
Sales of ready-to-assemble home furniture	111,482	122,891	184,292	194,093	
Represented by geographical market:					
Malaysia	1,990	4,281	10,381	10,355	
Other countries	109,492	118,610	173,911	183,738	
-	111,482	122,891	184,292	194,093	

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

20. KEY MANAGEMENT PERSONNEL

	Audited Financial year ended 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Executive directors of the Company Fee	6	-	42	252
Salaries, bonuses and other benefits Defined contribution plan	242 29	302 36	1,445 173	1,446 173
	277	338	1,660	1,871
Executive directors of the combining entities				
Fee	40	80.		-
Salaries, bonuses and other benefits	288	197	39	-
Defined contribution plan	22	13	2	-
	350	210	41	<u> </u>
Other key management personnel				
Salaries, bonuses and other benefits	319	294	296	538
Defined contribution plan	34	34	35	57
	353	328	331	595
	980	876	2,032	2,466

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

21. EMPLOYEE BENEFITS

	Audited Financial year ended 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Key management personnel (Note 20)	980	876	2,032	2,466
Other staff costs				
Salaries, bonuses and other benefits	3,399	4,319	6,176	7,271
Defined contribution plan	337	442	638	616
	3,736	4,761	6,814	7,887
	4,716	5,637	8,846	10,353

22. FINANCE COSTS

	Audited Financial year ended 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Interest on:				
Bankers' acceptances	112	67	232	697
Lease liabilities	52	123	84	62
Revolving financing	118	262	168	675
Term loans	1,368	1,175	1,655	1,883
Invoice financing	4,6	11	22	26
Others	<i>m</i>	69	-	
	1,650	1,707	2,161	3,343
Bill receivable charges	332	160	171	40
Credit card charges	36	17	6	27
	2,018	1,884	2,338	3,410
		in the second		

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

23. NET IMPAIRMENT LOSS/(REVERSAL OF IMPAIRMENT) ON FINANCIAL ASSETS

	Audited Financial year ended 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Impairment losses on trade receivables Reversal of impairment lossess	-	45	12	-1
on trade receivables	•		(11)	(11)
	-	45	1	(11)

24. PROFIT BEFORE TAX

	Finan	Audite cial year ende		er
-	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
This is arrived at after charging:				
Auditors' remuneration				
- current financial year	47	80	185	149
- underprovision in previous financial year	~	-	13	-
- non-audit fee	-		1	-
Bad debt written off	100	*	*	~
Deposit forfeited expenses	-	34	33	~
Depreciation of property, plant				
and equipment	307	365	610	905
Depreciation of right-of-use assets	667	885	778	817
Incorporation fee	-	-	6	
Inventories written down	57	-	-	138
Inventories written off	-	807	-	-
Listing expenses	xw	328	897	387
Loss on foreign exchange:				
- realised	*	798	~	*
- unrealised	327	109	57	268
Property, plant and equipment written off	2	101	9	5
Rental expenses:	-		-	U
- factory	223	13		
- forklift	1	14	58	88
- hostel	15	17	8	8
- office	3	т. ж		_
- showroom	468	5	**	
- warehouse	400	33	10	29
Short-term lease:	*4	60	10	20
-	5	188	164	159
- factory	5	100		133

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

24. PROFIT BEFORE TAX (CONT'D)

	Financ	Audite cial year ende	əd d 31 Decəmbe	er
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
And crediting:				
Fair value gain on other investments	(16)	-		-
Gain on disposal of property, plant				
and equipment	(27)	(88)	(121)	(12)
Gain on reassessment and				
modification of leases	*	(5)		(40)
Gain on foreign exchange:				
- realised	(1,341)	-	(388)	(1,049)
Interest income	(410)	(657)	(275)	(181)
Rental income	(448)	(224)	(145)	(384)
Reversal of inventories written down	-	(192)	(175)	

* Represents amount less than RM 500

25. INCOME TAX EXPENSE

	Finan	Audite clai year ende	ed d 31 Decembe	97
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Current tax expense (Over)/Underprovision in	3,640	4,430	4,904	6,408
previous financial year	(148)	149	(125)	183
	3,492	4,579	4,779	6,591
Deferred tax (Note 15): - (Reversal)/Origination of temporary differences - (Over)/Underprovision in	(274)	57	86	62
previous financial year	100	(30)	(26)	122
	(274)	27	60	184
	3,218	4,606	4,839	6,775

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

25. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:

	Financ	Audite cial year ende	ed d 31 Decembe	9r
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Profit before tax	14,113	16,713	19,226	23,399
Tax at the statutory income tax rate Tax effect of non-deductible expense	3,310 299	3,925 562	4,549 441	5,816 662
Tax effect of non-taxable income Deferred tax assets not recognised	-	*	*	(217) 209
Utilisation of deferred tax assets previously not recognised (Over)/Under provision in	(243)		-	*
previous financial year - current tax expense - deferred tax expense	(148)	149 (30)	(125) (26)	183 122
	3,218	4,606	4,839	6,775

The income tax rate on the first RM500,000 of the chargeable income and on the balance of the chargeable income is 17% and 24% respectively for year of assessment 2019.

The income tax rate on the first RM600,000 of the chargeable income and on the balance of the chargeable income is 17% and 24% respectively for year of assessment 2020, 2021 and 2022.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

26. OTHER COMPREHENSIVE INCOME

	Finan	Audite cial year ende	ed d 31 Decembe	er
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Items that will not be reclassified subsequently to profit or loss Revaluation of property, plant				
and equipment (Note 4)	~	97	(248)	45
Revaluation of right-of-use asset (Note 5)	-		8,392	1,635
Less: Deferred tax liabilities (Note 15)	ça 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 -	-	(1,986)	(403)
		*	6,158	1,277

27. EARNINGS PER SHARE

_	Finan	Audite cial year ende	ad ad 31 Decemb	er
	2019	2020	2021	2022
Profit attributable to owners of the Company (RM'000)	10,895	12,107	14,387	16,624
Number of ordinary shares in issue (unit'000)	2,610	2,610	2,610	2,610
Basic earnings per ordinary share (RM)	4.17	4.64	5.51	6.37

The diluted earnings per ordinary share is not applicable as there are no dilutive potential ordinary shares existing throughout the relevant reporting periods.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. DIVIDENDS

	Finan	Audite clal year ende	ed d 31 Decembe	ìr
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
SH Furniture In respect of financial year ended 31 December 2019				
First interim dividend Second interim dividend	108 623	-	1	*
Third interim dividend	108	~	-	-
Fourth interim dividend Fifth interim dividend	200	-	-	-
In respect of financial year ended 31 December 2020	1,500	*	-	~
First interim dividend Second interim dividend	-	416	-	-
Third interim dividend	-	216 3,268	-	-
Final dividend	-	0,200	2,290	-
In respect of financial year ended 31 December 2021 First interim dividend	æ	•	3,588	~
In respect of financial year ended 31 December 2022 First interim dividend		-		4,600
SK Furniture Industries In respect of financial year ended 31 December 2019 First interim dividend Second interim dividend	1,092 1,500	-	н 1	-
In respect of financial year ended 31 December 2020 First interim dividend Second interim dividend	-	246 6,254	:	~ 1
In respect of financial year ended 31 December 2021 First interim dividend	ж		510	200
Final dividend In respect of financial year ended	24	din.	~	200
31 December 2022 First interim dividend	16	ŵ	Nev.	1,100
	5,131	10,400	6,388	5,900

On 16 January 2023, SH Furniture declared and paid a 2nd interim dividend of RM700,000 in respect of financial year ended 31 December 2022.

The combined financial statements do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriate of retained profits in the financial year ending 31 December 2023.

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

29. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets are as follows:

	Finan	Audited Financial year ended 31 December	d 31 December	
	2019 RM'000	2020 RM'000	2021 RM*000	2022 RM'000
Property, plant and equipment				
Cost of property, plant and equipment purchased (Note 4)	596	21,262	1,538	10,508
casir para in respect or acquisition in previous financial year	,	,	6.870	15
Deposits paid in previous financial years	ı	ļ	F	(856)
Unpaid balances included in accruals, amount owing to related parties and sundry payables (Note 17)	,	(6,870)	(15)	í
Cash paid during the financial year	969	14,392	8,393	9,667
Right-of-use assets				
Cost of right-of use assets acquired (Note 5)	375	1,562	24	885
Addition of new lease liabilities (Note (b) below)	(375)	(1,492)	(24)	(885)
Cash paid during the financial year	-1	70	,	•
		:		

(1426078-V)
202101025778
No.:
Registration

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

29. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:

	Bankers' acceptances RM'000	Lease liabilities RM'000	Revolving financing RM'000	Term loans RM'000	Total RM'000
Audited 2019 At 1 January 2019	1,592	780	4,261	18,475	25,108
Changes in Financing Cash Flows					
Proceed from drawdown	12,188	4	1,415	3	13,603
Repayment of borrowing principal Repayment of borrowing interest	(11,416) (112)	(598) (52)	(4,621) (118)	(375) (1,368)	(17,010) (1,650)
	660	(650)	(3,324)	(1,743)	(5,057)
Non-cash Changes					
Acquisition of new lease	.) 	375	J J	ş :	375
Percondition due to rease incompany. Finance charges recognised in profit or loss	112	52	118	1,368	1,650
	112	427	118	1.368	2,025
At 31 December 2019	2,364	557	1,055	18,100	22,076

* Represents amount less than RM 500

14. ACCOUNTANTS' REPORT (CONT'D)

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

29. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):

	Bankers' acceptances RM'000	Lease Ilabilities RM'000	Revolving financing RM'000	Term loans RM'000	Invoice financing RM'000	Total RM'000
Audited 2020 At 1 January 2020	2,364	557	1,055	18,100	L	22,076
Changes in Financing Cash Flows						
Proceed from drawdown	7,494	r f	19,933	17,615	925	45,967
Repayment of borrowing principal	(7,994)	(131)	(10,966)	(223)	(205)	(20,119)
Repayment of borrowing interest	(67)	(123)	(262)	(493)	(11)	(926)
	(287)	(854)	8,705	16,899	601	24,892
Non-cash Changes	•					
Acquisition of new lease		1,492	1		ţ.	1,492
Changes due to lease modification	1	392	r	4	,	392
Derecognition due to lease modification		(66)	٠	ı	,	(66)
Finance charges recognised in profit or loss	67	123	262	1,175	11	1,638
	67	1,908	262	1,175	11	3,423
At 31 December 2020	1,864	1,611	10,022	36,174	720	50,391

14. ACCOUNTANTS' REPORT (CONT'D)

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

29. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Confd):

2024	acceptances RM'000	liabilities RM'000	Revolving financing RM'000	Keceivable financing RM'000	Term loans RM'000	Invoice financing RM'000	Total RM'000
At 1 January 2021	1,864	1,611	10,022	,	36,174	720	50,391
Changes in Financing Cash Flows		1					
Proceed from drawdown	16,756	-	11,069	24,274	15,132	1.097	68.328
Repayment of borrowing principal	(9,712)	(627)	(7,870)	(22,665)	(14, 813)	(1,440)	(57,127)
Repayment of borrowing interest	(232)	(84)	(168)	J	(1, 579)	(22)	(2,085)
	6,812	(111)	3,031	1,609	(1,260)	(365)	9.116
Non-cash Changes				•			e di
Acquisition of new lease		24			T	,	24
Changes due to lease modification	ş	(82)	r	ŕ	,	Ţ	(82)
Finance charges recognised in profit or loss	232	84	168	1	1,655	52	2,161
	232	26	168	a a	1,655	22	2,103
At 31 December 2021	8,908	926	13,221	1,609	36,569	377	61,610

14. ACCOUNTANTS' REPORT (CONT'D)

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

29. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):

	Bankers' acceptances RM'000	Lease liabilities RM'000	Revolving financing RM'000	Receivable financing RM'000	Term loans RM'000	Invoice financing RM'000	Total RM'000
Audited 2022 At 1 January 2022	8,908	926	13,221	1,609	36,569	377	61,610
Changes in Financing Cash Flows							
Proceed from drawdown	72.294	j j	3,187	24,998	4,720	1,965	107,164
Repayment of borrowing principal	(62,817)	(614)	(13,221)	(24,793)	(2,260)	(1,647)	(105,352)
Repayment of borrowing interest	(697)	(62)	(675))	(1,883)	(26)	(3,343)
	8,780	(676)	(10,709)	205	577	292	(1,531)
Non-cash Changes							
Acquisition of new lease		885	1	'##		• •	885
Changes due to lease modification	ş	(235)	,	ł	ŧ	•	(235)
Foreign currency adjustment	(120)	I	t	ı	ł	ı	(120)
Finance charges recognised in profit or loss	697	62	675	•	1,883	26	3,343
	577	712	675	t	1,883	26	3,873
At 31 December 2022	18 265	962	3 187	1.814	39.029	695	63,952

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

29. CASH FLOW INFORMATION (CONT'D)

(c) The total cash outflow for leases as a lessee are as follows:

	Finan	Audite cíal year ende	ed <u>d 31 Decemb</u> e) r
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Payment of short-term leases	5	188	164	159
Payment of lease liabilities	598	731	627	614
Interest paid on lease liabilities	52	123	84	62
	655	1,042	875	835

(d) The cash and cash equivalents comprise the following:

	Finan	Audite cial year ende		er
-	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Deposits with licensed banks Cash and bank balances	9,577 6,312	1,656 12,591	5,668 15,861	12,704 14,723
-	15,889	14,247	21,529	27,427
Less: Fixed deposits pledged to licensed banks Fixed deposits with tenure of	(1,007)	*	(5,392)	(1 0 ,627)
more than 3 months	-	(1,231)	(200)	*
-	14,882	13,016	15,937	16,800

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. 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 or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

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

Other than those disclosed elsewhere in the combined financial statements, the Group also carried out the following significant transactions with the related parties for the relevant reporting periods:

	Financ	Audite al year ende	ed d 31 Decembe	or
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Holding company				
Advances to	W .	(4,930)	(5,540)	-
Advances from	-	1,217	40	~
Dividend paid/payable		10,400	6,388	5,900
Interest expenses	*	69	*	~
Interest income		(195)	(115)	-
Repayment to	-	~	(1,217)	
Repayment from		*	10,470	×
Companies in which certain directors have substantial financial interest				
Accounting fee received	(10)	(7)	(3)	
Deposit paid/payable for purchase of	• •			
property, plant and equipment	*	500	w	-
Disposal of property, plant				
and equipment	~~	(5)	- 247	-
Inspection fee	286	208	.7	-
Interest income	(276)	(206)	(126)	(82)
Purchase of goods	<u>2</u>	12	*	-
Purchase of property, plant				
and equipment	ða:	20,000	-	7,490
Rental expenses	684	695	567	406
Repayment from	40	16	17	3,837
Sale of goods	(505)	(266)	(256)	
Software subscription fee	2	1	. ,	~
· ·	The local division of			· · · · · · · · · · · · · · · · · · ·

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the combined financial statements.

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

31. CAPITAL COMMITMENTS

		Audite As at 31 De		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Purchase of property, plant and equipment	-	6,990	7,346	-

32. OPERATING SEGMENTS

(a) Business segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely trading of all types of furniture and related products.

(b) Geographical information

In presenting the information on the basis of geographical segments, segmental information on non-current assets is not presented, as all non-current assets are located in Malaysia.

Segmental revenue is presented based on the geographical location of the customers.

	Finan	Audite clai year ende	d d 31 Decembe	+7
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Asia (excluding Malaysia)	6,056	3,323	4,213	3,014
United Arab Emirates United Kingdom	12,137 89,190	14,569 91,280	27,645 77,993	22,557 82,287
United States of America	1,614	8,960	63,918	75,724
Malaysia Others	1,990 495	4,281 478	10,381 142	10,355 156
	111,482	122,891	184,292	194,093

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

32. OPERATING SEGMENTS (CONT'D)

(c) Major customers

The following are major customers with revenue equal to or more than 10% of Group revenue for the relevant reporting periods:

	Financ	Audite cial year ende	d d 31 Decembe	r
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Customer A	12,569	14,263	*	*
Customer B	31,612	37,034	27,073	32,425
Customer C	30,802	20,770	*	*
Customer D	12,137	14,529	27,645	22,557
Customer E	-		46,798	34.885
Customer F	*	*	*	37,191

* Not being a major customer by definition herein for the respective reporting period

33. FINANCIAL INSTRUMENTS

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

33.1 Financial risk management policies

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

(a) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia ("RM"). The currency giving rise to this risk is primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

								oup) based on		Total RM'000	10,354	9,209 6 317	25,875		9,127 1,420	10,547	15,328 (3,380)	11,948
								within the Gr		Others RM'000	,	, ^د	1 (1		1.5	- - - - -	~	2
								of the entities fow:		RM RM'000	34	8,822	11,718		7,617 721	8,338	3,380 (3,380)	î
								functional currency od is summarised be		USD RM'000	10,340	387	14,155		1,510 699	2,209	11,946	11,946
Registration No.: 202101025778 (1426078-V) 14. ACCOUNTANTS' REPORT (CONT'D)	SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)	ACCOUNTANTS' REPORT	NOTES TO THE COMBINED FINANCIAL STATEMENTS	33. FINANCIAL INSTRUMENTS (CONT'D)	33.1 Financial risk management policies (Cont'd)	(a) Market risk (Cont'd)	(i) Foreign currency risk (Cont'd)	The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of each reporting period is summarised below:	Foreign currency exposure	Audited 2019	Financial assets Trade receivables	Other receivables	COSIL OIN DOIN DOIN DOIN DOIN DOIN	Financial liabilities	Trade payables Other payables and accruals		Net financial assets Less : Net financial assets denominated in the entities' functional currency	Currency exposure

367

Registration No.: 202101025778 (1426078-V)

ACCOUNTANTS' REPORT (CONT'D) 14.

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

- 33.1 Financial risk management policies (Cont'd)
- (a) Market risk (Cont'd)
- (i) ForeIgn currency risk (Cont'd)

Foreign currency exposure (Cont'd)

		(0	Š	ť	alances
Audited	2020	Financial assets	Trade receivables	Other receivables	Cash and bank balances

Financial liabilities Trade payables Other payables and accruals

Less : Net financial assets denominated in the entities' functional currency Net financial assets

Currency exposure

13,730 10,021 12,591	36,342	4,817 10,179	14,996	21.346 (4,083)	17,263
5	2		,	, 2	2
52 10,006 7,220	17,278	3,913 9,282	13,195	4,083 (4,083)	•
13,678 15 5,369	19,062	904 897	1,801	17,261	17,261

Total RM'000

Others RM'000

RM RM'000

USD RM'000

Page 69

(1426078-V)
202101025778 (
No.:
Registration

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

- 33.1 Financial risk management policies (Cont'd)
- (a) Market risk (Cont'd)
- (i) Foreign currency risk (Cont'd)

Foreign currency exposure (Cont'd)

Audited 2021	USD USD	RM RM'000	Others RM'000	Total RM'000
Triancial assets Trade receivables	21,668	124	ı	21,792
Other receivables	580	4,140	f	4,720
Cash and bank balances	9,729	6,131	←	15,861
3 1	31,977	10,395		42,373
Financial liabilities				
Trade payables	2,430	7,170	1	9,600
Other payables and accruals	677	1,818	\$	2,495
Bank borrowings	1,609	59,075	1	60,684
	4,716	68,063	T .	72,779
Net financial assets/(liabilities)	27,261	(57,668)	4	(30,406)
Less : Net financial liabilities denominated in the entities' functional currency)	57,668	ų	57,668

Less : Net financial liabilities denominated in the entities' functional currency

Currency exposure

Page 70

27,262

27,261)

(1426078-V)
lo.: 202101025778 (
No.: 202
Registration

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

Foreign currency exposure (Cont'd)

Audited	asn	RM	Others	Total
2022	RM'000	RM'000	RM'000	RM'000
Financial assets				
Trade receivables	15,070	220	114	15,404
Other receivables	84	266	،	350
Cash and bank balances	5,496	9,218	6	14,723
	20,650	9,704	123	30.477
Financial liabilities				
Trade payables	1,611	8,161	•	9,772
Other payables and accruals	2,090	1,260	78	3,428
Bank borrowings	4,981	58,009	•	62,990
3	8,682	67,430	78	76,190
Net financial assets/(liabilities)	11,968	(57,726)	45	(45,713)
Less : Net financial liabilities denominated in the entities' functional currency	,	57,726	ì	57,726

Currency exposure

12,013

45

11,968

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

- 33.1 Financial risk management policies (Cont'd)
 - (a) Market risk (Cont'd)
 - (i) Foreign currency risk (Cont'd)

Foreign currency risk sensitivity analysis

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

	Audited Financial year ended 31 December				
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
Effects on profit after tax USD/RM					
 strengthened by 5% 	454	656	1,036	455	
- weakened by 5%	(454)	(656)	(1,036)	(455)	

There is no impact on the Group's equity.

[THE REST OF THE PAGE IS INTENTIONALLY LEFT BLANK]

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(a) Market risk (Cont'd)

(ii) Interest rate risk

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

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

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of each reporting period is disclosed in Note 13 to the combined financial statements.

Interest rate risk sensitivity analysis

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

(iii) Equity price risk

The Group does not have any quoted investment and hence, is not exposed to equity price risk.

(b) Credit rlsk

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

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(b) Credit risk (Cont'd)

(i) Credit risk concentration profile

The Group's major concentration of credit risk that accounted for 10% or more of total trade receivables at the end of each reporting period is as follows:

	Audited As at 31 December				
	2019	2020	2021	2022	
Number of customers	4	4	3	4	
% of trade receivables	80%	91%	72%	78%	

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

		Audi As at 31 De		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Asia (excluding Malaysia)	349	0.070	4 770	-
United Arab Emirates United Kingdom	1,064 8,507	2,378 11,093	1,772 11,295	1,768 7,329
United States of America	420	208	8,601	6,085
Canada Malaysia	- 14	51	124	2 220
Malaysia	····		. 3 .	
	10,354	13,730	21,792	15,404

(ii) Exposure to credit risk

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

In addition, the Group's maximum exposure to credit risk also includes corporate guarantees provided to its related party as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the related party as at the end of each reporting period. These corporate guarantees have not been recognised in the combined financial statements since their fair value on initial recognition were not material.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(b) Credit risk (Cont'd)

(iii) Assessment of impairment losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade receivables

The Group applies the simplified approach to measure expected credit tosses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables (including related party) have been grouped based on shared credit risk characteristics and the days past due.

For certain large customers or customers with a high risk of default, the Group assesses the risk of loss of each customer individually based on their financial information, past trends of payments and external credit rating, where applicable.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 90 days, are deemed credit impaired and assesses for their risk of loss individually.

The expected loss rates are based on the payment profiles of sales over a period of 2 years from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The trade receivables are generally collected within the credit terms and therefore, there is minimal exposure to credit risk. Furthermore, outstanding trade receivables are largely collected within the credit term.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

Credit risk (Cont'd) (b)

(iii) Assessment of impairment losses (Cont'd)

Trade receivables (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables is summarised below;

Audited 2019	Gross amount RM'000	individual impairment RM'000	Carrying amount RM'000
Current (not past due)	7,393	~	7,393
1 to 30 days past due	2,614	~	2,614
31 to 60 days past due	344	-	344
61 to 90 days past due	-	-	-
	10,351		10,351
Credit impaired:			
More than 90 days past due	3	æ	3
	10,354		10,354
Audited 2020	Gross amount RM'000	individual impairment RM'000	Carrying amount RM'000

Current (not past due) 1 to 30 days past due 31 to 60 days past due	10,714 2,546 482	(8) (4)	10,714 2,538 478
61 to 90 days past due	-		*
	13,742	(12)	13,730
Credit impaired:			
More than 90 days past due	33	(33)	-
	13,775	(45)	13,730

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policles (Cont'd)

(b) Credit risk (Cont'd)

(iii) Assessment of impairment losses (Cont'd)

Trade receivables (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables is summarised below (Cont'd);

Audited 2021	Gross amount RM'000	Individual impairment RM'000	Carrying amount RM'000
Current (not past due)	15,110	¢¢.	15,110
1 to 30 days past due	4,300	(6)	4,294
31 to 60 days past due	2,173	(2)	2,171
61 to 90 days past due	58	(10)	48
	21,641	(18)	21,623
Credit impaired: More than 90 days past due	189	(20)	169
	21,830	(38)	21,792
Audited 2022	Gross amount RM'000	Individual impalrment RM'000	Carrying amount RM'000
2022	amount	impairment	amount
2022 Current (not past due) 1 to 30 days past due	amount RM'000 11,569 3,823	impalrment RM'000	amount RM'000 11,569 3,823
2022 Current (not past due)	amount RM'000 11,569	impalrment RM'000	amount RM'000 11,569
2022 Current (not past due) 1 to 30 days past due 31 to 60 days past due	amount RM'000 11,569 3,823	impairment RM'000	amount RM'000 11,569 3,823
2022 Current (not past due) 1 to 30 days past due 31 to 60 days past due	amount RM'000 11,569 3,823 12	impairment RM'000	amount RM'000 11,569 3,823 12

The movements in the loss allowances in respect of trade receivables are disclosed in Note 8 to the combined financial statements.

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(b) Credit risk (Cont'd)

(iii) Assessment of impairment losses (Cont'd)

Other receivables and related parties

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables. Under this approach, the Group assesses whether there is a significant increase in credit risk on the receivables by comparing their risk of default as at the reporting date with the risk of default as at the date of initial recognition based on available reasonable and supportable forward-looking information. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group considers a receivable is credit impaired when the receivable is in significant financial difficulty, for instances, the receivable is in breach of financial covenants or insolvent. Receivables that are credit impaired are assessed individually while other receivables are assessed on a collective basis.

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

- (b) Credit risk (Cont'd)
 - (III) Assessment of impairment losses (Cont'd)

Deposits with licensed banks, cash and bank balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Financial guarantee contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity risk

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

[THE REST OF THE PAGE IS INTENTIONALLY LEFT BLANK]

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(c) Liquidity risk (Cont'd)

Maturity analysis

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

	Effective annual	Carrying	Contractual undiscounted			Over
Audited	interest rate	amount	cash flows	Within 1 year	1-5 years	5 years
2019 Non-derivative financial habilities	\$	KW 000	MM.WN	KMIDOD	N000	DOD.WX
Trade payables	ł	9,127	9,127	9,127	,	,
Other payables and accruals	,	1,420	1,420	1,420	t	•
Bank borrowings						
- Bankers' acceptances	3.49 - 3.70	2,364	2,364	2,364	•	,
- Revolving financing	6.10	1,055	1,055	1,055	ſ	¥
- Term loans	7.22 - 7.65	18,100	22,551	1,752	7,007	13,792
Lease liabilities	4.57 - 7.00	557	603	345	258	j.
Dividend payable	ι	3,000	3,000	3,000	١	-4
Financial guarantee contracts in relation to corporate						
guarantee given to certain related party*		۲	7,845	413	1,650	5,782
		35,623	47,965	19,476	8,915	19,574

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

Page 80

(1426078-V)
202101025778
No.:
Registration

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

- 33.1 Financial risk management policies (Cont'd)
- (c) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Effective		Contractual			
	annual	Carrying	undiscounted			Over
Audited	interest rate	amount	cash flows	Within 1 year	1-5 years	5 years
2020	%	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities						
Trade payables	3	4,817	4,817	4,817	ı	ł
Other payables and accruals	•	10, 179	10,179	10,179	1	ı
Bank borrowings						
 Bankers' acceptances 	2.08 - 2.10	1,864	1,864	1,864	,	ı
- Revolving financing	5.45	10,022	10,022	10,022	•	ł
- Term loans	3.20 - 8.90	36,174	44,706	3,653	14,591	26,462
- Invoice financing	6.90	720	720	720	•	•
Lease liabilities	4.71 - 7.00	1,611	1,797	785	1,012	ŗ
Financial guarantee contracts in relation to corporate						
guarantee given to certain related party*	•	¥	13,402	747	2,986	9,669
		65,387	87,507	32,787	18,589	36,131
			to be the second s			

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

(1426078-V)
202101025778
No.:
Registration

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(c) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Effective	Carrying	Contractual			Over
Audited	interest rate	amount	cash flows	Within 1 year	1-5 years	5 years
2021	%	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial Ilabilities						
Trade payables	1	9,600	9,600	9,600	ł	,
Other payables and accruais	,	2,495	2,495	2,495	ľ	í
Bank borrowings						
- Bankers' acceptances	3.54 - 3.56	8,908	8,908	8,908	ŕ	ı
- Revolving financing	5.45	13,221	13,221	13,221	,	
- Receivable financing	3.89	1,609	1,609	1,609		1
- Term loans	3.50 - 8.90	36,569	49,471	3,235	12,724	33,512
- Invoice financing	6.90	377	377	377	·	,
Lease liabilities	4.71 - 7.00	926	978	727	251	,
Financial guarantee contracts in relation to corporate guarantee given to certain related party*	ł	ą	6,477	413	1,650	4,414
		73,705	93,136	40,585	14,625	37,926

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

(1426078-V)
202101025778 (
No.:
Registration

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

(c) Liquidity risk (Conf'd)

Maturity analysis (Cont'd)

	Effective		Contractual			1010
Audited	interest rate	amount	cash flows	Within 1 year	1-5 years	5 years
2022	%	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities						
Trade payables	x	9,772	9,772	9,772	J	ı
Other payables and accruals	ą	3,428	3,428	3,428	·	ì
Bank borrowings						
- Bankers' acceptances	2.87 - 4.75	18,265	18,265	18,265	,	,
- Revolving financing	6.10	3,187	3,187	3,187	r	'
- Receivable financing	4.02 - 5.43	1,814	1,814	1,814	,	ı
- Term loans	3.50 - 9.65	39,029	57,615	3,526	10,427	43,662
 Invoice financing 	7.40 - 7.65	695	695	695	ı	ŧ
Lease liabilities	4.71 - 7.00	962	1,031	447	584	ŧ
	ŀ	77,152	95,807	41,134	11,011	43,662

Page 83

SYNERGY HOUSE BERHAD Registration No.: 202101025778 (1426078 – V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Capital risk management

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

The Group manages its capital based on net debt-to-equity ratio that complies with debt covenants and regulatory, if any. The net debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, bank borrowings and lease liabilities less cash and cash equivalents. The net debt-to-equity ratios of the Group at the end of each reporting period was as follows:

_		Audite As at 31 De		
_	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Bank borrowings Lease liabilities	21,519 557	48,780 1,611	60,684 926	62,990 962
Total borrowings Less: Deposits with licensed banks Cash and bank balances	22,076 (9,577) (6,312)	50,391 (1,656) (12,591)	61,610 (5,668) (15,861)	63,952 (12,704) (14,723)
Net debt	6,187	36,144	40,081	36,525
Total equity	18,485	20,192	34,349	46,350
Net debt-to-equity	0.33	1.79	1.17	0.79

There was no change in the Group's approach to capital management during the reporting periods.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.3 Classification of financial instruments

		Audite As at 31 Dec		
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Financial assets				
Fair value through profit or loss				
Other investment	416	-	-	3 4 (
Amortised cost				
Trade receivables	10,354	13,730	21,792	15,404
Other receivables	9,209	10,021	4,720	350
Deposits with licensed banks	9,577	1,656	5,668	12,704
Cash and bank balances	6,312	12,591	15,861	14,723
	35,452	37,998	48,041	43,181
Financial fiabilities Amortised cost				
Trade payables	9,127	4,817	9,600	9,772
Other payables and accruals	1,420	10,179	2,495	3,428
Bank borrowings	21,519	48,780	60,684	62,990
Lease liabilities	557	1,611	926	962
Dividend payable	3,000	-	-	·••
	35,623	65,387	73,705	77,152

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 Gain or loss arising from financial instruments

	Finan	Audite clal year ende	ed d 31 Decembe	9 r
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Financial assets				
Fair value through profit or loss				
Net gain recognised in profit or loss	16			-
Amortised cost				
Net (loss)/gain recognised				
in profit or loss	(310)	299	200	(190)
Financial liabilities				
Amortised cost				
Net loss recognised in profit or loss	(1,357)	(1,498)	(2,144)	(3,189)

33.5 Fair value information

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

The fair value of bonds is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into at the end of each reporting period.

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

The fair value of term loans that carrying floating interest rate approximates their carrying amounts as they are repriced to market interest rates on or near the reporting date.

34. SIGNIFICANT EVENTS DURING THE RELEVANT REPORTING PERIODS

(a) On 11 March 2020, the World Health Organisation declared the Coronavirus Disease ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the movement control order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown, and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

34. SIGNIFICANT EVENTS DURING THE RELEVANT REPORTING PERIODS (CONT'D)

(a) Under the MCO, the Group ceased its business operations from 18 March 2020 to 31 March 2020. Nevertheless, the Company resumed operation at its full workforce capacity on 4 May 2020 after obtaining approval from the Ministry of International Trade and Industry Malaysia.

However, the Covid-19 global pandemic has not resulted in any material impairment to the Group's assets (including inventories and receivables) as of 31 December 2020, 31 December 2021 and 31 December 2022 or affected the Group's ability to continue its business as a going-concern. The Covid-19 global pandemic did not have any material impact on the Group's operations and financial performance for the relevant reporting periods other than temporary cessation of business operations of the Group from 18 March 2020 to 31 March 2020 and temporary cessation of business operations of the Group's major suppliers from 1 June 2021 to 11 October 2021.

- (b) On 15 December 2020, the Group entered into sale and purchase agreement with a related party, namely Southampton Property Sdn. Bhd. (formerly known as Synergy House Properties Sdn. Bhd.) for the acquisition of freehold land and warehouse building located at No. 7, Jalan Astana 1F/KU2, Bandar Bukit Raja, 41050 Klang, Selangor for a total cash consideration of RM 20 million. The acquisition was completed on 29 December 2020.
- (c) On 30 December 2020, the Group entered into sale and purchase agreements with a related party, namely Southampton Property Sdn. Bhd. (formerly known as Synergy House Properties Sdn. Bhd.) for the acquisition of leasehold land and buildings located at No. 17, 19, 21 and 23, Lorong Sultan Mohamed, 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Klang, Selangor for a total purchase consideration of RM 1,640,000. The acquisition was completed on 29 June 2022.
- (d) On 30 December 2020, the Group entered into sale and purchase agreements with a related party, namely Southampton Property Sdn. Bhd. (formerly known as Synergy House Properties Sdn. Bhd.) for the acquisition of leasehold land and buildings located at No. 2, 4, 6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 26 and 28, Lorong Sultan Mohamed, 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Klang, Selangor for a total purchase consideration of RM 5,850,000. The acquisition was completed on 29 June 2022.
- (e) On 6 December 2021 and 25 May 2022, SHB entered into a conditional share sale agreement and its supplemental agreement respectively to acquire the entire equity interest of SH Furniture, SH International and SK Furniture Industries.
- (f) The purchase consideration was arrived at on a willing-buyer-willing-seller basis, after taking into consideration the audited net assets position of SH Furniture, SH International and SK Furniture industries respectively, as at 31 December 2021.

The acquisitions were completed on 20 January 2023.

SYNERGY HOUSE BERHAD

Registration No.: 202101025778 (1426078 - V)

ACCOUNTANTS' REPORT

STATEMENTS BY DIRECTORS

We, Tan Eu Tah and Teh Yee Luen, being two of the directors of Synergy House Berhad, state in the opinion of the directors, the combined financial statements set out on page 4 to 87 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines so as to give a true and fair view of the combined financial position of Synergy House Berhad as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 and of the combined financial performance and cash flows for the relevant reporting periods ended on those dates.

Signed in accordance with a resolution of the directors dated 12 April 2023.

Tan Eu Tah



15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- 15.1.1 No Shares will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of the issue of this Prospectus.
- 15.1.2 There is no founder, management or deferred shares in our Company. We have only one (1) class of shares in our Company, namely ordinary shares, all of which rank equally with one (1) another.
- 15.1.3 None of our Group's capital is under option, or agreed conditionally or unconditionally to be put under option.
- 15.1.4 Save as disclosed in Sections 6.2 and 6.3 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, for the Financial Years Under Review and up to the LPD.
- 15.1.5 Save for 12,500,000 Shares reserved for the Eligible Persons as disclosed in Section 4.3.1(ii) of this Prospectus, to the extent known by the Group,
 - no person including Directors, Key Senior Management or employees of our Group has been or is entitled to be given or has exercised any option to purchase or subscribe for any shares or debentures, warrants, options, convertible securities or uncalled capital of our Company or our subsidiaries; and
 - (ii) there is currently no other scheme involving our Directors, Key Senior Managament or employees of our Group in the capital of our Company or our subsidiaries.
- 15.1.6 As at the date of this Prospectus, we do not have any convertible securities, options, warrants and uncalled capital.

15.2 EXTRACT OF OUR CONSTITUTION

Subject to the receipt of the approvals and fulfilment of the conditions as may be imposed by the relevant authorities as set out in Sections 2.1, 2.2 and 2.3 of this Prospectus, the following provisions relating to the selected matters are reproduced from our Constitution.

The words and expressions appearing in this section shall bear the same meanings used in our Constitution or the context otherwise requires.

15.2.1 Remuneration, voting and borrowing powers of Directors

(i) Remuneration of Directors

Clause 93(1), (2) and (3) - Remuneration of Directors

- (1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.

(3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

Clause 84 -- Remuneration of Managing Director or Executive Director

A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine.

(ii) Voting of Directors

Clause 118 – Voting at Board Meetings

- (1) Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.
- (2) Each Director is entitled to cast one (1) vote on each matter for determination.

Clause 105 – Directors' Interest in Contracts

- (a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.
- (b) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.

Powers of Directors

Clause 94(1) and (2) – Managing business and affairs of the Company

- (1) The business and affairs of the Company shall be managed by or under the direction and supervision of the Directors who may pay all expenses incurred in promoting and registering the Company.
- (2) The Directors may exercise all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company except any power that the Act or by this Constitution requires the Company to exercise in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

Clause 95 – Borrowing Powers

Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

- (1) borrow money;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other Securities whether outright or as security; and/or
- (4) (a) lend and advance money or give credit to any person or company;
 - (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
 - secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

Clause 96 – Operation of cheques, promissory notes etc.

All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for money paid to the Company, must be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by any two (2) Directors or in such other manner as the Directors may from time to time determine.

Clause 97 - Power of attorney

- (1) The Directors may from time to time by power of attorney appoint any corporation, firm, or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for the purposes and with the powers, authorities, and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for a period and subject to any conditions as the Directors may think fit.
- (2) Any powers of attorney granted under Clause 97(1) may contain provisions for the protection and convenience of persons dealing with the attorney as the Directors think fit and may also authorise the attorney to delegate all or any of the powers, authorities, and discretions vested in the attorney.

Clause 99 - Delegation of powers

Subject to the applicable laws and/or the Listing Requirements:

- (1) the Directors may delegate any of their powers to a committee or committees consisting of such their number as they think fit;
- (2) any committee formed under Clause 99(1) shall exercise the powers delegated in accordance with any directions of the Directors and a power so exercised shall be deemed to have been exercised by the Directors; and

(3) the Board shall, subject to the Listing Requirements and upon the committee's recommendation (where applicable), appoint a chairperson of the committee and determine the period for which he is to hold office.

15.2.2 Changes to share capital

Clause 8 – Variation of Rights

- (1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:
 - (a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or
 - (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.
- (2) The provisions of this Constitution relating to General Meetings apply with the necessary modifications to every separate meeting of the holders of the shares of the class referred to in Clause 8(1), except that:
 - (a) for a meeting other than an adjourned meeting, a quorum is constituted by two
 (2) persons present holding at least one-third (1/3) of the number of issued shares of such class, excluding any shares of that class held as treasury shares;
 - (b) if that class of shares only has one (1) holder, a quorum is constituted by one (1) person present holding shares of such class; and
 - (c) for an adjourned meeting, a quorum is constituted by one (1) person present holding share(s) of such class.
- (3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:
 - (a) the terms of the issue of the existing preference shares; or
 - (b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clause 12 – Issue of Securities

- (1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:
 - (a) issue and allot shares in the Company; and
 - (b) grant rights to subscribe for shares or options over unissued shares in the Company.
- (2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):

- (a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;
- (b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and
- (c) for such consideration as the Directors may determine.
- (3) (a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in General Meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.
 - (b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.
 - (c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.
- (4) Subject to Rule 6.07 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a General Meeting of the precise terms and conditions of the issue.

Clause 46 - Alteration of Capital

- (1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:
 - (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

- (2) The Company may from time to time by special resolution and subject to other applicable requirements:
 - (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or
 - (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.
- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

15.2.3 Transfer of securities

Clause 14 - Transfer of Securities

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

15.2.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

As at the date of this Prospectus, we only have one (1) class of shares, being ordinary shares, all of which rank equally with each other. There are no special rights attached to our Shares. Please refer to Section 4.4 of this Prospectus for a summary of the rights of our shareholders relating to voting, dividend and liquidation in respect of our Shares.

15.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

There is no limitation on the right to own securities, including limitations on the right of nonresident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by the constituent documents of our Company.

15.4 EXCHANGE CONTROLS

Our Group has not established any other place of business outside Malaysia and is not subject to governmental laws, decrees, regulations and/ or other requirements which may affect repatriation of capital and remittance of profit by or to our Group.

15.5 CONSENTS

The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretaries, Solicitors, Share Registrar and Issuing House listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of our Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' letter on the Pro Forma Statements of Financial Position, and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of our Independent Market Researcher for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

15.6 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during normal business hours for a period of 6 months from the date of this Prospectus:

- (i) the Constitution of our Company;
- (ii) the material contracts as set out in Section 6.7 of this Prospectus;
- (iii) the IMR Report prepared by IMR as included in Section 8 of this Prospectus;
- (iv) the Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position as set out in Section 13 of this Prospectus;
- (v) the Accountants' Report as set out in Section 14 of this Prospectus;
- (vi) the letters of consent as referred to in Section 15.5 of this Prospectus;
- (vii) the audited financial statements of our Company and Subsidiaries for the Financial Years Under Review; and
- (viii) Valuation reports referred to in note 4(b) and note 5(c) to the combined financial statements in the Accountants' Report.

15.7 RESPONSIBILITY STATEMENTS

- (i) Our Directors, Promoters and Offeror have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.
- (ii) Kenanga IB as the Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE, FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD : 10.00 A.M., 12 MAY 2023

CLOSING OF THE APPLICATION PERIOD : 5.00 P.M., 18 MAY 2023

Applications for the IPO Shares will be open and close at the dates stated above.

In the event of any change to the dates stated above, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATION

16.2.1 Application for Our IPO Shares by the Malaysian Public and Eligible Persons

Application must accord with this Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors Application method

Applications by the Malaysian Public:

(a)	Individuals	WHITE Application Form or Electronic Share Application or Internet Share Application
(b)	Non-Individuals	WHITE Application Form only
Applica	ations by the Eligible Persons	PINK Application Form only

16.2.2 Application by selected investors via private placement

Types of Application	Application method
Applications by:	
(a) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party** CDS accounts will not be accepted for the Applications.

Only ONE Application Form for each category from each applicant will be considered and APPLICATIONS MUST BE FOR AT LEAST ONE HUNDRED (100) IPO SHARES OR MULTIPLES OF ONE HUNDRED (100) IPO SHARES.

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Applications by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least eighteen (18) years old as at the date of the application for our IPO Shares; or
 - (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

- (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of Issuing House; and
- (iii) You must submit Applications by using only one(1) of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

16.3.3 Application by Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Persons must follow the notes and instructions in the said document and where relevant, in this Prospectus.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, Issuing House, Kenanga IB, participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.43 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 737**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one (1) of the following methods:

(i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (*Registration No. 197101000970 (11324-H)*) Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur

(ii) DELIVER BY HAND AND DEPOSIT in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, so as to arrive not later than 5:00 p.m. on 18 May 2023.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Forms to our Issuing House.

16.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only **Malaysian individuals** may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

16.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only **Malaysian individuals** may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS–CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND ISSUING HOUSE

The Issuing House on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 of this Prospectus.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER / UNDER SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of our IPO shares and the balloting results in connection therewith will be furnished by Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online within one (1) market day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event this requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all the Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and / or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.3.3 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Applications and Internet Share Applications

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by Issuing House, by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) our IPO Shares allotted to you will be credited into your CDS account.
- (ii) a notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

- (iii) in accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our Issue Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Issue Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, one (1) Market Day after the balloting date.

You may also check the status of your Application at the above website, five (5) Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.