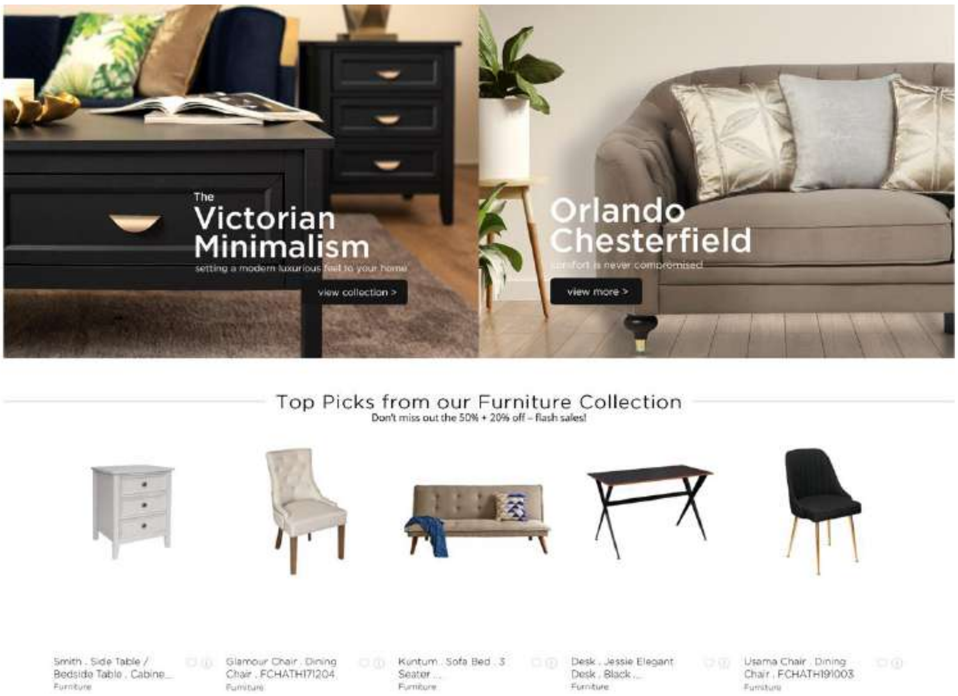


7.3 OUR RANGE OF PRODUCTS

We retail a comprehensive range of furniture, home décor and home living product offerings targeted for home and office use, details of which are as follows:

Segments	Description	Product range
Furniture	Home, office and bedframe furniture available in assembled and non-assembled forms 	• Armchairs and lounge chairs • Bedframes • Benches and ottomans • Cabinets and racks • Chairs and stools • Chest drawers • Console tables • Hat and clothes-stands • Mattresses • Outdoor furniture • Recliners • Shelves • Shoe racks • Sofas • Tables and desks (e.g. dining tables, study desks) • Table and chair sets • Wardrobes

7. BUSINESS OVERVIEW *(Cont'd)*

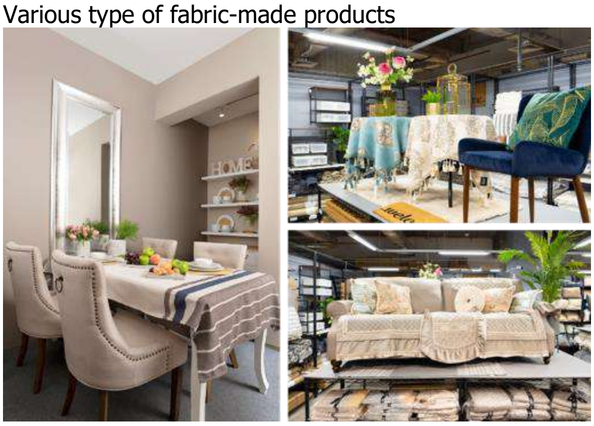
Segments	Description	Product range
Home décor		
Home decoration	Various range of home decoration products available in various trends and styles  	• Candles and candle holders • Wall decorations • Mirrors • Photo frames • Sculptures and statues • Fragrances and scents (e.g. diffusers and essential oils) • Artificial fruits and garnishes • Book-ends and storages • Mini chests and boxes • Trays and baskets • Mini fountains • Table calendars • Vases and porcelains
Artificial flowers and plants	Indoor and outdoor artificial flowers, plants and trees with accompanying planters for various settings and styles 	• Artificial plants • Artificial flowers • Grass mats and accessories • Pots and planters
Paintings	Various types of visual art products for various settings and styles 	• Paintings

7. BUSINESS OVERVIEW *(Cont'd)*

Segments	**Description**	**Product range**
Lightings	An assortment of lighting products for various use and settings 	• Decorative lighting • Floor lamps • Pendant lamps • Table lamps • Lighting accessories
Clocks	Table and wall clocks that are available in various designs and sizes 	• Table clocks • Wall clocks
Home Living		
Bathroom	Organisers and linen products that are available in various colours and designs 	• Bathroom organisers and bath linens • Bathroom accessories

7. BUSINESS OVERVIEW *(Cont'd)*

Segments	**Description**	**Product range**
Bedding	Full range of bedding products and various accompanying products 	• Bedding sets • Pillows and cushions • Quilts and duvets • Bedding accessories
Carpets and rugs	Flooring items for indoor and outdoor use 	• Carpets and rugs • Doormats
Curtains	Various types of ready-made curtains and accessories available in selected sizes 	• Ready-made curtains • Curtain accessories
Household	A range of housekeeping and storage products 	• Cleaning tools • Drying racks • Hardwares • Laundry baskets and garments • Shopping bags • Storages and organisers • Waste and recycling bins

Segments	**Description**	**Product range**
Kitchenware	A wide range of kitchen related products 	• Cutleries and utensils • Dinnerwares • Dishwashing accessories • Drinkwares and jugs • Food containers and organisers • Knives and chopping boards • Placemats • Serve wares • Serving carts • Table and kitchen linens
Soft furnishing	Various type of fabric-made products 	• Sofa pads • Sofa covers • Tablecloths
Toy	A range of soft toy and children's furniture 	• Children's chairs and stools • Rocking plush • Soft toys
Electrical items	A range of electrical home appliances and accessories. 	• Fans • Radios

Segments	Description	Product range
Others		
SSFHOME VIP membership	Annual paid membership loyalty programme where members are entitled to year-round promotions	
Installation services	Product installation services	

7.4 PRINCIPAL MARKETS AND SEGMENTS

Our principal market is Malaysia as we generate all our revenue locally for FYE 2020 to 2023. The breakdown of our revenue according to product segments for the financial years under review are as follows:

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
Product segments	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Furniture	66,500	51.4	108,903	52.3	89,246	55.4	93,364	53.5
Home décor	34,464	26.6	48,743	23.4	35,274	21.9	38,054	21.8
Home living	24,131	18.7	42,416	20.4	33,324	20.7	35,005	20.1
Others(1)	4,286	3.3	8,011	3.9	3,146	2.0	8,051	4.6
	129,381	**100.0**	**208,073**	**100.0**	**160,990**	**100.0**	**174,474**	**100.0**

Note:

(1) Consist of membership fees and installation services fees.

Our products are sold through our retail outlets located nationwide and our online channel. The following table sets out the revenue contribution for FYE 2020 to 2023 by retail and online channels:

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
Geographical markets	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Retail channel								
Central region(1)	62,996	48.7	98,562	47.4	66,851	41.5	74,715	42.8
Northern region(2)	15,610	12.1	24,384	11.7	23,488	14.6	26,084	15.0
Southern region(3)	20,167	15.6	33,597	16.1	24,482	15.2	30,084	17.2
Eastern region(4)	9,640	7.4	17,682	8.5	17,967	11.2	20,413	11.7
	108,413	83.8	174,225	83.7	132,788	82.5	151,296	86.7
East Malaysia(5)	20,367	15.7	32,221	15.5	24,850	15.4	22,307	12.8
	128,780	**99.5**	**206,446**	**99.2**	**157,638**	**97.9**	**173,603**	**99.5**
Online channel	601	0.5	1,627	0.8	3,352	2.1	871	0.5
	129,381	**100.0**	**208,073**	**100.0**	**160,990**	**100.0**	**174,474**	**100.0**

Notes:

(1) Comprises Selangor and WP.
(2) Comprises Kedah, Penang and Perak.
(3) Comprises Negeri Sembilan, Melaka and Johor.
(4) Comprises Kelantan, Terengganu and Pahang.
(5) Comprises Sabah and Sarawak.

As at LPD, we have 82,997 active members who have signed up for our paid membership programme, where 53.9% relates to new members and 46.1% relates to existing members. Our Group has 99,880, 83,677, 70,160 and 89,650 active members, where 56.5%, 77.2%, 56.0% and 53.2% relates to new members and 43.5%, 22.8%, 44.0% and 46.8% relates to existing members for FYE 2020 to 2023 respectively. Such active members contributed RM118.02 million, RM188.59 million, RM152.86 million and RM162.33 million to our Group's revenue for FYE 2020 to 2023 respectively.

7.5 PRINCIPAL PLACE OF BUSINESS

Details of our Group's headquarters and central warehouse centre are as follows:

Location of facilities	Main function	Approximate built-up area
Sunway Nexis C-11-08 & C-11-09 1, Jalan PSU 5/1 Kota Damansara 47810 Petaling Jaya Selangor	Headquarters	2,949 sq ft
Hap Seng Business Park 12, Persiaran Perusahaan Block 2, 1^{st}, 2^{nd} and 3^{rd} Floor Seksyen 23 40300 Shah Alam Selangor	Central warehouse centre	268,593 sq ft

Further detail of our retail outlets is set out in Section 7.2.1.

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7.6 BUSINESS PROCESSES

Our operational process flow for the retailing of furniture, home décor and home living products is as follows:

(a) Pre-sale

Procurement

Our procurement team consists of 11 personnel and is led by our Managing Director/ Chief Executive Officer, Wong Choong Loong who develops procurement strategies and directions of new furniture, home décor and home living products and replenishment of inventory for existing products. Our procurement activities include sourcing and evaluating prospective suppliers, negotiating pricing terms and managing daily purchases. Our procurement team selects and evaluates suitable suppliers based on amongst others competitive pricing, product quality, after sales services and timely delivery. As at LPD, we have a pool of 28 approved suppliers, which consist of 19 local manufacturers, 7 local trading houses, 1 local wholesaler and 1 trading house in Hong Kong.

(i) New products

As part of the procurement process, we work with our suppliers to source for products. We keep abreast with current market trends through visits and participations in trade fairs and exhibitions relating to furniture, home décor and home living, visits to manufacturers' factories and other home furnishing retailers. We also conduct secondary researches on home furnishing and home design where we gather new product ideas to introduce to our local market. Our Group's internally conceptualised design and seasonal themes will be communicated to our suppliers. Subsequently, we will engage the following:

(aa) Trading houses and wholesalers: Our suppliers such as trading houses and wholesaler will then begin to source from their network of manufacturers, and propose designs that fit our conceptualised design and seasonal themes through samples provided. These suppliers will also submit new product catalogues and samples to us on a seasonal and/or quarterly basis.

(bb) Local manufacturers: Our suppliers such as local manufacturers would then recommend and propose designs that are manufactured by them which fit our conceptualised design and seasonal themes through samples provided. We have an option to customise selected features of the products based on the proposed design by local manufacturers, which include amongst others, designs, materials used and colours. Subsequently, our local manufacturers will provide samples of the customised products, before finalisation.

Upon evaluating the samples provided, our procurement team will shortlist the proposed products. They will then conduct internal evaluation, carry out a bi-annual review of new and in-trend products and assess its commercial viability such as sufficient market demand and targeted profit margin. Once approved, we will add the qualified products into our approved product list and place orders with them. Such design of products finalised by our procurement team are not exclusive to our Group.

(ii) Existing products

For our existing range of products, our procurement team will assign a safety inventory level of each product for each retail outlet. The allocation of inventory level of each product to each retail outlet is determined based on a number of factors including the sales of the retail outlet, size of the retail outlet, size of the products, quantity in packaging, quantity of incoming inventory as well as geographical and demographic factors.

When the inventory level of a certain product in a retail outlet falls below the indicated threshold, an inventory replenishment order for such product will be automatically generated through our ERP system to our procurement team. Our procurement team will then use the inventory replenishment order as a reference to analyse such products that are required to be replenished based on our customers' purchasing patterns to ensure high-demand products are replenished frequently and in sufficient quantities as well as adjust our product mix to minimise storage of less popular product in each retail outlet. Subsequently, our procurement team will issue a purchase order to our suppliers.

Generally, the lead time from placing an order to the receipt of products from our suppliers is between 2 and 4 months. Due to the large number of products that we carry, we generally rely on our suppliers to undertake QC inspection to ensure that the products are in compliance with our Group's standard. Generally, the QC inspection conducted by our suppliers involved checking the specifications of our products, which includes amongst others, product design, material, colour and size. They are also responsible for ensuring that the products are in accordance with purchase order and are in good condition. Prior to shipment, our suppliers will also inspect the packaging of products to ensure that such packaging are attached with the corresponding inner labelling and barcode.

Warehousing and logistics

Our warehouse team will perform QC inspections which include inventory count, visual inspection on packaging and random sampling tests upon receiving products from our suppliers. If the products received are not in accordance with the purchase order and/or are found to have defects, we will lodge a report to our suppliers immediately. Subsequently, we will communicate with our suppliers for replacement of products. For products which are in accordance with the purchase orders and have complied with our QC inspections, such products will be stored in our warehouse and we will update our inventory level in our ERP system.

The replenishment of inventories in our retail outlet is performed by submitting an internal sales order to our warehouse via the procurement system. Based on the internal sales order, a picking list which contains information on product SKUs and quantities ordered will be generated through our ERP system to our warehouse team in order to pick and pack the required products to be delivered to our retail outlets. We utilise our in-house fleet of lorries and engage third-party logistics service providers to deliver the products to our retail outlets.

(b) Sales

The bulk of our revenue is generated from our retail outlets, which accounted for 99.5% of our sales in FYE 2023 while the remaining 0.5% was contributed by online sales.

Retail outlet sales

Our retail outlet operations team will perform an inventory check upon receiving products from our warehouse.

Our retail outlet operations team includes 16 visual merchandisers as at LPD, led by our Managing Director/ Chief Executive Officer. Our visual merchandisers will receive an internal display memo for product arrivals from our procurement team. They will then work internally to propose the suitable visual merchandising displays, taking into account product placements, required fixtures, product designs, styles, themes and environment settings. Once the new visual merchandising displays are finalised, they will then adopt such display in our retail outlets to synchronise our desired themes across outlets.

Our visual merchandising team will also coordinate with procurement team to carry out review of visual merchandising displays and will update or re-design them from time to time (i.e. seasonal and/or quarterly basis) to enhance and freshen the presentation of products in our retail outlets. The type of visual merchandising displays adopted at our retail outlets comprises window displays, house displays, concept displays and eye-level displays.

Our retail outlets are staffed with retail outlet consultants that are ready to engage with customers and answer queries on products. The engagement with customers also provides opportunity to update available promotions and promote our SSFHOME VIP membership loyalty programme. Customers are exposed to our retail displays and can pick and interact physically with the products that are strategically placed on shelves throughout our retail outlets. Complemented by our SSFHOME mobile application, customers are able to check prices of products via barcode scanner and also add them to its shopping cart virtually before making payment at the cashier.

If a customer decides to purchase products from our retail outlet, our retail outlet sales team will check for inventory availability and provide customer with a new unit for cash and carry items. We also provide customers with the flexibility to arrange for home delivery or self-collection at preferred retail outlets. For large items such as furniture, carpets and paintings, customers will be informed by our retail outlet sales team to pre-order, after which it can be delivered to the customer's specified location.

Online sales

In line with our retail model, selective products that are available in our retail outlets are also sold on our e-commerce website. Products available for cash and carry purchases are generally available on our e-commerce website while fragile products that are prone to damages during delivery such as mirrors and glass items are available in limited choices, depending on their original packaging and method of delivery.

We will upload details of new products to our e-commerce website once any new products are added into our approved product list. The sales orders from our e-commerce website will be processed daily by our warehouse team. If sufficient inventory is available at our warehouse, our warehouse team will pick and pack and perform QC inspection on the inventory as well as arrange delivery to our customers.

(c) After-sales

Collection and delivery of products

Internal sales orders will be processed daily by our warehouse team. Subject to inventory availability, cash and carry products purchased from our retail channel can be collected from our retail outlets whereas bulky products will be delivered. All online sales will be delivered to our customers.

The delivery services offered by our Group is within Malaysia, where a delivery charge will be applied to our customers, depending on the purchasing amount and delivery location. Our delivery services comprise truck delivery services for bulky items and courier delivery services, which is offered through our in-house delivery and third-party logistics as well as courier service providers.

As at LPD, we own and operate 7 lorries with various tonnage to facilitate our deliveries. Generally, deliveries within Peninsular Malaysia will take approximately 7 to 10 days (for retail outlet sales and online sales) whilst deliveries to East Malaysia may take up to 21 days to be fulfilled (for retail outlet sales). Currently, we offer on-site installation services for products purchased from our retail outlet, with additional charges applied.

Exchange and return of products

We offer our customers with 7 days exchange policy subject to the terms and conditions set out in our exchange policy. Customers who either received damaged or missing parts of the products from the retail outlet can return to the retail outlet to make an exchange. Alternatively, they can reach out to our customer service team via our general line and/or email, and will receive response from our Group within 48 hours. On the other hand, customers who made purchases from our e-commerce website can reach out to our customer service team via our general line and/or email within 7 days from receiving the product.

Our customer service team will assess the product exchange request with the relevant departments to rectify the issue. A report will be filed with the customer service team who will proceed with the exchange process with our warehouse team. Should there be any need for the customer to return the product to the warehouse, we will schedule for the return of the product with our warehouse team.

Once the exchange is approved, our warehouse team will coordinate with the customer to arrange for delivery. The time taken to complete the exchange process differs as it depends on the availability of the products and delivery schedule. We also offer customers to exchange for items of similar value if the product purchased is no longer available.

7.7 CASH MANAGEMENT POLICY

Over the course of our retail operations, we accept cash and cashless payment such as e-wallet, QR codes payment and credit card payment for our sales transactions. Our Group strives to implement standardised cash management practices to prevent possibilities of cash mismanagement and theft. In FYE 2020 to 2023, our total cash sales (including credit card sales) contributed 96.3%, 98.0%, 100.0% and 98.9% of our Group's total revenue whereas the total credit sales (which mainly comprises sales to SSF Home Deco Sdn Bhd (currently known as SFair) and Living Market, after deducting sales return) contributed 3.7%, 2.0%, nil and 1.1% of our Group's total revenue.

Our control measures include designating authorised personnel to handle cash at our respective retail outlet and implementation of strict cash bank-in or cash collection procedures. We also put in place several levels of check and balance measures to detect possible variances in our cash management process flow. This is achieved through daily reconciliation and cross-checking procedures carried out by our finance team as well as through our internal control team.

For the financial years under review, there were 2 incidents of cash mismanagement, whereby financial losses from such incidents were nominal i.e. less than RM1,000 each. Arising from such incidents and in the event of fraud, mismanagement or mishandling of cash, we will take appropriate actions such as conducting internal inquiry of the event with the branch manager, checking of CCTV recordings, taking disciplinary action or reporting such incidences to the police, where required.

7.8 SECURITY AND LOSS PREVENTION

We maintain strict security procedures in our retail outlet operations and central warehouse centre. In order to deter pilferage, shoplifting, theft and robbery, all of our retail outlets are installed with CCTVs and safes. CCTVs are fitted on every POS terminal and the entrance of the retail outlets as well as at the loading and delivery areas.

Some of our retail outlets are located in commercial shoplots and standalone outlets and/or within shopping mall that are equipped with alarm systems. In the event the alarm is triggered, the system will immediately generate and send alerts and notifications to our branch manager and area manager, where the said personnel will subsequently investigate and resolve the incident.

We also have in place an internal control team that comprises 9 operations support staff and 2 internal auditors of retail operations as at LPD that are responsible for, amongst others, monitoring and investigating reported pilferage and cash variance incidents. Additionally, they have remote access to their assigned retail outlets' CCTV that enables routine monitoring. They are also tasked with conducting internal audit on inventory cycle count to track and record sales and inventory movement and to detect and report variance to our headquarters. The team also carries out periodical spot check and perform cycle counting on the inventory system to confirm the physical inventory counts match against the system records. This allows us to investigate, trace and resolve incidences of pilferage, shoplifting and theft in a timely manner.

In our retail outlets, a sanction check will be conducted by our branch manager and/or branch assistant manager to ensure that all delivered products match with the corresponding invoices and packing slips. To minimise loss of products in transit and as a level of security, our delivery trucks are fitted with GPS tracking modules to enable constant monitoring of our drivers' routes. We also appoint independent third-party company to conduct annual stock take for our retail outlets and warehouse.

Our central warehouse centre is also equipped with strategically installed CCTVs to record and deter incidents such as burglary and robbery. It is also guarded by a group of security guards who patrol the area regularly.

From FYE 2020 to 2023 and up to LPD, there were 3 incidents of theft and 1 incident of burglary. In the event of theft and/or burglary, we will take appropriate actions such as conducting internal inquiry of the incident with the branch manager, checking of CCTV recordings, taking disciplinary action or reporting such incidences to the police, where required. For the financial years under review, our financial losses experienced by the Group due to pilferage, shoplifting, theft and robbery amounts to RM2,805.00 in FYE 2020, nil in FYE 2021, RM349.17 in FYE 2022, RM4,538.50 in FYE 2023 and nil from 1 May 2023 up to LPD.

7.9 INSURANCE

We maintain insurance policies which include fire insurance, money insurance, burglary insurance, product liability insurance, plate glass insurance, fidelity guarantee and personal accident insurance to defray our exposure to numerous risks arising from the operations of our home furnishing retail business. These insurance policies have specifications and insured limits that we believe are appropriate, taking into consideration our risk level and exposure to such loss, the cost of such insurance, applicable regulatory requirements and the prevailing industry practice in Malaysia. Our Group's total insurance coverage as at LPD amounts to RM282.03 million. We periodically conduct reviews of our insurance coverage as well.

7.10 PROCUREMENT ACTIVITIES

Our procurement team is led by our Managing Director/ Chief Executive Officer, Wong Choong Loong, who sets the procurement strategies and directions of our Group, including the optimal product mix for our retail outlets.

We stay abreast with current trends and insights of the home furnishing industry through regular travels to overseas and visits to other home furnishing retailers as well as conduct secondary researches on home furnishing and home design sources where we gather new product ideas to introduce to our local market.

Our procurement team regularly visits and participates in trade fairs and exhibitions relating to furniture, home décor and home living to keep abreast with industry knowledge, current market trends and to meet potential suppliers. Our procurement team continuously review our product mix in respond to the changing demands of our customers and to maintain a competitive advantage over our peers. The following are trade fairs and exhibitions that our procurement team have attended in recent years:

Year	Name of fair and exhibition	Location
2019	Export Furniture Exhibition	Malaysia
	Malaysia International Fair ("**MIFF**") 2019	Malaysia
	China International Furniture Fair	China
	Canton Fair	China
	JinHan Fair	China
2022	MIFF 2022	Malaysia
	Vietnam International Furniture and Home Accessories Fair	Vietnam
	High Point Market	USA
2023	The 58th National Crafts Trade Fair Artificial Plants and Accessories Exhibition	China
	MIFF 2023	Malaysia
	Export Furniture Exhibition	Malaysia
	Vietnam International Furniture and Home Accessories Fair	Vietnam
	China International Furniture Fair	China
	Hong Kong Gifts and Premium Fair	Hong Kong
	JinHan Fair	China
	Canton Fair	China

We did not attend any fairs or exhibitions in 2020 and 2021 due to travel restrictions in light of the COVID-19 outbreak. During this time, we continued to keep abreast of market trends through our suppliers' product catalogues. In addition, our procurement team closely monitors various designers' platform and suppliers' websites to gather latest market trend information.

As part of our bi-annual product mix review, we establish procurement directions which include identifying and establishing current in-trend designs and themes as well as accessing the commercial viability of the proposed plans. The established trends and themes are then communicated to our suppliers who then begin to source for products that meet our criteria.

Our suppliers also regularly send latest catalogues to us on a seasonal and/or quarterly basis. Our procurement team survey the new product offerings via the product catalogue or otherwise request the intended style and design of the products from our suppliers.

7.11 INVENTORY MANAGEMENT

Our inventory management are centrally managed at our central warehouse centre situated at Hap Seng Business Park, Shah Alam, Selangor. It serves as a base for us to receive incoming inventory, record and store such inventory, as well as packing of products prior to distribution to our respective retail outlets and/or customers.

We endeavour to maintain sufficient inventory levels to avoid instances of stock unavailability at our retail outlets as well as to ensure fulfilment of orders. Generally, the lead time from placing an order to the receipt of products from our supplier takes between 2 and 4 months. Taking into account the lead time, we also plan our orders based on upcoming festive seasons or planned promotions when determining our order quantities. Festive periods such as Hari Raya Aidilfitri, Christmas and Chinese New Year generally require higher inventory levels to cater for the increased demand. We also conduct monthly sales forecasts to estimate the demand for our products.

We manage our inventory level through our ERP system, namely Goldsoft that facilitates the internal inventory ordering procedure. Through our ERP system, we can assess the volume and rate of sales of our products at each retail outlet from time to time, enabling better decision making when maintaining optimal inventory levels and mitigating against the loss of inventory.

Generally, we allocate approximately 60.0% of our total inventory to our retail outlets (depending on the type of products) whilst the remaining will be stored in our central warehouse centre. Additionally, we also establish predetermined safety inventory level of each product for each retail outlet. When the inventory level of a certain product falls below such a predetermined threshold, an inventory replenishment order for such product will be automatically generated through our ERP system. This allows us to ensure that our retail outlets are well-stocked and are able to meet the demands of our customers.

7.12 INTERRUPTION TO BUSINESS AND OPERATIONS

Save for the interruption in our operations arising from the movement restrictions in Malaysia following the outbreak of COVID-19, our Group has not experienced any interruption which has affected our business during the past 12 months preceding LPD.

7.12.1 Impact of COVID-19 on our Group

COVID-19 was declared a pandemic by the Director General of the World Health Organisation on 11 March 2020. Throughout 2020 and 2021, the Government implemented various stages of MCO to curb the spread of COVID-19 pandemic, details of which are set out below together with the impact on our business operations:

	Impact of COVID-19 on our business operation	**Number of operating retail outlets**	**Workforce capacity allowed (%)**	**Actual workforce capacity for retail outlets (%)**
MCO 1.0[(1)] (18 March 2020 to 3 May 2020)	All of our operations were temporarily suspended and all our employees were restricted from working in our premises, including our office, warehouse and retail outlets. Work from home arrangements were implemented for our headquarters-based employees to continue their duties.	None	-	-

	Impact of COVID-19 on our business operation	Number of operating retail outlets	Workforce capacity allowed (%)	Actual workforce capacity for retail outlets (%)
CMCO (4 May 2020 to 9 June 2020)	We gradually resume operations with 50.0% workforce capacity after obtaining the approval from the MITI on 6 May 2020 for Peninsular Malaysia and 11 May 2020 for East Malaysia.	45	50.0	50.0
RMCO (10 June 2020 to 31 March 2021)	We continue our operations with 50.0% workforce capacity based on the approved workforce capacity. During this period, selected states were imposed with tighter restrictions depending on the number of COVID-19 cases. Selangor, WP and Putrajaya were placed under CMCO from January 2021 to March 2021. Pahang, Perak, Negeri Sembilan, Kedah, Terengganu, Kelantan were placed under CMCO from February 2021 until March 2021 As a result, the operating hours of our retail outlets were affected and some of our retail outlets also experienced temporary closure.	44	50.0	50.0
FMCO[(2)] (1 June 2021 to 28 June 2021)	During this period, all of our retail operations were temporarily suspended and work from home arrangements were implemented for our headquarters-based employees with no more than 30% of management staff allowed in the headquarters.	None	30.0 for management staff only in headquarters	-

	Impact of COVID-19 on our business operation	Number of operating retail outlets	Workforce capacity allowed (%)	Actual workforce capacity for retail outlets (%)
NRP, Phase 1 **(2)** (15 June 2021 to 1 October 2021)	Throughout the NRP Phase 1 – Phase 4, we continued to operate with different workforce during each phase of the NRP as imposed by MITI. We resumed operations during the NRP Phase 1, when we obtain the approval from MITI gradually in August 2021 with 60.0% workforce capacity. Subsequently, we increased our workforce capacity to 80.0% during NRP Phase 2 and Phase 3.	None	60.0	-
NRP Phase 2 (5 July 2021 to 1 October 2021)		7	80.0	(3)13.7%
NRP Phase 3 (4 August 2021 to 18 October 2021)		42	80.0	80.0%
NRP Phase 4 (26 August 2021 to 31 March 2022)	We have since resume full workforce capacity at our premises during NRP Phase 4.	44	100.0	100.0
"Transition to endemic" phase (1 April 2022)	We have continued to operate in accordance with the regulations set out by the Government.	44	100.0	100.0

Notes:

(1) Our Group operated for 322 days as a result of temporary suspension due to MCO 1.0.

(2) Our Group operated for an average of 290 days as a result of temporary suspension due to FMCO and NRP Phase 1.

(3) During NRP Phase 2, only 7 of our retail outlets were in operations with maximum workforce capacity of 80% in each of the 7 retail outlets.

7.12.2 Impact of COVID-19 and MCO on our supply chain

When the MCO 1.0 was first imposed in March 2020, our supply chain was disrupted due to abrupt closure of economic activities. As our supplies are also sourced overseas, we experienced longer customs clearance period as a result of port congestion, which led to additional demurrage and detention charges of RM0.14 million in FYE 2020. However, we did not experience material disruption in terms of meeting our customers' demands or delivery as our retail operations were also temporarily suspended during the period.

Separately, we took longer to fulfil our sales orders from online channel during this period (i.e. lead time of approximately 7 to 10 days, increased to approximately 21 days) as interstate travel restrictions and lower workforce capacity were allowed in Peninsular Malaysia, which limited our ability to deliver our products.

During the MCO periods, in order to mitigate delays in incoming inventory as a result of delays in customs clearance and logistic delay due to travel restrictions, we increased our inventory levels. In addition, we experienced higher freight rates in FYE 2021. This is due to temporary mismatch between supply capacity and increasing demand for freight services as global economic activities began to resume in the second half of 2020. As freight charges are aggregated with the product prices in invoices by our suppliers (i.e. from local and overseas trading houses who in turn may source them from their supplier network overseas), any fluctuation in global freight rates are reflected and passed on to us. The fluctuation in global freight rates were highlighted to us by such suppliers during the negotiation stages of our purchases when we observed increase in purchase price of a same product year-on-year (i.e. an average of approximately 10.0% increase in unit price per item from FYE 2020 to FYE 2021).

Despite the abovementioned delays and increase in freight rates, we did not experience material disruption or impact to our operations.

In FYE 2022, freight charges began to normalise due to the opening of global economies and we did not experience material disruptions to our supply chain.

7.12.3 Measures to commence and continue our business operations

Although the Ministry of Health had announced the transition of COVID-19 into endemic phase from 1 April 2022, followed by the Government's latest decision in relaxing various health and safety SOPs which taken effect from 1 May 2022. The Ministry of Health further relaxed the restrictions on 5 July 2023 where mask wearing is classified as non-compulsory measures. However, we have continued with the implementation of COVID-19 safety and health instructions and procedures as detailed below:

(a) encouraging all our employees to wear face masks at our premises;

(b) any employee who is reported as close contact, or tested positive and showing symptoms of COVID-19, must report to our human resource department immediately, refer to any medical facilities and undergo home quarantine for up to 5 days; and

(c) placing hand sanitisers at various areas and regular cleaning, sanitising and disinfecting of common areas of our premises.

In the event that any of our employees are tested positive for COVID-19, (a) a compulsory COVID-19 testing will be carried out for employees in the same team and employees who have come into contact with the affected employee; (b) a work-from-home policy has been put in place should employees in the same team exhibit symptoms of COVID-19; and (c) the affected workplace will be disinfected. Employees that have been tested positive for COVID-19 are allowed to resume their duties after 5 days.

7.12.4 Impact of COVID-19 on our liquidity, financial position and financial performance

Save as disclosed below, the business interruptions faced during MCO 1.0 and FMCO until NRP Phase 1 where we suspended our retail operations temporarily, we did not experience any other material adverse impact to our financial performance from the imposition of the various stages of MCOs.

In FYE 2020, as a result of MCO 1.0, we experienced shorter operation period of approximately 10.5 months due to closure of business activities in mid-March 2020 and April 2020. We also experienced lower revenue contribution during the month of Ramadan in April 2020. Our revenue then increased by approximately 60.8% from RM129.38 million in FYE 2020 to RM208.07 million in FYE 2021, mainly attributable to the resumption of business activities in FYE 2021 where we were able to operate for a full 12 months.

However, our revenue decreased by 22.6% in FYE 2022 to RM160.99 million, mainly attributed to the imposition of FMCO that led to the closure of businesses in June and July 2021, which resulted in lower revenue generated during FYE 2022 as business activities was only in operations for approximately 10 months. Overall, despite the year-on-year fluctuations arising from the imposition of the various stages of MCO, we recorded a revenue growth of 24.4% for FYE 2022 compared to FYE 2020.

Arising from the imposition of FMCO in June and July 2021 (FYE 2022), our Group's total revenue increased by RM13.48 million or 8.4% from RM160.99 million in FYE 2022 to RM174.47 million in FYE 2023 due to uninterrupted business operations and increase in number of active members.

7.12.5 Impact of COVID-19 on our Group under the "transition to endemic" phase

Malaysia entered into the "transition to endemic" phase of COVID-19 beginning 1 April 2022, whereby COVID-19 restrictions and SOPs were further relaxed. We did not experience material impact on our operations since the commencement of the "transition to endemic" phase. Notwithstanding the above, we continued to implement in-house COVID-19 related SOPs to reduce the risk of COVID-19 infections amongst our employees.

7.13 SEASONAL OR CYCLICAL EFFECTS

Our business is exposed to seasonal effects of the retail industry. Our sales are generally higher during festive seasons such as Chinese New Year, Hari Raya Aidilfitri and Christmas. In addition, we also experience higher transactions during our sales campaigns that are conducted throughout the year.

7.14 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

The following are the major types of input materials that we purchased in FYE 2020 to 2023:

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**(1)%**	**RM'000**	**(1)%**	**RM'000**	**(1)%**	**RM'000**	**(1)%**
Furniture	47,222	60.6	57,938	59.2	48,595	60.6	40,034	61.0
Home décor	13,912	17.8	19,435	19.9	14,274	17.8	11,727	17.9
Home living	16,865	21.6	20,432	20.9	17,321	21.6	13,807	21.1
	77,999	**100.0**	**97,805**	**100.0**	**80,190**	**100.0**	**(2)65,568**	**100.0**

Notes:

(1) As a percentage of total cost of purchases.

(2) Despite the increase in our Group's revenue by RM13.48 million or 8.4% from RM160.99 million in FYE 2022 to RM174.47 million in FYE 2023, our Group's total purchases decreased by RM14.62 million or 18.2% from RM80.19 million in FYE 2022 to RM65.57 million in FYE 2023 as we have increased our inventory level in FYE 2022 to buffer against any disruption in our supply chain and operations due to the imposition of FMCO during June to mid-July 2021. In addition, since January 2023, we have split our inventory order from suppliers into several tranches based on our estimated quarterly sales volume.

Our purchases are sourced from local and foreign suppliers. Our approved suppliers are regularly evaluated in terms of their pricing, product quality, after sales services and timely delivery.

7.15 MARKETING AND DISTRIBUTION CHANNELS

Our marketing strategy involves positioning our Group and SSFHOME as a value driven brand providing wide range of home furnishing products, which include furniture, home décor and home living products to cater to the diverse demands of our customers. We strive to associate the shopping experience at our conveniently located retail outlets, with wide range of value driven products supported by knowledgeable and attentive retail outlet sales team. We adopt a direct distribution method, where our products are available via our retail channel (our retail outlets) and online channel (our e-commerce website).

Marketing campaigns

We hold marketing campaigns throughout the year to promote our brand and products as means of increasing sales and presence. The following marketing campaigns are held over the financial years under review:

Key campaigns	Descriptions
Seasonal campaigns	We hold seasonal campaigns during festive periods such as Chinese New Year, Hari Raya Aidilfitri, Malaysia Day, Deepavali, Christmas and etc.
Grand opening campaign	We hold grand opening events such as open house and storewide sales for new retail outlets
VIP Monthly Special Product Campaign	We hold monthly campaigns for SSFHOME VIP members by offering special discounts for selected products
Contest campaign	We hold social media contest such as "I Need a Free Radio Contest!" and "Vote for My Name" to encourage user engagement and brand awareness
Other campaigns	We hold special campaigns that will potentially attract interest from customers. Examples of our past campaigns are as follows: (a) "35th Anniversary" in August 2022 where our customers enjoy instant rebate of RM100 when signing up or renewing their membership (b) "Perfect 10" in October 2022 where our SSFHOME VIP members can enjoy free delivery service and 0% instalment payment plan with a minimum purchase

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7. BUSINESS OVERVIEW *(Cont'd)*

Examples of several marketing campaigns which we have conducted are as follows:

7. BUSINESS OVERVIEW *(Cont'd)*

In addition, we have also participated in home furnishing related fair and exhibition in 2022 which include the Creative Home 20th Anniversary Carnival in Petaling Jaya, Selangor and the HOMEDEC exhibition in WP.

We also work with social media personalities to promote our products and brands via live streaming events on social media platform such as Facebook. During these livestream events, the social media personalities will introduce our Group's products, perform demonstrations and live engagement with viewers in real-time. These social media personalities are engaged on campaign/livestream basis and selected based on their social media accounts such as their number of active followers.

<u>SSFHOME VIP membership loyalty programme</u>

We actively recruit customers to join our SSFHOME VIP membership loyalty programme. Customers who sign up for the loyalty programme are entitled to enjoy benefits and privileges at our retail outlets throughout the year. Benefits provided for our VIP members include:

- Membership sign-up gift;
- Daily discounts of normal priced items;
- Additional discounts on member's birth month;
- Discounts of selected monthly products;
- Invites to events organised by our Group; and
- Exclusive VIP Member sale.

The SSFHOME VIP membership is a paid membership programme with a registration fee of RM99.90. The paid membership is valid for a period of 12 months from the date of registration/renewal. Upon expiry, the paid membership must be renewed by our customers to enjoy the SSFHOME VIP benefits mentioned above. As at LPD, we have 82,997 active members.

7. BUSINESS OVERVIEW *(Cont'd)*

Examples of several VIP members sales events are as follows:

SSFHOME mobile application

Our Group has also launched the SSFHOME mobile application targeted at potential and existing customers. The mobile application serves as an accompanying application for users when they visit our retail outlets, with a built-in barcode reader function that allows user to check the price of products, and adding them to their virtual shopping cart via the application before making payments at our retail outlets.

Our customers can sign up or renew their membership via our mobile application. The mobile application also includes virtual functions and features for SSFHOME VIP members where they can add one of their family members into their family list to enjoy VIP benefits and privileges.

The application also includes notifications of on-running promotions at our retail outlets and directory of all SSFHOME retail outlets in the country. Further, our customers may contact our customer service agents through the application to enquire more information on the products offered. The following shows the navigation layout in our SSFHOME mobile application:

Home page

Product detail page

7.16 RESEARCH AND DEVELOPMENT

We are principally a retailer and as such, are not involved in any research and development activities. However, we do conduct mobile application development and enhancement such as integration of new features and functions to improve the in-store home shopping experience for our customers, by engaging external third-party software development company. The cost incurred for upgrading our SSFHOME mobile application up to LPD amounted to RM0.05 million and is expected to cost approximately RM0.12 million, which will be funded via internally-generated funds.

7.17 TECHNOLOGY USED OR TO BE USED

We utilise several software developed or licenced by third parties to facilitate the daily operational and backup processes. The table below lists the types of software we utilise:

Software	Term/ Expiry Date	Description
Acronis	One-off purchase/ Not applicable	A data backup and restore software solution which allows us to back up the entire disk drive should our devices encounter system failure or interruption
Adobe	Annual renewal/ 25 March 2024; 13 August 2024; 29 December 2023	Mainly used by our marketing team for graphic design work purposes such as logos, product pictures, signboards, promotion posters and advertisements. We currently have 3 Adobe subscriptions for our marketing, IT and retail outlet operations departments
AutoCAD	Annual renewal/ 9 October 2023[(1)]	A type of computer-aided design software that can render three dimensional drawings which we use to design retail outlets and floor plans
Goldsoft	Annual renewal/ 31 December 2023	Software used in our retail operations which include enterprise retail management software and POS software. This software stores all transactional data that can be accessed locally, which include amongst other, finance, inventory level, purchase and sales, POS transaction and SSFHOME VIP members' data
Veeam backup solution	3-year renewal/ 18 May 2025	A security software that stores all the retail and financial data, customers' data for backup and recovery purposes
Data protection software	Bi-annual renewal/ 18 November 2023	Our IT systems are safeguarded by WatchGuard, a firewall system that helps to monitor and control all the traffic between the internet and our network. We also use Kaspersky, an antivirus software to provide real-time protection against malwares and viruses

Software	Term/ Expiry Date	Description
SSFHOME mobile application	One-off purchase/ Not applicable	A mobile application that allows users to check for prices of products with a built-in barcode reader, which enables our customers to sign up and renew their membership. It also includes notifications of on-running promotions at our retail outlets and directory of all SSFHOME retail outlets. We have the ownership of this application
Freshdesk	Annual renewal/ 21 June 2024	An online customer service software used to manage and track incoming service tickets with support for multiple channels including live chat, email, phone and social media

Note:

(1) We will renew AutoCAD software upon to its expiry.

For FYE 2020 to 2023, the cost incurred to purchase and renew the abovementioned types of software were RM0.24 million, RM0.44 million, RM0.34 million and RM0.34 million respectively. We are not dependent on any of the abovementioned technology used for our operations as there are other replacements that are readily available in the market.

In addition to the above, we are also in the midst of migrating from our existing ERP system to a new ERP system. The new ERP system from Microsoft Dynamics 365 Business Centre runs a web-based client application. It presents new functions and features which include amongst others, easy access via web browser on any devices, real-time information and analytics, integration with artificial intelligence and other Microsoft products such as Microsoft Office, as well as full integration with LS Retail POS system to record and store transactional data promptly and securely.

We are also in the midst of enhancing our e-commerce website and upgrading our SSFHOME mobile application. The enhancement for our e-commerce website entails improved features and user interface whereas upgrade of our SSFHOME mobile application entails the new payment module to enable purchases to be made over the mobile application.

Further details of enhancement to our IT infrastructure are set out in Section 7.22.

7.18 QUALITY CONTROL

QC is an important aspect of our business as it ensures that products sourced and sold are of high quality and meets the required standards.

We rely on our suppliers to conduct QC inspection as part of our purchase, where pre-shipment inspection is conducted on the ordered batch of products. Pre-shipment inspection is the inspection of products before they are shipped, where it is carried out to:

(a) Check the quantity of the products; and

(b) Check the quality of the products for any defects.

Pre-shipment inspection are conducted directly by our suppliers who will produce a detailed report describing the conditions of the products to be shipped. A general workflow of a pre-shipment inspection are as follows:

(a) We specify the quality standards and requirements for the products. This includes the required materials, dimensions, and other specifications that the product must meet (which includes clear instructions for safe use and assembly instructions, where applicable).

(b) The manufacturer of products sourced provides our supplier with samples of the product for inspection, where they inspect the samples to ensure that they meet the required standards and our requirements. This includes visual inspection, measurement, and testing of the products.

(c) The inspection also includes counting the shipping cartons to verify the correct quantity to be shipped, checking on the packaging to verify that the correct packing materials are being used to ensure safe transportation, and that correct packaging information is labelled and available on the cartons.

(d) Random sampling test may also be conducted where products are inspected for overall workmanship of the product and check for visible defects. The inspection also extends to include checking of product dimensions, material and construction, weight, colour, marking, and labelling.

(e) If the products meet the required standards, our suppliers' QC team will provide a pre-shipment inspection outcome report stating that the products are ready for shipment. Otherwise, a report stating the defects will be provided where our supplier must address with their respective manufacturers before the products can be shipped.

In addition, as at LPD we have 8 personnel to undertake our internal QC processes at our central warehouse centre to ensure the quality of our products is at a satisfactory level. The QC processes carried out according to stages are described below:

Stage	QC Process
Receiving products from suppliers	We perform incoming inspection on the products upon receiving the products from our suppliers. A sampling test is conducted where products are selected randomly and are inspected to determine whether the received batch of products has conformed to our standards and specifications. The selection of products for inspection is based on criteria such as the selling price and the material as well as special request from our procurement team. A non-conformance report will be issued to detail rejected products during the inspection.
Delivery to retail outlets and customers	We perform an outgoing inspection before the products are delivered to the respective retail outlets or customers. The inspection of products will be undertaken randomly and a quality-checked label will be affixed to the inspected products prior to delivery.
Returned product from customers	We inspect the physical condition of the returned product upon receiving it from our customers. Upon completion of such inspection, a goods return note will be filed and we will proceed to replace the product for our customers.

7.19 MAJOR CUSTOMERS

As a retailer, our customer base primarily comprises walk-in customers at our retail outlets and customers who purchase products from our e-commerce website. The sales contribution from each customer as a percentage of our Group's revenue is negligible. We are not dependent on any major customers as our customers are primarily end-consumers or individuals.

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7.20 MAJOR SUPPLIERS

As at LPD, we have a pool of 28 approved suppliers, which consist of 19 local manufacturers, 7 local trading houses, 1 local wholesaler and 1 trading house in Hong Kong. Our top 5 suppliers for FYE 2020 to 2023 are as follows:

FYE 2020

No.	Suppliers	Country of operations	Main products sourced	Value of purchases RM'000	Value of purchases (1)%	Length of relationship as at LPD Years
1.	Jacdex Interlogistics Sdn Bhd	Malaysia	Furniture, home décor and home living	18,012	23.1	7
2.	Glory Pro International Company Limited	Hong Kong	Furniture	11,342	14.5	4
3.	Techo Marketing Sdn Bhd	Malaysia	Furniture and home living	9,201	11.8	4
4.	Gangtaiyuan Marketing Sdn Bhd	Malaysia	Furniture, home décor and home living	8,981	11.5	13
5.	Tecxans General Merchandise (M) Sdn Bhd	Malaysia	Home décor and home living	8,397	10.8	4
				55,933	**71.7**	

FYE 2021

No.	Suppliers	Country of operations	Main products sourced	Value of purchases RM'000	Value of purchases (1)%	Length of relationship as at LPD Years
1.	Techo Marketing Sdn Bhd	Malaysia	Furniture and home living	18,300	18.7	4
2.	ADL Intertrade Sdn Bhd	Malaysia	Home décor and home living	16,398	16.7	4
3.	Jacdex Interlogistics Sdn Bhd	Malaysia	Furniture, home décor and home living	13,257	13.5	7
4.	Grand Pacific Multi Trade Sdn Bhd	Malaysia	Home décor and home living	11,335	11.6	7
5.	Glory Pro International Company Limited	Hong Kong	Furniture	8,581	8.8	4
				67,871	**69.3**	

7. BUSINESS OVERVIEW *(Cont'd)*

FYE 2022

No.	Suppliers	Country of operations	Main products sourced	Value of purchases RM'000	Value of purchases [(1)]%	Length of relationship as at LPD Years
1.	Tecxans General Merchandise (M) Sdn Bhd	Malaysia	Home décor and home living	10,973	13.7	4
2.	Gangtaiyuan Marketing Sdn Bhd	Malaysia	Furniture, home décor and home living	10,108	12.6	13
3.	Techo Marketing Sdn Bhd	Malaysia	Furniture and home living	9,741	12.1	4
4.	ADL Intertrade Sdn Bhd	Malaysia	Home décor and home living	8,547	10.7	4
5.	Glory Pro International Company Limited	Hong Kong	Furniture	8,494	10.6	4
				47,863	**59.7**	

FYE 2023

No.	Suppliers	Country of operations	Main products sourced	Value of purchases RM'000	Value of purchases [(1)]%	Length of relationship as at LPD Years
1.	Glory Pro International Company Limited	Hong Kong	Furniture	10,163	15.5	4
2.	Techo Marketing Sdn Bhd	Malaysia	Furniture and home living	9,477	14.5	4
3.	Jacdex Interlogistics Sdn Bhd	Malaysia	Furniture, home décor and home living	8,734	13.3	7
4.	Grand Pacific Multi Trade Sdn Bhd	Malaysia	Home décor and home living	6,235	9.5	7
5.	Avens Resources Sdn Bhd	Malaysia	Furniture, home décor and home living	5,572	8.5	2
				40,181	**61.3**	

Note:

(1) Calculated as the value of purchases divided by total purchases for the respective financial years.

For FYE 2020 to 2023, our Group's top 5 suppliers, who are our trading houses, accounted for approximately 71.7%, 69.3%, 59.7% and 61.3% of our total purchases respectively. Our Group generally does not enter into long term agreements or arrangements with our major suppliers as purchases from our Group's suppliers are conducted on a purchase order basis. This allows us to have the flexibility to source for quality products of different designs at competitive prices. We are not dependent on any single major supplier and trading house as there are other suppliers available in the market, which provides similar products that can serve as replacements to our current list of suppliers. Save for 1 local manufacturer which we have discontinued from our approved suppliers list as their product offerings were incompatible with our internally conceptualised design and seasonal themes, we have not discontinued any other suppliers from our approved suppliers list as at LPD.

To safeguard our reputation and prevent our brand name from being misused, our Group has procured undertakings from the approved suppliers as at LPD (which supply products carrying our "SSF®" logo to us) to, amongst others, undertake the following:

(i) to manufacture and/or sell any furniture, home décor or home living products with "SSF®" logo to our Group only, and not to any third parties; and
(ii) to take all necessary and reasonable steps to ensure that all its third-party manufacturers or suppliers do not manufacture, sell and/ or supply any furniture, home décor or home living products carrying the "SSF®" logo to any other parties.

The above undertaking will be valid and binding, and shall not be terminated without the prior written consent of our Group. Moving forward, we intend to implement policies where the provision of such undertaking will be a pre-requisite for any suppliers to be considered as our approved suppliers.

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7.21 COMPETITIVE STRENGTHS

7.21.1 We have established an extensive presence in Malaysia

Since our venture into the retail segment in 1990 (i.e. establishment of a wholesale and retail store at 33, Jalan Chow Kit, WP), we have established a network of retail outlets across Malaysia. As at LPD, we manage and operate 41 retail outlets with a total retail space of 1,026,504 sq ft which allow us to reach a large base of customers across wide geographical area. This is particularly beneficial in the home furnishing retail industry where there is strong competition. It also builds presence in different markets across the country and is a material factor in generating more revenue due to increased customer traffic and sales at our retail outlets.

Through our extensive retail outlet network, our products have increased visibility and accessibility, which can help to further drive sales and increase customer loyalty. The industry reputation that we have established over the years has also been instrumental to our Group in securing new customers and maintaining continued patronage by existing customers. It also helps to establish our Group as a prominent player in the market and differentiate us from smaller local competitors.

We also benefit from economies of scale, as it allows us to spread our fixed costs over larger number of retail outlets and customers, leading to increased efficiency and continued ability to offer affordable products to our targeted demographics. Our extensive presence also enables us to introduce new products or new product segments into the market with minimal expansion costs and better purchasing powers.

We seek to bolster our presence in the country by establishing 18 new retail outlets over the next 3 years, further details are as set out in Section 7.22.1.

7.21.2 We have an established track record in the local home furnishing retail industry and supplier network

We have been involved in the home furnishing retail industry for more than 30 years since the incorporation of Seven Star Trading in 1989. Beginning with artificial flowers and plants, we have since grown to offer more than 10 product categories across 3 product segments in our product portfolio. Our continued presence in the home furnishing retail industry in Malaysia and track record established over the years has enabled us to continue attracting customers and build a loyal customer base. Our participation in the industry has also been recognised by business and retail related organisations, where we received the Enterprise 50 Award from the Small and Medium Industries Development Corporation and the Fair Price Shop Award by the Ministry of Domestic Trade and Consumer Affairs of Malaysia.

We have established a track record in the home furnishing retail industry by adopting stringent supplier selection and review processes, where our suppliers are evaluated annually for their performance. As at LPD, we have built a supplier network which consists of 28 suppliers, of which 19 are local manufacturers, 1 local wholesaler, 7 local trading houses and 1 trading house in Hong Kong (all of which are non-related parties). The mix of suppliers provides our Group with greater flexibility and leverage when negotiating prices, terms, and conditions to maintain our ability to offer affordable luxury furniture, home décor and home living products.

We generally purchase from trading houses to leverage on their wide supplier network that consists of manufacturers and suppliers from various countries to gain access to a larger range of designs and/or products. They also have market expertise and knowledge to provide latest insights, trends and regulations of the relevant markets and industries. In addition, trading houses also provide value-added services such as pre-shipment inspections and logistics, from packing, documentation to customs clearance and as for local trading houses, they deliver our products directly to our central warehouse centre.

7.21.3 We have a large base of loyal customers

We actively recruit customers to join our SSFHOME VIP membership loyalty programme on our SSFHOME mobile application as part of our marketing strategy to attract new customers and entice existing customers to make repeat purchases. Our members are provided with benefits which includes discounts on normal priced products and invites to attend events organised by our Group. As at LPD, we have 82,997 active members who have signed up for our membership programme, all of which are paid memberships. Such active members contributed RM118.02 million, RM188.59 million, RM152.86 million and RM162.33 million to our Group's revenue for FYE 2020 to 2023 respectively, or an average spend of approximately RM1,181, RM2,253, RM2,178 and RM1,811 per member. This represents a CAGR of 15.3% from FYE 2020 to 2023.

Loyal customers are more likely to continue patronising our retail outlets and are also more likely to recommend our brand and products to others. This can help to create a recurring cycle of customer acquisition and retention, as new customers are attracted by the positive experiences of existing ones.

Our large base of loyal customers also provides opportunities for us to gather valuable feedback which can be used to identify areas for improvement and to tailor our products and services to better meet the needs of our target market.

7.21.4 We are led by an experienced key senior management team

Our Group is led by Wong Choong Loong, the founder of our business and our Managing Director/ Chief Executive Officer. He has 34 years of experience in the home furnishing retail industry in Malaysia and plays a pivotal role in steering our Group from a wholesaler to retailer with 41 retail outlets. He is supported by our Group's Executive Directors, namely Lok Kok Khong (joined our Group since January 2022) who has vast knowledge on operations and business strategies as well as Chin See Kew and Wong Choong Lian with their vast working experiences and in-depth industry knowledge. They are supported by the following key senior management:

Name	Designation	Years of relevant working experience
Poon Wai Chee	Chief Financial Officer	35
Wong Sau Mei	Head of Operations	16
Woon Foong Peng	Head of Human Resource	15
Lee Chooi San	Purchasing Manager	10
Wong Wee Chen	Warehouse cum Project Manager	19
Lee Pei Pei	Marketing Manager	7

Our Group's key senior management team have accumulated years of experience in their respective fields and industry as well as in-depth knowledge of our Group's business operations. Further, they take an active, hands-on role in spearheading their respective teams to support the growth of our Group. As a result, there is a transfer of skills and knowledge to employees at all levels in our organisation structure. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand.

7.21.5 We have large inventory comprising high product mix of furniture, home décor and home living products

We offer customers with a wide variety of furniture, home décor and home living products. Our wide product portfolio allows us to better serve our target demographic of middle to high end market and attract new customers. A wide product mix of various price points also allows us to appeal to the mass market to meet their needs. Due to our product mix, we are able to offer a greater selection of products in one location.

A wide product mix can also help us to respond quickly to changing market conditions and customer preferences. We believe that it also enhances our brand image and reputation which can be leveraged to build a strong brand identity to further distinguish ourselves from our peers.

Our high product mix is supported by high inventory levels to avoid incidences of product shortages. We leverage on our ability to maintain high inventory level to negotiate for better pricing, terms and conditions with our suppliers. It also enables us to optimise our supply chain and distribution process by taking advantage of economies of scale and increased efficiencies. We believe that the savings derived from the economics of scale will translate to our continued ability to offer affordable furniture, home décor and home living products to our customers.

7.22 FUTURE PLANS AND BUSINESS STRATEGIES

Moving forward, we intend to continue strengthening our market position in the home furnishing industry in Malaysia via a 2-pronged strategy to expand our market presence which are to be implemented within 36 months from our Listing, as detailed below:

7.22.1 Strengthening our market presence and brand visibility by establishing new retail outlets

Moving forward, we intend to strengthen our market presence by expanding our network of retail outlets to various towns and cities in Malaysia, in particular the Northern and Southern regions, as we note a trend in higher consumer spending for customers in this region. The set-up of new retail outlets requires undertaking extensive market and feasibility studies to ensure ideal location is selected for the expansion. The table below summarises the regions and the number of retail outlets to be established over the next 3 years:

Geographical markets	Existing no. of retail outlets	No. of new retail outlets	Total no. of retail outlets after expansion
Peninsular Malaysia			
Central region(1)	15	3	18
Northern region(2)	7	7	14
Southern region(3)	8	6	14
Eastern region(4)	7	-	7
	37	**16**	**53**
East Malaysia(5)	4	2	6
	41	**18**	**59**

Notes:

(1) Comprises Selangor and WP.
(2) Comprises Kedah, Penang and Perak.
(3) Comprises Negeri Sembilan, Melaka and Johor.
(4) Comprises Kelantan, Terengganu and Pahang.
(5) Comprises Sabah and Sarawak.

Amongst the factors taken into consideration include population and demographics, types of premises and locations available, economic conditions as well as future developments of the proposed locations. The expansion into new areas will enable our Group to build awareness and increase the visibility and presence of our brand. It also enables us to benefit from economies of scale and bulk purchase discounts that allows us to keep our prices affordable to our customers. Our Group does not have a minimum number of retail outlets to maintain for each financial year. The number of retail outlets that our Group operates (existing, new or closed) from year to year is based on the strategic review conducted by our Group after taking into consideration the population and demographics, types of premises and location available or coming into the property market, general economic condition and resources required to achieve the budgeted sales targets set by our Group (such as promotional activities, campaigns and product mix allocation reassessment) as well as opening of new outlets in close proximity to the existing ones.

We intend to establish 18 new retail outlets and have allocated RM35.19 million or 70.4% of the proceeds from our Listing for this purpose, of which RM14.22 million will be used as capital expenditure and the remaining RM20.97 million to be used as start-up costs for the new retail outlets. We intend to set up 6 retail outlets within the first year from our Listing, 6 retail outlets in the second year and lastly another 6 retail outlets in the third year.

Further details are set out in Section 4.9.1(a).

7.22.2 Enhancing our IT infrastructure

(a) Migration to new ERP system

In order to support our retail outlet expansion, since June 2021, we have commenced the migration of our existing ERP system, Goldsoft to a new enhanced ERP system, namely Microsoft Dynamics 365 Business Central and LS Retail POS system. We are currently utilising an ERP system, namely Goldsoft, to manage and store data and information which include amongst others, finance, inventory, purchase and sales, POS transactions as well as SSFHOME VIP members' data.

The new ERP system is a web-based client application which provides users with easy access to information that is accessible via web browsers on computers and mobile devices. It is fully integrated with LS Retail POS system to record and store transactional data that is connected to various functions of our Group from procurement to supply chain management to retail management to finance. It is equipped with business intelligence and artificial intelligence features to assist in selected tasks such as sales and inventory forecasts. It is also integrated with modules such as customer relationship management for marketing strategies and planning, as well as inventory management module to manage our inventory and is compatible with other products of Microsoft, such as Microsoft Office.

The integration with various departments will enable better tracking of data and analytics in real-time, thus allowing for more informed and accurate decision making. Since June 2021, we have commenced the migration of new ERP system and have completed the planning, analysis and design activities. We have completed the implementation stage (coding, setup and configuration) and will proceed to the training and testing stages. This new ERP system is expected to go live in fourth quarter of 2023.

(b) Enhancement of our e-commerce website

Our e-commerce website enhancement entails 4 main areas, namely:

(i) migration to cloud-based infrastructure and database;

(ii) enhanced e-commerce features which include amongst others, orders management, members' management and members' rewards management;

(iii) improved user interface and website design. It also includes new features such as membership sign-up and renewal; and

(iv) integration of our e-commerce website's order management feature (order status, fulfilment tracking status and inventory sync) with our new ERP system.

The enhancement of our e-commerce website commenced since November 2022 and we have completed the planning, analysis and design activities. We are currently in the development stage and this enhanced e-commerce website is expected to be rolled out in fourth quarter of 2023.

(c) Upgrading our SSFHOME mobile application

Our SSFHOME mobile application upgrade will include improved user interface with web view access, new payment module to enable purchases to be made over the mobile application and integration to our new ERP system. The existing version of SSFHOME mobile application only allows users to check and add products to the virtual shopping cart, where payment is then required to be made at our retail outlets. We expect that the addition of payment module and improved user interface will enable us to expand our reach and provide customers with an increased channel to purchase our products. Since November 2022, we have commenced the upgrading of our SSFHOME mobile application and have completed the planning, analysis and design activities. We are currently in the development stage and the upgraded SSFHOME mobile application is expected to be rolled out in fourth quarter of 2023.

Subsequent to LPD, we anticipate that the abovementioned enhancements will cost our Group approximately RM1.10 million in 2023, which will be funded via internally-generated funds. We do not hire any external consultants but instead, we deal directly with our vendors for the purpose of enhancing our IT infrastructure.

Our Group has established a team to oversee the enhancement of our IT infrastructure which is spearheaded by the head of our IT department, and mainly includes members which comprises our head of departments such as accounting and finance, human resource and administration, procurement, sales and marketing, logistics, warehouse and retail outlet operations. This team reports directly to Wong Choong Loong, our Managing Director/ Chief Executive Officer and Lok Kok Khong, our Executive Director/ Deputy Chief Executive Officer.

7.23 PROSPECTS OF OUR GROUP

According to the IMR report, the Malaysian home furnishing retail industry declined by 9.7% to RM36.94 billion in 2020 before rebounding to RM39.77 billion in 2021. The industry was valued at RM46.93 billion in 2022 and is anticipated to continue its resilient growth trend during the forecast period from 2023 to 2027. The growth during the forecast period is expected to be supported by further recovery in Malaysia's economic activities and higher consumer spending on homes due to latent demand from previous COVID-19 lockdowns and festivity buying in the near term. While growth in 2023 may be affected by the global economic slowdown arising from interest rate hikes affecting consumer demand for home furnishings, the industry is still expected to register positive growth for the year. In the medium to long-term, a recovery from the expected economic slowdown coupled with higher proliferation of smart technology for home furnishing and better prospects in the local property market is expected to encourage continued growth of the industry. The home furnishing retail industry is projected to grow from RM50.25 billion in 2023 to RM73.17 billion in 2027, representing a CAGR of 9.3% during the forecast period.

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Protégé ASSOCIATES

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The information in this Section 8 is based on market research conducted by Protégé Associates commissioned by SSF Home Group Berhad for the purpose of the IPO.

The Board of Directors
SSF Home Group Berhad
C-11-08 & C-11-09, Sunway Nexis
1, Jalan PJU 5/1
Kota Damansara
47810 Petaling Jaya
Selangor

18 August 2023

Dear Sirs/Madams,

Strategic Analysis of the Home Furnishing Retail Industry in Malaysia

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this 'Strategic Analysis of the Home Furnishing Retail Industry in Malaysia' for inclusion into the prospectus of SSF Home Group Berhad ("SHG" or the "Company") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 23 years of experience in market research starting his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Construction, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,

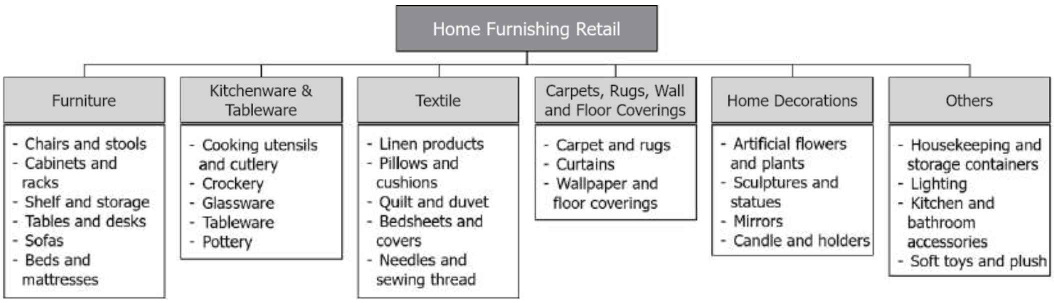
SEOW CHEOW SENG
Managing Director

1.0 Overview of the Home Furnishing Retail Industry in Malaysia

Home furnishings refer to the products that are used to create a pleasant and comfortable environment, and to complement the fittings inside a building. Home furnishing includes both hard furnishings and soft furnishings. Hard furnishings generally refer to normal furniture, while soft furnishings, on the other hand, refer to items that are made from fabric such as sofa covers, curtains, bedsheets and carpets.

In Malaysia, the home furnishing retail industry is part of the country's retail industry, which consists of grocery retail and non-grocery retail. Grocery products which include food and beverage products as well as household supplies, are generally be found in premises such as supermarkets, hypermarkets, and convenience stores. On the other hand, the sales of non-grocery products which includes fashion products, electrical and electronic appliance, cosmetic and health supplements, as well as home furnishings, are usually performed in specialty stores in contrast of all in a single location like in the case of their grocery counterparts. The segmentation of the home furnishing retail industry is depicted in figure below.

Figure 1: Segmentation of the Home Furnishing Retail Industry in Malaysia



Note: SHG participates in all segments within the home furnishing retail industry in Malaysia

Source: Protégé Associates

Furniture refers to movable products used to make a room suitable for living or working in, such as tables, sofas, chairs, wardrobes, beds and cabinets. Examples of furniture in a working space are desks, pedestals and filling cabinets. While furniture generally arrives at the customer's place assembled, or are assembled by workers under the employment of the retailer, certain retailers of furniture tend to sell furniture in a form that required assembling on the customer's part. All these furniture can be customised to a certain extent. Customisation for some products is limited to being able to choose the colour of the product, while other customisation may extend to being able to select the colour and type of fabric or leather of product to tailor making a one-of-a-kind product for a specific usage or location. Furniture is often known as the hard furnishing in a building. The soft furnishings on the other hand, generally refer to textile-based products such as pillows and cushions, bedsheets and covers, as well as quilt and duvets. Soft furnishing also includes other products that are made out of cloth, such as carpets and rugs as well as curtains.

Lighting refers to electrical products that are used for illumination purposes. Lightings can be categories into ambient lighting, task lighting and accent lighting. Ambient lighting are mainly used to provide a room or building with uniform levels of illumination over the entire space independently with need for other sources of light. Task lighting serve to provide illumination for a localised area, such as a table lamp or floor lamp used to brighten a certain area in a room. Accent lighting is used to create a focal point of light, and serves to build upon the ambient lighting of a room by adding dimension, and can be used to draw attention to a certain feature or artwork.

Kitchenware and tableware are home furnishings used specifically in the kitchen or dining area, and includes cooking utensils and cutlery, glassware, tableware, crockery and pottery. Home furnishings also include other types of products such as housekeeping and storage products, home decorations, kitchen and bathroom accessories as well as soft toys and plush.

The retail sales of home furnishings are conducted in a wide range of locations depending on the types of home furnishing. For example, kitchenware and tableware, bedsheets, duvets and quilts, housekeeping and storage, home decorations, kitchen and bathroom accessories and soft toys can be found in locations ranging from convenient stores to large departmental stores to luxury specialty shops. On the other hand, products like furniture, carpets and rugs, wall and floor coverings and lighting are largely retailed in specialty shops. Specifically for furniture, some specialty shops may even opt to further specialise in the sales of a certain type of furniture. For example, some shops tend to only focus on the sales of bedroom furniture such as beds and mattresses, while some may focus on a certain type of material such as only selling wood-based furniture. On the flip side, some shops serve as home furnishing retailers, selling a wide range of home furnishing products under the same roof.

While home furnishings have traditionally been sold on site in brick-and-mortar premises, there has been a growing trend of consumers purchasing home furnishings on online platforms. Many retailers of home furnishings have online presence whereby consumers are able to view the available range of products before going to the premise, or purchase the items directly online.

2.0 Historical Market Performance and Growth Forecast

The Malaysian home furnishing retail industry was valued at RM39.77 billion in 2021, an increase of 7.7% from RM36.94 billion in the previous year. In 2021, while there had been a resurgence in the coronavirus disease 2019 ("COVID-19") cases across the country, the high vaccination rates in Malaysia had led to a recovery in economic activities. While there were still several lockdowns in place during the year, overall retail sales rebounded during the year. The home furnishing retail industry continued its growth in 2022, bolstered by further relaxation of COVID-19 restrictions, whereby the Malaysian Government had announced the transition of COVID-19 into an endemic phase starting 1 April 2022. Growth during the year was also supported by higher consumer spending on homes due to latent demand caused by the pandemic lockdowns as well as festivity buying. The home furnishing retail industry was valued at RM46.93 billion in 2022.

Figure 2: Estimated Market Size and Growth Forecast for the Home Furnishing Retail Industry in Malaysia, 2019-2027

Year	Market Size (RM billion)	Growth Rate (%)
2019	40.93	-
2020	36.94	-9.7
2021	39.77	7.7
2022	46.93	18.0
2023^f	50.25	7.1
2024^f	54.67	8.8
2025^f	60.15	10.0
2026^f	66.29	10.2
2027^f	73.17	10.4

Compound annual growth rate ("CAGR") (2023-2027) (base year of 2022): 9.3%

Note: ^{f} denotes forecast

Source: Protégé Associates

Going into 2023, growth is expected to be influenced by a slowdown in global economic activity. The high inflations in the US and major European economies during the second half of 2022 have led to the governments of these countries to increase interest rates to combat the high inflation situation. This later resulted in a slowdown in economic activity in these countries, which is expected to spill over to other parts of the world in 2023. The economic slowdown is expected to affect consumer spending and demand for goods, which may then negatively affect demand for home furnishings.

In the medium to long-term (2024-2027), the home furnishing retail industry in Malaysia is expected to recover from the slowdown in the global economy. Growth is also anticipated to be fuelled by higher proliferation of smart home furnishings as well as a recovery in the local property market. In addition, the growing affluence of Malaysian coupled with the expansion of the population is also expected to provide impetus for growth during the period. The Malaysian home furnishing retail industry is expected to expand at a CAGR of 9.3% from RM50.25 billion in 2023 to RM73.17 billion in 2027.

The historical performance and growth forecast of the home furnishing retail industry in Malaysia is based on a combination of resources, including data and information from the Department of Statistics Malaysia ("DOSM"), the Malaysian Furniture Council, Bank Negara Malaysia ("BNM") and the annual reports of public listed furniture companies. Data and information is also gathered from secondary research such as searches on furniture-related companies (manufacturers and traders) with the Companies Commission of Malaysia to gather more disclosures on their business performance. Primary research works are conducted with stakeholders in the local home furnishing retail industry such as manufacturers, suppliers and customers to gather their insights on the industry. All the findings are collated, analysed and/or computed to ascertain the outlook of the home furnishing retail industry in Malaysia.

3.0 Competitive Landscape of the Home Furnishing Retail industry

The home furnishing retail industry in Malaysia is highly competitive and fragmented with the presence of more than 35,000 industry players in 2022. Industry players compete with both manufacturers and retailers, including online retailers. Some of these retailers may offer own store-brand products, others generally sell products of well-advertised brands. These retailers can range from operating specialty stores to traditional home furnishings stores to departmental stores, or only have an online presence. These players can then be segmented into local-owned and foreign-owned industry players (which often tend to have an international or regional presence).

Local-owned industry players refer to local home-grown entities that are majority-owned by Malaysians. This group has the larger number of participants, and include both well-established sizeable industry players as well as small and medium enterprises. Some of the local-owned industry players includes SHG, Eastern Decorator Sdn Bhd (Akemi), Eadess Sdn Bhd (HOOGA), Maju Home Furnishing Sdn Bhd (MajuHome Concept), Ruma Home Sdn Bhd (Ruma) and Syarikat Yoong Oon Sdn Bhd (Home's Harmony).

Foreign-owned industry players refer to local entities in Malaysia with foreign participation or shareholdings. Foreign-owned industry players are generally the extension or Malaysia's business arm of established multinational or regional parent industry players. As such, they are able to ride on the established brand name of their respective parent companies to gain a competitive edge over peers. Some of these foreign-owned industry players such as Elitetrax Marketing Sdn Bhd (Harvey Norman), Ikano Handel Sdn Bhd (IKEA), Nitori Trading (Malaysia) Sdn Bhd (Nitori), Cellini Design Center Sdn Bhd (Cellini), Commune Lifestyle Sdn Bhd (Commune) and Meridian Outlook Sdn Bhd (King Living).

Figure 3: Key Home Furnishing Retail Players and their Product Offerings

Company Name	Brand Name	Number of Retail Outlets in Malaysia	Market and Pricing Segment	Product Offerings					
				Furniture	Kitchenware	Textile	Carpets	Home Decor	Others
Local Industry Players									
SHG	SSF	41	Middle-end Affordable	√	√	√	√	√	√
Eadess Sdn Bhd*	HOOGA	15	Middle-end Affordable		√	√	√	√	√
Eastern Decorator Sdn Bhd	Akemi	127	Middle-end Affordable			√			√
Home Direct Group Sdn Bhd	Furniture Direct	2	Middle-end Affordable	√	√	√	√	√	√
Maju Home Furnishing Sdn Bhd	MajuHome Concept	10	Middle-end Affordable	√		√	√	√	√
Syarikat Yoong Onn Sdn Bhd	Home's Harmony	23	Middle-end Affordable		√	√	√	√	√
Foreign Industry Players									
Cellini Design Center Sdn Bhd	Cellini	4	High-end Luxury	√					

Company Name	Brand Name	Number of Retail Outlets in Malaysia	Market and Pricing Segment	Product Offerings					
Courts (Malaysia) Sdn Bhd	COURTS	47	Middle-end Affordable	√			√		√
Commune Lifestyle Sdn Bhd	Commune	3	High-end Luxury	√	√		√	√	√
Elitetrax Marketing Sdn Bhd	Harvey Norman	28	Middle-end Affordable	√	√	√	√	√	√
Ikano Handel Sdn Bhd	IKEA	4	Middle-end Affordable	√	√	√	√	√	√
Meridian Outlook Sdn Bhd	King Living	2	High-end Luxury	√		√	√		√
Nitori Trading (Malaysia) Sdn Bhd	Nitori	8	Middle-end Affordable	√	√	√	√	√	√

*Notes: *Eadess Sdn Bhd is a wholly-owned subsidiary of Eastern Decorator Sdn Bhd*
All brands depicted in Figure 3 above have an online presence

Source: Protégé Associates

In general, industry players compete against one another on several fronts such as product style and quality, perceived value, pricing, services provided to customers, promotional activities, timely delivery as well as advertising. At the same time, some retailers tend to focus on high-end luxury products, while others on the middle-end affordable market segment. Some of the brands under the high-end luxury segment include Cellini Design Center Sdn Bhd (Cellini), Commune Lifestyle Sdn Bhd (Commune) and Meridian Outlook Sdn Bhd (King Living). These high-end luxury brands are majority owned by foreign entities and feature products that are made with the highest quality materials and craftmanship. These high-end home furnishings are often custom-made or limited in availability and are more expensive than middle-end and mass market products. These high-end luxury products are sold at exclusive furniture stores, designer showrooms or high-end departmental stores. While some high-end luxury brands such as Cellini may focus on one type of product segment which is furniture only, other luxury brands such as Commune and King Living offer a wider range of products in addition to furniture.

Brands in the middle-end affordable market segment include MajuHome Concept, Ruma, Home's Harmony, HOOGA, IKEA and Nitori. The middle-end affordable products are made with durable materials and features stylish designs. The products are of higher quality and design than mass market items, but are still affordable for the average consumers. They are made in larger quantities and sold at lower prices than high-end luxury items. These products are sold at furniture stores, home goods retailers and online marketplace. The middle-end affordable market mainly caters to the consumer demographic consisting of middle-income individuals and families. Most brands in this segment tend to offer a wider range of products to cater to a larger pool of potential consumers. In particular, brands like Akemi, Home's Harmony and HOOGA tend to offer various types home furnishing products apart from furniture. Other brands such as Harvey Norman, IKEA, Nitori and SSF tend to cover all products segments within the home furnishing retail industry. In terms of pricing, brands like IKEA and Nitori tend to offer more affordable products within the middle-end segment, while products of SSF, MajuHome Concept and Harvey Norman are considered to be within the middle to high-end segment. Most of the brands within the high-end luxury and middle-end affordable market segment tend to have an online presence to reach a wider customer base. This includes having online stores or online websites providing information on products and location of outlets. The products of some brands are also sold on third-party e-commerce sites such as Lazada.

There are also companies that manufacture and sell economical furniture catering for the low-end mass market segment such as plastic, wood or metal chairs and tables without any design. However, these products are usually part of a wider range of products made from similar materials (a plastic products manufacturer that also manufactures other types of plastics products). Home furnishings under this segment are often within the lowest prices and quality and are widely available to the most consumers. These products are generally sold at discount stores, budget-oriented retailers and morning or night markets. These low-end mass market products are typically made in large quantities and sold at very low prices. They are often considered disposable items that generally have a shorter lifespan, lower durability and less refined design as compared to other more expensive options. The low-end mass market mainly caters to the consumer demographic usually consisting of budget-conscious individuals and families who prioritize affordability over quality and design.

While some of the participants in the Malaysian home furnishing retail industry operate chain stores with several outlets, most of these industry players generally only operate one store. At the same time, these industry players tend to have varying product mixes and thus need to manage their inventory by employing different inventory management strategies such as just-in-time inventory management, safety stock inventory management, economic order quantity and demand forecasting. It is estimated that the industrial norm of inventory turnover ratio for the home furnishing industry ranges between 200 and 350 days.

3.1 Competitors Analysis

SHG is principally involved in the retail of furniture, home decoration and home living product offerings. As at LPD, SHG had a total of 41 showrooms spanning across Malaysia. For the financial year ended ("FYE") 30 April 2023, SHG recorded revenue of RM174.47 million from its operations.

Protégé Associates has compiled a list of industry players that are also participating in the home furnishing retail industry in Malaysia for the purpose of comparison. For the purpose of comparison, Protégé Associates has selected the following industry players that are comparable to SHG, based on the following criteria:

- A company registered in Malaysia and is involved in the retail sales of home furnishings;
- Operates in more than two segments within the home furnishing retail industry;
- Operates two or more retail outlets or operates as a chain store; and
- Registered revenue of below RM300.00 million based on latest publicly available financial information.

It needs to be highlighted that the list of market players is not exhaustive, and only serves as a reference for readers.

Figure 4: Comparison between SHG and Selected Market Players

Company Name	FYE	Revenue (RM'000)	Gross Profit (RM'000)	Profit/ (Loss) After Tax (RM'000)	Gross Profit Margin[1] (%)	Profit/ (Loss) After Tax Margin[2] (%)
SHG	30-04-2023	174,474.0	95,088.0	16,031	54.5	9.2
Commune Lifestyle Sdn Bhd	30-06-2022	641.1	278.3	(623.2)	43.4	(97.2)
Courts (Malaysia) Sdn Bhd	31-03-2022	285,561.0	106,044.0	29,528.0	37.1	10.3
Eadess Sdn Bhd	31-03-2022	21,893.2	10,404.8	(2,139.1)	47.5	(9.8)
Eastern Decorator Sdn Bhd	31-03-2022	235,183.8	109,419.3	20,331.0	46.5	8.6
Home Direct Group Sdn Bhd	31-12-2022	14,018.4	2,586.6	(234.2)	18.5	(1.7)
Maju Home Furnishing Sdn Bhd	31-12-2021	10,186.7	3,288.7	816.5	32.3	8.0
Meridian Outlook Sdn Bhd	31-12-2021	19,391.7	10,653.4	(1,912.4)	54.9	(9.9)
Nitori Trading (Malaysia) Sdn Bhd	31-12-2021	9,643.1	8,042.3	573.9	83.4	6.0
Syarikat Yoong Onn Sdn Bhd	30-06-2022	119,621.0	46,108.0	13,636.0	38.5	11.4

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Notes:
1. *The list of market players is alphabetically arranged and does not constitute as a ranking;*
2. *The above figures only provide an indication and is not considered directly comparable due to the following reasons:*
   a. *Not all companies have the same financial year end; and*
   b. *Not all companies carry out activities that are completely the same to each other or in the same geographical area.*
3. *Financial information of comparable market players and SHG such as revenue, gross profit and profit/ loss after tax were based on information from Companies Commission of Malaysia and SHG, respectively while the financial ratios in the table were computed by Protégé Associates.*
4. *In addition to the above comparable companies, two other companies, namely Elitetrax Marketing Sdn Bhd and Ikano Handel Sdn Bhd are also involve in the retail sales of home furnishings, operate in more than two segments within the home furnishing retail industry and operate more than two retail outlets. However, these two companies have not been selected as comparable companies as they do not fulfil the revenue criteria set by Protégé Associates. For the FYE 30 June 2022, Elitetrax Marketing Sdn Bhd registered revenue of RM802.81 million while for the FYE 31 December 2021, Ikano Handel Sdn Bhd registered revenue of RM1.17 billion.*

[1] Gross Profit Margin = Gross Profit / Revenue
[2] Profit after Tax Margin = Profit after Tax / Revenue

Source: Companies Commission of Malaysia, SHG and Protégé Associates

3.2 SHG's Market Share Analysis

For the FYE 30 April 2023, SHG generated revenue of RM174.47 million, which is equivalent to 0.4% share of the home furnishing retail industry in Malaysia of RM46.93 billion in 2022.

4.0 Demand Conditions

Figure 5: Demand Conditions Affecting the Home Furnishing Retail Industry in Malaysia, 2023-2027

Impact	Conditions	Short-Term	Medium-Term	Long-Term
		2023-2024	2025-2026	2027
+	COVID-19 Boosting Consumer Interest in Spending More on Homes	High	Low	Low
+	The Rise of Smart Home Furnishings	Medium	High	High
+	Gradual Recovery in the Local Property Market	Medium	Medium	High
+	The Growing Affluence of Malaysians	Medium	Medium	Medium
+	Growing Population Coupled with Urbanisation	Medium	Medium	Medium
-	COVID-19 Worries and Rising Prices leading to Weaker Purchasing Power Affecting Consumer Sentiments	Medium	Low	Low

Source: Protégé Associates

Demand Conditions

COVID-19 Boosting Consumer Interest in Spending More on Homes

The COVID-19 pandemic which began in 2020 had also resulted in a change in consumer lifestyle. To combat COVID-19, the Malaysian Government had imposed social distancing measures such as work-from-home and online school classes which led to a large percentage of the population being confined in their homes. This had led to an increased number of households renovating their homes with new home furnishings for their own comfort. In particular, due to the proliferation of online cooking blogs and social media, there has also been a rise in the number of the population taking up cooking at home. This has resulted in more installations or upgrading of kitchen furniture such as kitchen islands, countertops, cabinets, stoves and ovens to cater to this new habit. Even after the lockdown measures are lifted, there are still a part of the population that prefers staying home to avoid crowded areas.

Even before the COVID-19 pandemic, there had already been a trend of increasing household expenditure on furnishings, household equipment and routine household maintenance. Based on statistics from the Department of Statistics Malaysia, household expenditure increased from RM3,579 in 2014 to RM5,150 in 2022. In particular, expenditure on furnishings, household equipment and routine household maintenance accounted for 3.8% (or RM137 per month) of total household expenditure in 2014. This category grew to account for 4.7% (RM242 per month) of total household expenditure in 2022. The increasing expenditure on furnishings, household equipment and routine household maintenance is expected to lead to increased demand for home furnishing, thus supporting the growth of the local home furnishing retail industry.

The Rise of Smart Home Furnishings

Smart home furnishings refer to homeware that are equipped with technological functionalities. These intelligent products tend to be embedded with sensors and software systems, and can be controlled through a phone, or through voice command, and be adjusted to personal preferences. Some of the examples of smart home furnishings include LED smart mirror (a mirror with LED lights that also includes a waterproof radio), smart bedside table (a bedside drawer that comes with a wireless charging station), smart beds (a bed that has a television built into its base), as well as smart desk/table (a table with motorised height adjustment system).

The smart home furnishing trend is a relatively new one, and is expected to gain traction in the near future. Smart home furnishing technology is an extension of the smart home trend (a home that allows homeowners to control appliances, thermostats, lights and other devices remotely using a smartphone or tablet through an Internet connection) that has gained popularity over the last few years, especially since the start of the COVID-19 pandemic. The pandemic has resulted in people spending more time at home, and investing more on their dwellings. This had also made clear the benefits of these smart technology incorporated into home furnishings. Stay-at-home measures previously put in place as a result of COVID-19 have made it more important for families to have space to both live and work while at home. This in turn has spurred the demand for smart home furnishings which often are able to satisfy the different needs in daily life in a limited space by providing multiple functions in a single product.

Gradual Recovery in the Local Property Market

The local home furnishing retail industry is relatively dependent on the development of the local property market. This is mainly due to the tendency of new property owners to furnish their new homes or buildings with home furnishing to make the environment comfortable and liveable. At the same time, property developers tend to provide, amongst others, furniture such as built-in cabinets and wardrobes, kitchen islands and countertops during the launch of new residential properties to attract home buyers. While the property market has remained subdued in recent times, the market is expected to rebound in line with various government-led efforts including promoting affordable housing schemes.

The efforts by the Malaysian Government had yielded positive results for the property sector in 2022. The performance of the local real estate construction market can be evaluated by the volume and value of property transactions. In 2022, the Malaysian property market (which includes both the primary and secondary markets) witnessed an increase in both total transaction volume and total transaction value. A total of 389,107 transactions were recorded in 2022, which was an increase from 300,497 transactions in 2021. During the year, the residential segment accounted for 62.5% of total transaction volume. In terms of transaction value, a total sum of RM179.07 billion was recorded in 2022. This represented a growth from RM144.87 billion in the previous year. During the year, the residential segment accounted for 52.6% of total transaction value. Residential properties with prices of below RM300,001 per unit were the most popular type of property in 2022, accounting for 55.8% (135,616 transactions) of total transaction volume in the residential segment (243,190 transactions). This type of properties also represented 34.9% (derived from 135,616 transaction over a total of 389,107 transactions in the Malaysian property market) of the total transaction volume in the Malaysian property market for the year. Residential properties at this price range are expected to remain dominant in the near future particularly with the efforts from the Malaysian Government to push for more availability of affordable housing.

The Growing Affluence of Malaysians

Malaysian consumers are generally attaining greater affluence as a result of broad economic growth seen for the country over the past half-century. The per capita income in Malaysia rose from RM46,163 in 2021 to RM52,819 in 2022 and is forecast to reach 55,186 in 2023. Malaysia's standard of living has improved since its formation as an independent nation. This trend is likely to be sustained moving forward as the country continues on its growth path. The Malaysian Government is likely to continue pursuing economic expansion programmes while managing the cost of borrowings to encourage domestic consumption. The Malaysian Government has committed to continued vigilance in the economy, promising continued supportive and accommodative macroeconomic policies as the economy improves moving forward. This is likely to fuel demand for all retail products in Malaysia as increased disposable incomes among Malaysians is likely to lead to greater consumption of products including home furnishings. This is expected to lead to impetus for growth for local home furnishing retail industry.

Growing Population Coupled with Urbanisation

The Malaysian population is expected to continue growing at a steady pace. According to the Department of Statistics Malaysia, the total population of Malaysia was 33.0 million in 2022. This figure is projected to grow steadily to reach 41.5 million in 2040. As the size of population increases, the potential pool of demand for dwellings as well as resulting need for home furnishing is also expected to increases accordingly. In other words, the uptake in home furnishing is positively correlated to population growth. Hence, the steady population growth in Malaysia is expected to spur the continued demand for home furnishing moving forward.

At the same time, urbanisation which refers to the process of population shift where the number of people living in the cities grows at a faster pace than those live in rural areas, has led to increased development of new residential properties and townships, as well as commercial buildings. People living in urban areas generally have higher incomes than those in rural populations, thus allowing them to spend more on durable goods, such as homes and home furnishing. The uptake of new properties has also also help drive demand for home furnishing.

COVID-19 Worries and Rising Prices leading to Weaker Purchasing Power Affecting Consumer Sentiments

The Malaysian retail industry including the home furnishing retail industry continued a positive growth in sales in 2022 after having business shrink in 2020 and recovered in 2021 during the COVID-19 pandemic. The better performance came from the further relaxation of COVID-19 restriction or standard operating procedures as well as the festive seasons accelerating the pace of recovery of Malaysia's retail industry. The Malaysian Government had announced the transition of COVID-19 into an endemic phase starting 1 April 2022. The Ministry of Health had also announced further relaxation of COVID-19 restrictions from 1 May 2022 and that all economic sectors are allowed to operate from 15 May 2022 onwards.

However, retailers are still expected to face various challenges going forward. This includes the wave of new COVID-19 cases due to the Omicron variant which had disrupted the pace of recovery for the industry. The prospects of the retail industry become uncertain as Malaysian consumers turn cautious, especially when there is a surge in new cases. While new cases have remained low in the recent months, any new flare up of cases might reverse the improved situation in the retail industry. In addition, oil prices had been on the rise since second half of 2021. The situation had been compounded when the war between Russia and Ukraine has also caused disruptions to the global supply chain. As one of the largest exporters of oil in the world, Russia's involvement in the war throws oil supply from the country into doubt. This has led to oil prices spiking above USD110 per barrel and renewed supply chain disruptions. While oil prices has cooled since mid-August 2022 due to reasons such as recession fears in the US and in some European countries as well as the uncertainties surrounding China's COVID-19 policy, it is still higher than pre-COVID-19 levels. At the same time, the high inflation rates in the US and in major European economies has also seen to these countries hiking interest rates to combat the situation. The spike in borrowing cost has reduced household purchasing power and tighter monetary policy is expected to negatively impact economic growth in the short-term. The rise of interest rates in the US and Europe has also affected Asia in terms of the weakening of Asian currencies. A weaker currency indicates that imports are now more expensive and may affect consumer purchasing power. Higher cost of living will like affect the purchasing power of Malaysian households, including for products such as home furnishing.

5.0 Supply Conditions

Figure 6: Supply Conditions Affecting the Home Furnishing Retail Industry in Malaysia, 2023-2027

Impact	Conditions	Short-Term	Medium-Term	Long-Term
		2023-2024	2025-2026	2027
+	Strong Support by the Malaysian Government	High	High	High
+	Influx of New Retail Property in Malaysia	Medium	Medium	Medium
+	Proliferation of E-Commerce in Malaysia	Low	Medium	Medium
-	Relatively High Barriers to Entry may Deter Supply of New Home Furnishing Retail Players	Low	Low	Low

Source: Protégé Associates

Strong Support by the Malaysian Government

The home furnishing for retail sales in Malaysia is sourced from both imported products and locally manufactured products. As part of the local manufacturing sector, the home furnishing industry is set to benefit from various tax incentives to encourage further growth in the manufacturing sector. The two major tax incentives being offered in the manufacturing sector are the Pioneer Status and the Investment Tax Allowance ("ITA"). Furthermore, the Government has also came out with various initiatives such as the Income Tax Incentive for the Industry 4.0 Readiness Assessment and Income Tax Incentive for Industry4WRD Vendor Development Program aimed at attracting companies in the manufacturing and manufacturing-related services sectors towards the application of Industry 4.0 technology. This is expected to boost the growth of the manufacturing sector and presents an opportunity for growth for the home furnishing industry. This in turn bodes well for the home furnishing retail industry which sources products locally.

Influx of New Retail Properties in Malaysia

While the retail industry in Malaysia had been adversely impacted by the COVID-19 pandemic, commercial properties such as shopping malls and shops had persisted with new supplies. In particular, the Klang Valley had witnessed the addition of Tropicana Gardens Mall and Pavilion Bukit Jalil in the past two years while weathering the pandemic. The Mitsui Shopping Park LaLaport BBCC was opened to the public in January 2022 while the IOI City Mall Phase 2 opened in August 2022. In 2023, the KSL Esplanade Mall in Bandar Bestari opened doors to the public in May. Some of the other shopping malls in the pipeline slated to come onstream include the Exchange TRX, the 118 Mall, and the Warisan Merdeka Mall. The Sunway Carnival Mall Phase 2 in Penang also opened doors in June 2022. Other shopping malls outside the Klang Valley slated to be opened to the public in the near future include the Sunway Paya Terubong in Penang and Sunway Tambun in Perak. According to the National Property Information Centre, a total of 4,000 units of shops were completed in 2022, while there were 2,746 shop units that started construction during year. The continuous influx of new shopping malls and shops across the country is expected to serve to increase the supply of retail outlets, including shops retailing home furnishing.

Proliferation of E-Commerce in Malaysia

The adoption of e-commerce in Malaysia has been on the rise over the past few years, especially during the COVID-19 pandemic where physical retail stores had to be temporary closed during lockdowns. The fear of contracting the virus being in close physical contact with other consumers when going out to shopping malls had accelerated the use of e-commerce technologies. Furthermore, the growth of e-commerce in Malaysia has been stimulated by the development of e-commerce marketplaces as well as continued government support.

This has seen the emergence of multiple e-commerce platforms in Malaysia, including homegrown platforms such as Mudah.my, Lelong, and PGMall as well as foreign-owned platforms such as Lazada, Shopee, and Taobao. These e-commerce platforms has provided consumers with abundant of choices when it comes to shopping online. At the same time, many brands have also developed retail functions on their own websites to facilitate the sales of their products. The rise of these e-commerce platforms has increased the sales channels of merchants and enabled them to reach a wider group of customers. This trend also applies to the home furnishing retail industry, with an increasing number of home furnishing retailers having their presence online. An online presence also enables customers to search for the right product more easily (or customise their product), thus leading to a higher possibility of completing a purchase transaction. Customers also benefited with the ease of being able to compare prices and products across various brands before completing a purchase. Going forward, it is expected that more consumers will adopt purchasing home furnishing online.

Relatively High Barriers to Entry may Deter Supply of New Home Furnishing Retail Players

The home furnishing retail industry is highly fragmented with a large number of industry players competing against each other for sales. Due to this situation, it may be difficult for new entrants to gain market share, and it would also likely be challenging for these new players to break even to emerge profitable when compared to incumbent players due to various issues including higher cost from product distribution, marketing and advertising, as well as staff training.

At the same time, industry players compete fiercely among one another in terms of pricing of products. From this front, existing large and chain home furnishing retailers may have an advantage over their less established peers as they are likely able to price products lower due to long established relationships with suppliers and economies of scale. Pricing plays a deciding role for home furnishing products in Malaysia due to the homogeneous nature of the products, resulting in consumers often switching between one brand and another. This is especially the case for the low to mid-income groups which are more sensitive to variations in prices due to lower disposable income available to discretionary products such as home furnishing especially furniture.

While there have been new shopping malls constantly being opened, not all of them are able command the same preference from consumers. This means some shopping malls are able to draw in larger crowds while others less. It may be difficult for a new home furnishing retailer to secure retail space in a desired location as popular shopping malls tend to have long waiting lists and stringent tenant selection criteria. Furthermore, existing industry players that have established a presence in popular malls generally have negotiated longer lease periods and caps on rentals, thus compounding the hurdle for newcomers to set up their presence in these favourable locations.

6.0 Prospects and Outlook of Home Furnishing Retail Industry in Malaysia

The COVID-19 pandemic which began in 2020 and the following social distancing measures to combat the situation had adversely affected the retail industry in Malaysia. As a part of the retail industry, the home furnishing retail industry was not spared from the negative impacts brought upon by the pandemic. The home furnishing retail industry decline by 9.7% to RM36.94 billion in 2020 during the peak of the pandemic.

In 2021, the home furnishing retail industry rebound and was valued at RM39.77 billion. The industry further recovered in 2022 as the high vaccination rate throughout the country coupled with the relaxation of SOPs encourage Malaysia shoppers to revert back to their normal shopping behaviour and patterns. The industry was valued at RM46.93 billion in 2022.

Going forward, factors boosting the growth within the home furnishing retail industry is likely to come from COVID-19 boosting consumer interest in spending more on dwellings. Even before the pandemic, there had already been an existing trend of increasing expenditure on home furnishings. Expenditure on furnishings, household equipment and routine household maintenance had increased from RM137 per month in 2014 to RM200 per month in 2019. Furthermore, the rise in smart home furnishings, and a gradual recovery in the local property market mainly supported by the Malaysian Government's push for affordable housing had also created impetus for growth for the industry. At the same time, the growing population and growing affluence of Malaysians resulting from urbanisation of the country is also expected to serve as a driving force behind the growth of the local home furnishing retail industry. On the flipside, negative sentiments arising from a possible flare up in COVID-19 cases is expected to affect demand for home furnishing as consumers shun enclosed and crowded places. Furthermore, the high oil prices environment which has led to higher cost of living will likely affect the purchasing power of Malaysians, which may in turn deter purchase of discretionary products such as home furnishing and in particular furniture.

From the supply side, growth of the local home furnishing retail industry is expected to be supported by the Malaysian Government's efforts to boost the local manufacturing sector. As retail home furnishing is also procured from locally manufactured sources, the government's support for the manufacturing sector has also benefitted the local home furnishing retail industry. The continuous influx of new shopping malls across the country has also served to support the supply of retail home furnishing to consumers. However, due to the fragmented nature of the industry, new entrants often face challenges when competing with existing players. This may somewhat hinder the supply of newcomers into the home furnishing retail industry in Malaysia.

Overall, the Malaysian home furnishing retail industry is anticipated to continue on its resilient growth trend during the forecast period from 2023 to 2027. While growth in 2023 is expected to be affected by the global economic slowdown arising from interest rate hikes affecting consumer demand for home furnishings, the industry is still expected to register positive growth for the year. In the medium to long-term, a recovery from the expected economic slowdown coupled with higher proliferation of smart technology for home furnishing and better prospects in the local property market is expected to encourage continued growth of the industry. The home furnishing retail industry is projected to grow RM50.25 billion in 2023 to RM73.17 billion in 2027, representing a CAGR of 9.3% during the forecast period.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS

9.1.1 We are dependent on our brand and reputation

Our "SSF" brand, logo and trademarks have brand value and recognition that have contributed significantly to the growth and success of our business. Our brand is essential for our continued ability to attract customers to visit and shop at our retail outlets or to purchase our products via our e-commerce website and to maintain our relationships with suppliers. However, the occurrence of events which draw negative publicity may impact our "SSF" brand and deter our customers from shopping with us. It may also discourage our suppliers from conducting business with us. Examples of such events include incidents relating to quality and safety of our products, our business practices as well as comments from the general public and customers, which are beyond our control. We may also be subject to liabilities resulting from actions by our employees, which are beyond our control.

In addition, the prevalent use of social media to interact and general marketing purposes with customers has increased the potential for negative publicity triggered by adverse events that are then disseminated rapidly to broad audiences. Examples of such negative events include our failure to meet expectations relating to our products and services, timely delivery, customer support, or other matters which could have a negative impact on our reputation if not managed promptly and appropriately. As at LPD, we have not experienced any negative events, nor are we aware of any negative incidents that have negatively impacted our Group's brand.

The occurrence of negative events could lead to decreased trust and confidence in our products, reduced demand for our products and adversely affect our business, financial performance and prospects.

9.1.2 We are exposed to disruptions in the services from third-party logistics and courier service providers

We utilise a combination of third-party logistics, courier service providers and our own in-house logistic team for the delivery of goods between our central warehouse centre, retail outlets and our customers.

We will prioritise the use of our own lorries to distribute goods from our central warehouse centre to our retail outlets and customers. In the event our own distribution fleet of lorries is not sufficient to fulfil our deliveries, we will engage the services of third-party logistics and courier service providers. For FYE 2020 to 2023, the total expenses incurred for third-party logistics and courier service providers were RM4.25 million, RM7.36 million, RM5.14 million and RM4.83 million respectively or 54.6%, 74.9%, 76.0% and 65.4% of our total selling and distribution expenses respectively.

In the event of any disruption arising from these third-party logistics and courier service providers in any region nationwide and should we be unable to arrange for other alternative delivery options in a timely manner, our ability to effectively deliver our products to our retail outlets and/or to our customers may be affected. Consequently, we may receive complaints from our customers as a result of such delays which will adversely affect our market reputation and business performance.

For FYE 2020 to 2023, RM34.59 million, RM62.51 million, RM51.62 million and RM64.73 million or 26.7%, 30.0%, 32.1% and 37.1% of our total revenue respectively are subject to delivery while the remaining are cash and carry purchases directly from our retail outlets. Save for during MCO 1.0, FMCO as well as NRP Phase 1 as a result of the COVID-19 pandemic where we experienced delivery disruptions due to the temporary suspension of non-essential services during these periods, which we have not faced any delivery disruptions in the services from third-party logistics and courier service providers which had negatively impacted our Group. This led to the temporary closure of our then warehouses and tightened interstate travel restrictions.

9.1.3 Our business is subject to shipping disruption and fluctuation in freight rates

Our furniture, home décor and home living products are sourced from our local and overseas suppliers who in turn may source them from their supplier network overseas, and thus we rely on marine transportation for the delivery of our products. In the event of any freight disruption, our order replenishment may be prolonged, which may in turn affect our sales. Hence, we are susceptible to freight disruptions that may arise due to circumstances that are beyond our control, which include amongst other, adverse weather condition, political turmoil, social unrest, port strikes and/or congestions, oil spills, delayed or lost shipments.

In addition, our business is also exposed to fluctuation in freight rates. As freight charges are aggregated with the product prices in invoices by our suppliers (i.e. from local and overseas trading houses who in turn may source them from their supplier network overseas), any fluctuation in global freight rates are reflected and passed on to us. Among all of our suppliers, only trading houses aggregate freight charges with the products price, whereas our local manufacturers and wholesaler does not charge for freight. The fluctuation in global freight rates were highlighted to us by such suppliers during the negotiation stages of our purchases when we observed increase in purchase price of a same product year-on-year (i.e. an average of approximately 10.0% increase in unit price per item from FYE 2020 to FYE 2021). Therefore, our profit margins may be affected if we are unable to pass on such increase in costs to our customers by raising selling prices.

When the MCO 1.0 was first imposed in March 2020, our supply chain was disrupted due to abrupt closure of economic activities. As our supplies are also sourced overseas, we experienced longer customs clearance period as a result of port congestion, which led to additional demurrage and detention charges of RM0.14 million in FYE 2020. During the COVID-19 pandemic periods, the lower economic activities globally during the first half of 2020 has resulted in reduced demand for freight activities, with carriers reducing their freight capacities. As economic activities slowly recover in the second half of 2020, freight rates began to rise due to a temporary mismatch between supply capacity and increasing demand for freight services. In FYE 2021, our Group experienced higher freight rates and longer customs clearances for imported products, where the average lead time for imported products increased from 84 days in FYE 2020 to 140 days in FYE 2021 but has since decreased to 84 days and 82 days in FYE 2022 and 2023 respectively.

Although we have been able to pass on some of the increased in freight costs to our customers, there can be no assurance that such increase in freight costs can always be passed to them. In the event of the increase in freight costs cannot be passed on, it may have an adverse impact on our financial performance.

9.1.4 We are exposed to exchange rate fluctuations

We source some of our products from trading house(s) in Hong Kong. For FYE 2020 to 2023, our purchases from them amounted to 23.6%, 8.8%, 10.6% and 15.5% of our total purchases. In addition, some of our local suppliers' products are sourced from overseas as well. While our payments are generally made in RM, a portion of our purchases are also denominated in USD, and thus we are exposed to foreign exchange rate fluctuations between RM against currencies such as USD. Exchange rate fluctuations between the RM against the USD may have adverse impact on our margins if we are not able to immediately pass the resulting increases to our customers. Factors influencing the exchange rates are subject to the countries' government policies, domestic and international economic developments as well as the currencies' demand and supply both locally and abroad. As at 30 April 2023, we do not have any foreign currency trade balance out of our total trade payables of RM1.92 million. For avoidance of doubt, although we have paid all balances owed to the trading house in Hong Kong as at 30 April 2023, such trading house still remains our existing supplier as at LPD.

As at LPD, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risks. Therefore, significant fluctuations in exchange rates may lead to material adverse impact on our financial performance.

9.1.5 We may be adversely affected by product defects, which may lead to product liability claims

Our furniture, home décor and home living products are sourced from our suppliers. In the event the products that we sell are damaged and/or defective, we may be liable for product defects under the applicable consumer protection laws. In addition, users who suffer injury or damage as a result of product malfunctions may bring claims or legal proceedings against us as the retailer of the products. As at LPD, we have not experienced any product liability claims made against us for injury or damage suffered due to product malfunctions. Further, our Group has implemented policies to address claims for product defects where the customers would have such products exchanged or refunded. Further details on the process for the exchange and return of products are as set out in Section 7.6(c).

While we work with our suppliers to ensure QC measures are carried out as part of quality checks, 8 personnel from our warehouse department are dedicated to undertake QC of our products. Our Group is also insured against product liability claims, where the coverage of such insurance is adequate and sufficient by industry standards. However, there can be no assurance that we will not be subject to claims and/or damages which exceeds the insurance coverage in the event of product defects.

9.1.6 We are dependent on our ability to hire, train, manage and retain employees

We are dependent on our ability to hire, train, manage and retain our employees, which includes retail operation employees and support staffs. Our employees are responsible for carrying out various tasks from administration and human resources to procurement, inventory management, retail operations and support operations.

Our retail operation employees serve as the first point of contact with customers and are therefore expected to be well-trained and knowledgeable about our products. As such, we provide them with the relevant training and development programmes to ensure high levels of quality service are offered consistently across our retail outlets. We compete with other retailers for our retail operation employees and if we are unable to hire, train, manage and retain experienced retail operation employees, our quality of service may deteriorate, leading to adverse material impact on our sales and financial performance. The standard attrition rate of our Group was 4.5%, 2.6%, 3.4% and 2.7% in FYE 2020 to 2023 respectively.

In addition, we also employ foreign nationals for various positions in our Group. Any changes in the policies of the countries of origin of our foreign employees or any restrictions in Malaysia may result in difficulties for our Group to maintain a sufficient foreign labour workforce. This may affect our business operations and in turn, adversely affect our overall financial performance. As at LPD, we have 79 foreign workers, accounting for 11.7% of our total workforce. Although we have not experienced any material labour shortage or adverse effect on our operations, there can be no assurance that we will not be adversely affected in the future.

9.1.7 We are dependent on our Executive Directors and key senior management for continued success and growth of our business

Our business performance and future growth is dependent on the experience, abilities, competency and continuous leadership of our Executive Directors and key senior management. Our Managing Director/ Chief Executive Officer, Wong Choong Loong and our Executive Directors, Chin See Kew and Wong Choong Lian each has more than 30 years of experience in the home furnishing retail industry with extensive knowledge and insights of the industry whilst our Executive Director/ Deputy Chief Executive Officer, Lok Kok Khong has 21 years of business experience in operations and business strategies. They are supported by our key senior management with experience in their respective functions. The majority of our key senior management have been attached to our Group for at least 10 years and have extensive and in-depth knowledge of our operations and industry.

Therefore, the loss of any of our Executive Directors and key senior management simultaneously or within a short period of time may create unfavourable impact on our Group's operation and the future growth of our business. If we are unable to attract suitable talents to replace the loss of any of our Executive Directors and key senior management in the timely manner, our business, financial performance and prospects may be adversely affected.

9.1.8 We are subject to risk of unfavourable changes in the commercial terms with our suppliers which may affect our profit margin

Due to the nature of our business, we do not enter into long-term agreements or arrangements with our suppliers as we typically place our orders through individual purchase orders on an as-needed basis and negotiate commercial terms per purchase order with our suppliers. Thus, we may be subject to unfavourable changes in the commercial terms based on changes in our suppliers' cost structure or other factors, which will in turn affect our profit margin and our price competitiveness.

Further, the opening of new retail outlets requires substantial resources which include amongst others, obtaining adequate financing to secure identified locations and carry out relevant renovations and additional inventories. It also entails the hiring and training of sufficient workforce to support the increased in number of retail outlets. There is no assurance that we will be able to secure both the financial and manpower resources required to expand our retail outlets.

9.1.9 We are dependent on our ability to secure prime locations for our retail outlets, renewal and changes in the terms of tenancies

As at LPD, we manage and operate 41 retail outlets located in shopping malls as well as commercial shoplots and standalone outlets in towns and cities nationwide, all of which are rented properties. There is no assurance that our existing retail outlets will continue to meet our expectations in terms of customer traffic, accessibility and target markets.

Our existing tenancies for our retail outlets are typically for 3 years, with options for renewal. As at LPD, 5 out of 41 retail outlets, representing 12.2% of our total retail outlets, have tenancy periods of 1 year or less. These 5 outlets contributed 9.8% in terms of our total revenue for FYE 2023. In the event these short period tenancies are terminated by landlords prior to the tenancies' expiry, our Group will not be materially impacted financially as we will be able to relocate such retail outlets to other premises.

As at LPD, we have not experienced any early termination of tenancy prior to its expiry by our landlords. However, upon expiry of any of our tenancies, the landlord has the right to review and amend the terms and conditions of the renewed tenancies, including rental rates. There can be no assurance that we will be able to secure rented properties in prime locations for our future plans, or that our existing tenancies will be renewed at terms that are favourable to us. If we are unable to secure prime locations for our retail outlets, or if we are unable to renew our existing tenancies for a substantial number of retail outlets at reasonable commercial terms, our business and financial performance may be adversely affected.

During FYE 2020 to 2023 and up to LPD, our Group's experience in terms of relocating our retail outlets to new retail outlets where both locations are in close proximity to each other and due to better rental and location of the new retail outlets are (a) Boulevard Shopping Mall, Miri, Sarawak; (b) a shoplot in Kuantan, Pahang; (c) TMG Mart, Temerloh, Pahang and (d) Boulevard Shopping Mall, Kuching, Sawarak. The relocation costs required for our retail outlets such as restoration cost of the closed retail outlets to reinstate them to their original condition, transportation and labour costs ranges between RM0.05 million and RM0.10 million, subject to the size and condition of the retail outlet at the point of relocation.

9.1.10 We are exposed to the risk of possessing obsolete inventories

Our furniture, home décor, and home living products are subject to constantly evolving designs, seasonal trends, and customers' preferences. In the event we are unable to stay abreast with the latest trends to provide customers with products that are in tuned with the current trends, we are exposed to the risk of possessing obsolete inventories which can have an adverse impact on our brand and financial performance. Our average inventory turnover days for FYE 2020 to 2023 was 297 days, 240 days, 353 days and 307 days respectively.

Our Group's obsolete inventories refer to inventories (a) with major damages which mainly occurs during transportation or mishandling of inventories or (b) products that are unsellable as they are no longer in trend (even after launching promotional campaigns and/or price reduction of such products). Such products will be written off by our Group. We have written off inventories of RM1.13 million, RM1.38 million and RM0.78 million for FYE 2020 to 2022 respectively, relates solely to inventories with major damages. In FYE 2023, we have written off inventories of RM3.49 million, of which RM1.96 million or 56.2% relates to inventories with major damages (RM0.92 million from the fire incident at The Scott Garden, WP in July 2022), and RM1.53 million or 43.8% relates to products that are unsellable as they are no longer in trend.

As at LPD, our obsolete inventories amount to RM0.23 million, relates solely to inventories with major damages. Please refer to Section 12.8.3 for further details on our inventory turnover.

As at LPD, besides launching promotional campaigns and/or price reduction events to entice customers to purchase our products, we also currently engage SFair on a consignment basis to sell our Group's slow-moving products and/or products that have minor defects. In addition, since January 2023, we have split our inventory order from suppliers into several tranches based on our estimated quarterly sales volume to closely monitor our inventory balance before re-ordering the same batch of products.

Our policy is to provide full provision for inventories aged more than 2 years and inventories which we foresee are out of trend. In addition to inventories with major damages and products that are unsellable, moving forward, any slow-moving products or products that have minor defects provided to consignees (after an aggregate of 24 months being unsold after further mark down of price and marketing activities), will be written off. Please refer to Section 11.1.1 for further details.

Although the above-mentioned steps have been taken, there can be no assurance that our Group will not possess obsolete inventories. In the event the quantum of slow-moving and obsolete inventories held by our Group increase, our financial performance may be adversely affected as we will incur higher holding costs such as warehouse rental, fire and burglary insurance and our profit and cash flows will be adversely affected due to provision for slow moving inventories made or any inventories written off.

9.1.11 We are exposed to unexpected disruptions in our central warehouse centre and retail outlets which may lead to interruptions in our business operations

As at LPD, we manage and operate 41 retail outlets nationwide to serve walk-in customers, and a central warehouse centre located at Hap Seng Business Park in Shah Alam, Selangor that receives and stores products from suppliers, before distributing them to retail outlets and customers. Therefore, any material unexpected disruptions in our retail outlets and central warehouse centre that include amongst others, fire, flood, prolonged power outages, system failures, break-ins, outbreak of diseases or human error may affect our retail operations and distribution of products to retail outlets or customers. Save for the fire incident as mentioned in Section 9.1.12 below, we experienced a water leakage incidents at our central warehouse centre in Hap Seng Business Park in January 2023 and at our retail outlet in Paradigm Mall Johor Bahru in March 2023, which caused damages to our products amounting to losses of approximately RM0.12 million and RM0.02 million respectively.

Such disruption, if prolonged could result in material adverse impact on our business and financial performance. There can be no assurance that we will be able to restore our operations or locate and set up an alternative site in a timely manner.

9.1.12 Our insurance coverage may not adequately protect us against material hazards

We maintain insurance policies to mitigate a variety of risks that are relevant to our business and operational needs which include amongst others fire insurance, money insurance, burglary insurance, public liability insurance, product liability insurance, plate glass insurance and group personal accident insurance. While we maintain these policies, there can be no assurance that any insurance proceeds we receive would be sufficient to cover expenses relating to insured losses or liabilities. In addition, our insurance premiums and deductibles may increase or experience reduced coverage and additional or expanded exclusions in relation to our existing policies.

As at LPD, our Group has taken up the following insurance policies:

Insurance type	Coverage	Sum insured
		RM'000
Burglary	Properties belonging by the insured	100
Public liability	Properties occupied by the insured	10,000
Plate glass	Showcase/ mirrors/ glass/ display units	20
Fidelity guarantee	Employees of the insured	100
Marine open cover	Limit of liability	500
Fire	Inventories, materials, renovation, furniture and fixtures	130,990
Product liability	Limit of liability	3,000
Inland transit	Limit of conveyance annually	80,000
Motor vehicles	Various vehicles	2,109
Money	Properties occupied by the insured	1,650
Group personal accident	Death and permanent disablement	50,202
All risks	Forklifts and mobile electronic equipment belonging to the insured	2,000
Keyman insurance	Life insurance for Wong Choong Loong	1,355
		282,026

Fire incident

On 7 July 2022, a fire broke out at The Scott Garden, WP which has affected our retail outlet located therein. Although there were no casualties and injuries reported in our retail outlet, the fire has resulted in damages to our products. Our Group had on 8 July 2022 made a police report in respect of such incident. We have since submitted a claim of approximately RM1.21 million for damages to our products and RM0.94 million for renovation costs due to the fire incident. In February 2023, we have received insurance compensation of RM1.54 million. Subsequently, we have commenced operations at our retail outlet in The Scott Garden, WP in March 2023. As a result of the temporary closure of such retail outlet from July 2022 to February 2023, we estimate that the loss in revenue contribution from the retail outlet is approximately RM1.89 million.

Water leakage incidents

On 10 January 2023 and 28 March 2023, we experienced water leakage incidents at our central warehouse centre in Hap Seng Business Park and at our retail outlet in Paradigm Mall Johor Bahru respectively. In relation to Hap Seng Business Park, we have since submitted a claim of approximately RM0.12 million for damages to our products due to the water leakage and received such compensation from our insurers. In relation to Paradigm Mall Johor Bahru, we have submitted a claim of approximately RM0.02 million in damages to our products to our landlord. As at LPD, the adjuster has assessed our claim and we are currently pending receipt of the claim.

9.1.13 We may not be able to successfully implement our business strategies and future plans

Our future plans moving forward include expanding our network of retail outlets and enhancing our IT infrastructure. Further details on our future plans and business strategies are set out in Section 7.22. The expansion of retail outlets to various cities and towns in Malaysia requires amongst others, identifying and securing suitable locations, the hiring and training of employees, enhancement of logistics network and digital infrastructure to support the increased number of retail outlets and products required. The enhancement of our IT infrastructure will require the migration of our data to a new enhanced ERP system and its integration with our e-commerce website and SSFHOME mobile application. Such enhancement requires reliable server and database that enables secure and constant access to its users.

While our Group may rely on the experience and expertise of our Executive Directors and key senior management, there can be no assurance that we will be able to successfully implement our expansion plans in the future and failure to do so may have an adverse impact to our business, financial performance and prospects.

9.1.14 Our profitability levels may be affected by higher operating costs

Our Group's overall profitability levels may be affected due to increase in our overall operating costs including, but not limited to, product costs, staff costs, rental, inventory management and other operating costs. If we are unable to (a) increase our sales volume and selling price of our products, (b) efficiently manage our inventories and other operational costs or (c) utilise our workforce effectively, our Group may record lower profitability levels.

Following our expansion plan to set up 18 new retail outlets as disclosed in Section 4.9.1(a), additional operating costs as well as depreciation charges on renovation and furniture and fittings and right-of-use assets will be incurred. If our Group fails to generate sufficient revenue to cover such additional costs and effectively grow our business, our financial performance may be adversely affected.

9.1.15 We are exposed to certain security risks, including in connection with the substantial use of cash in our retail outlet operations, pilferage, theft and robbery

Due to the nature of our business, we process a large volume of cash transactions from our business operations. As our walk-in customers' purchases are settled via cash, we are exposed to the risk of security issues maybe which include amongst others, robbery, theft or pilferage. Separately, our central warehouse centre and retail outlets contain significant space where our products are stored or displayed, and thus are vulnerable to inventory theft. There is no assurance that our cash management policy or our insurance coverage will be sufficient to protect us from such risks which, if substantial in the aggregate, could have an adverse effect on our business, financial condition and results of operations. Further, incidents involving a breach of the security of our retail outlets could adversely affect the perception of the "SSF" brand and may discourage customers from visiting our retail outlets.

From FYE 2020 to 2023 and up to LPD, we have not experienced any material pilferage, theft or robbery which has a material adverse impact on our financial performance.

9.1.16 We may be adversely affected by the failure of IT system or process

Our home furnishing retail business is supported by our IT infrastructure which include systems and servers, all of which are provided by third-party service providers, to analyse, process, store, manage and protect transactions and data. In managing our business, we require the security of, and consistent access to, this data for information such as sales, customer data, merchandise ordering, inventory replenishment and order fulfilment.

Our systems are subject to damage or interruption from a number of causes, including power outages, computer and telecommunications failures, computer viruses, security breaches and cyber-attacks. Although we use technology provided by our service providers to maintain and back-up our respective systems and data effectively to ensure business continuity, such efforts may not be successful. Our e-commerce website, which provides us the access to the personal and payment information of our customers, may expose us to risk of cyber security breaches. Any significant breach of our IT systems or data security, whether external or internal, or misuse of customers', service providers' or our Group's data, could result in significant costs as well as loss of sales, lawsuits and damage to our reputation.

For FYE 2020 to 2023 and up to LPD, we did not experience material disruption to our IT infrastructure or online website that has a material adverse impact on our operations.

9.1.17 We are vulnerable to infringement claims by third parties relating to their intellectual property rights

Our Group is subject to claims by third parties that our sales of a certain product breaches their intellectual property rights due to the large number and range of products we carry. Generally, we rely on our suppliers to ensure that our products do not infringe third party intellectual property rights. Should there be an infringement of third-party intellectual property rights that are caused by the error or fault of one of our suppliers, we are likely to be subject to claims and adverse negative publicity. As we typically do not have written agreements or arrangements with our suppliers, we may not have any contractual recourse to our suppliers for such claims. We may incur significant costs to defend against such claims by third parties, and there can be no assurance that we would prevail in any such proceedings which may have a material adverse effect on our business, financial performance and prospects.

For FYE 2020 to 2023 and up to LPD, we were not subject to infringement claims by third parties, nor are we aware of such incidents.

9.1.18 We are exposed to environmental, social and governance risks

Our Group is exposed to environmental, social and governance risks that could possibly impact our operations. Our importation of products exposes our Group to environmental risks that arise from climate change and extreme weather conditions, which could potentially disrupt our supply chain and operations. In addition, extreme weather conditions may cause natural disasters such as floods that could potentially damage our retail outlets and products as well as threaten the safety of our employees.

We are also exposed to social risks pertaining to our employees and stakeholders. While we have put in place a Safety and Health Committee to ensure compliance with our Guidelines on Occupational Safety and Health Policy, there can be no assurance that such guidelines will be properly implemented or enforced. In addition, we are also exposed to risks where the products sourced are not produced in a sustainable and responsible manner or in a conducive working environment. Our operations are also exposed to governance risks, that may arise as a result of engaging in unethical practices such as bribery or fraud.

While our Group recognises the importance of an ESG framework, there can be no assurance that such framework can be implemented and enforced successfully. Failure to address these matters and issues could potentially result in reputational damage, legal and regulatory risks and financial risks that could adversely impact our business.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are subject to the political, economic and regulatory conditions in Malaysia

Our operations are concentrated in Malaysia and are governed by the terms of the licences awarded by relevant local authorities. As such, the business prospects and financial performance of our Group depend on the political, economic and regulatory conditions in Malaysia. Any adverse developments or uncertainties in political, economic or regulatory conditions including changes in the political leadership leading to unstable political situation, terrorism activities, changes in interest rates, fluctuation in currency exchange rates, changes in accounting and tax policies, as well as changes in government policies such as introduction of new regulations, in Malaysia could unfavourably affect our business prospects and financial performance.

We have not in the past experienced any severe restrictions on our conduct of business. However, there is no assurance that any adverse political, economic and regulatory changes in Malaysia, which are beyond our control, would not have an adverse impact on our ability to conduct business and future financial performance.

9.2.2 Our business may be affected if we do not identify or respond to changing trends and consumer preferences in a timely manner

Our future growth is dependent on our ability to continue attracting existing and new customers to shop at our retail outlets and e-commerce website. As a retailer of furniture, home décor and home living products, we adopt global trends in interior and decoration designs to provide customers with products that are in-tuned with current trends. While we stay abreast with the latest trends in the industry via visits and participations in trade fairs and exhibitions, visits to manufacturers' factories and other home furnishing retailers, and secondary researches, there can be no assurance that we will be able to identify and/or respond to any changes in trends and preferences of our customers in a timely manner, which may have an adverse impact to our business, financial performance and prospects.

9.2.3 We are subject to competition from local and foreign competitors

The home furnishing retail industry is highly competitive and we face competition from local and foreign competitors. Typically, we compete with our competitors on a variety of factors, such as product quality, product designs, pricing, delivery time, reputation and customer service. There can be no assurance that we will be able to satisfy the requirements of all customers as compared with our competitors. In addition, competition may become more intense with the entry of new market players.

Our competitors or potential competitors may possess longer operating histories, more extensive experience, wider network of suppliers and customers, greater financial capability, better marketing efforts and other resources which enable them to capture a larger market share than us. Some of our competitors may also be more aggressive in their pricing to attract, capture and retain their market share or may have lower operational cost, which would enable them to pass the cost savings to their customers. This may lead to an increased pressure on our Group to maintain competitiveness by lowering the prices of our products. Consequently, the intense pricing competition will erode our profit margins.

We have to promptly adapt to market conditions and trends to maintain and grow our market share and there can be no assurance that we are able to compete effectively with our competitors.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

(a) The selected investors fail to subscribe for their portion of our IPO Shares;

(b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and

(c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 72.0% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Subdivision of Shares and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2020 to 2023 and up to LPD:

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
Seven Star Realty	SSF	• Wong Choong Loong • Chin See Kew • Wong Choong Lian	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder. • Chin See Kew is our Promoter, Executive Director and substantial shareholder. • Wong Choong Lian is our Promoter, Executive Director and substantial shareholder. • Wong Choong Loong, Chin See Kew and Wong Choong Lian are also directors and substantial shareholders of Seven Star Realty.	• Rental of warehouse, hostel and retail outlet from Seven Star Realty(9)	(1,758)	(3)3.1	(1,758)	(3)2.6	(1,422)	(3)2.2	(247)	(3)0.4	-	-
				• Provision of management services to Seven Star Realty(6)	-	-	-	-	120	(2)3.0	-	-	-	-
				• Purchase of racking system from Seven Star Realty(7)	-	-	(469)	(4)0.5	-	-	-	-	-	-
				• Advances from/ (to) Seven Star Realty	11	(4)<0.1	16	(4)<0.1	(12)	(4)<0.1	(5)	(4)<0.1	-	-
				• Repayment (to)/ from Seven Star Realty	(16)	(4)<0.1	(15)	(4)<0.1	3	(4)<0.1	18	(4)<0.1	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
Seven Star Realty	SSF Creative Life	• Wong Choong Loong • Chin See Kew • Wong Choong Lian	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder. • Chin See Kew is our Promoter, Executive Director and substantial shareholder. • Wong Choong Lian is our Promoter, Executive Director and substantial shareholder. • Wong Choong Loong, Chin See Kew and Wong Choong Lian are also directors and substantial shareholders of Seven Star Realty.	• Rental of retail outlet from Seven Star Realty[10]	-	-	-	-	(336)	[3]0.5	(336)	[3]0.5	(112)	[18]N/A

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
Ruby Glaze Sdn Bhd ("**Ruby Glaze**")	SSF	• Wong Choong Loong • Chin See Kew	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder. • Chin See Kew is our Promoter, Executive Director and substantial shareholder. • Wong Choong Loong and Chin See Kew are also directors and substantial shareholders of Ruby Glaze.	• Rental of warehouse from Ruby Glaze(11)	-	-	(194)	(3)0.3	(2,328)	(3)3.6	(1,164)	(3)1.7	-	-
				• Provision of management services to Ruby Glaze(6)	-	-	-	-	24	(2)0.6	-	-	-	-
				• Rental deposit paid to Ruby Glaze in relation to the warehouse(11)	-	-	(679)	(4)0.7	-	-	-	-	-	-
CL Wong Realty Sdn Bhd ("**CL Wong Realty**")	SSF	• Wong Choong Loong • Chin See Kew	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder.	• Provision of management services to CL Wong Realty(6)	-	-	-	-	24	(2)0.6	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value: FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
			• Chin See Kew is our Promoter, Executive Director and substantial shareholder. • Wong Choong Loong and Chin See Kew are also directors and substantial shareholders of CL Wong Realty.											
CL Wong Realty	SSF Creative Life	• Wong Choong Loong • Chin See Kew	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder. • Chin See Kew is our Promoter, Executive Director and substantial shareholder.	• Rental of retail outlet from CL Wong Realty[12]	-	-	-	-	(540)	[3]0.8	(540)	[3]0.8	(180)	[18]N/A
				• Rental deposit paid to CL Wong Realty for its retail outlet[12]	-	-	(123)	[4]0.1	(35)	[4]<0.1	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
			• Wong Choong Loong and Chin See Kew are also directors and substantial shareholders of CL Wong Realty.											
Industria Sdn Bhd ("**Industria**")	SSF Creative Life	Lok Kok Khong	Lok Kok Khong is our Promoter, Executive Director/ Deputy Chief Executive Officer and substantial shareholder. He is also a director and substantial shareholder of Industria.	• Digital marketing services from Industria(13)	-	-	-	-	-	-	(588)	(1)8.0	-	-
KL Brothers Ventures Sdn Bhd ("**KL Brothers**")	SSF	Lok Kok Khong	Lok Kok Khong is our Promoter, Executive Director/ Deputy Chief Executive Officer and substantial shareholder. Lok Kok Kit, the brother of Lok Kok Khong, is a director and substantial shareholder of KL Brothers.	• Business consultancy services from KL Brothers(8)	-	-	-	-	(64)	(3)0.1	(95)	(3)0.1	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
Living Market(14)	SSF	• SHG • Wong Choong Loong • Chin See Kew	• Living Market was a wholly-owned subsidiary of SHG. • SSF is a wholly-owned subsidiary of SHG. • Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder. • Chin See Kew is our Promoter, Executive Director and substantial shareholder. • Wong Choong Loong and Chin See Kew were directors of Living Market.	• Sales of products to Living Market	38	(5)<0.1	303	(5)0.1	128	(5)0.1	65	(5) <0.1	-	-
				• Transportation costs charged to Living Market	2	(2)0.1	14	(2)0.3	9	(2)0.2	6	(2)0.2	-	-
				• Provision of management services to Living Market(6)	-	-	-	-	24	(2)0.6	8	(2)0.3	-	-
				• Purchase of computer software from Living Market	-	-	(2)	(4)<0.1	-	-	-	-	-	-
				• Advances to Living Market	-	-	-	-	-	-	(1)	(4)<0.1	-	-
				• Repayment from Living Market	-	-	-	-	-	-	1	(4)<0.1	-	-
Living Market	SSF Creative Life	• SHG • Wong Choong Loong	• Living Market was a wholly-owned subsidiary of SHG.	• Purchase of office equipment from Living Market	-	-	-	-	-	-	(4)	(4)<0.1	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
		• Chin See Kew	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder. • Chin See Kew is our Promoter, Executive Director and substantial shareholder. • Wong Choong Loong and Chin See Kew were also directors of Living Market.											
Living Market	SHG	• SHG • Wong Choong Loong • Chin See Kew	• Living Market was a wholly-owned subsidiary of SHG. • Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder.	• Advances to Living Market	-	-	(23)	(4)<0.1	-	-	-	-	-	-
				• Repayment from Living Market	-	-	-	-	23	(4)<0.1	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 May 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
			• Chin See Kew is our Promoter, Executive Director and substantial shareholder. • Wong Choong Loong and Chin See Kew were also directors of Living Market.											
SFair[15]	SSF	• SHG • Wong Choong Loong • Chin See Kew	• SFair was a wholly-owned subsidiary of SHG. • SSF is a wholly-owned subsidiary of SHG. • Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder. • Chin See Kew is our Promoter, Executive Director and substantial shareholder.	• Sales of products to/ (sales return from) SFair, net	4,692	[5]3.6	3,745	[5]1.8	(425)	[5]0.3	(229)	[5]0.1	-	-
				• Transportation costs charged to SFair	220	[2]9.1	211	[2]5.2	33	[2]0.8	4	[2]0.1	-	-
				• Provision of management services to SFair[6]	1,297	[2]53.7	496	[2]12.2	384	[2]9.7	128	[2]4.2	-	-
				• Advances from/(to) Sfair	2	[4]<0.1	(7)	[4]<0.1	(11)	[4]<0.1	(1)	[4]<0.1	-	-
				• Repayment from SFair	18	[4]<0.1	10	[4]<0.1	1	[4]<0.1	12	[4]<0.1	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
			• Wong Choong Loong and Chin See Kew were also directors of SFair.	• Purchase of furniture, fittings and office equipment from SFair	-	-	(15)	(4)<0.1	-	-	-	-	-	-
				• Consignment sales to SFair(16)	-	-	-	-	-	-	170	(5)0.1	-	-
				• Commission on consignment sales to SFair(16)	-	-	-	-	-	-	(51)	(1)0.7	-	-
SFair	SSF Holdings	• SHG • Wong Choong Loong • Chin See Kew	• SFair was a wholly-owned subsidiary of SHG. • SSF Holdings is a wholly-owned subsidiary of SHG. • Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder.	• Licencing fees charged to SFair(17)	21	(2)0.9	18	(2)0.4	5	(2)0.1	1	(2)<0.1	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
			• Chin See Kew is our Promoter, Executive Director and substantial shareholder. • Wong Choong Loong and Chin See Kew were also directors of SFair.											
SFair	SSF Creative Life	• SHG • Wong Choong Loong • Chin See Kew	• SFair was a wholly-owned subsidiary of SHG. • SSF Creative Life is a wholly-owned subsidiary of SHG. • Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder. • Chin See Kew is our Promoter, Executive Director and substantial shareholder.	• Advances from/ (to) SFair	8	(4)<0.1	11	(4)<0.1	17	(4)<0.1	(80)	(4)0.1	-	-
				• Repayment (from)/ to SFair	-	-	(18)	(4)<0.1	-	-	75	(4)0.1	-	-
				• Purchase of furniture from SFair	-	-	-	-	(229)	(4)0.2	(126)	(4)0.1	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
			• Wong Choong Loong and Chin See Kew were also directors of SFair.											
SFair	SSF Home Furnishing	• SHG • Wong Choong Loong • Chin See Kew	• SFair was a wholly-owned subsidiary of SHG. • SSF Creative Life is a wholly-owned subsidiary of SHG. • Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder. • Chin See Kew is our Promoter, Executive Director and substantial shareholder. • Wong Choong Loong and Chin See Kew were also directors of SFair.	• Sales of computer to SFair	-	-	-	-	-	-	1	(4)<0.1	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

					Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 May 2023 up to LPD	
Related party	**Transacting company in our Group**	**Interested person**	**Nature of relationship**	**Nature of transaction**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Wong Choong Loong	SSF	Wong Choong Loong	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder.	• Advances from/ (to) Wong Choong Loong	-	-	49	(4)<0.1	-	-	(93)	(4)0.1	-	-
				• Repayment (to)/ from Wong Choong Loong	(98)	(4)0.1	-	-	(49)	(4)0.1	93	(4)0.1	-	-
				• Sales of furniture to Wong Choong Loong	9	(5)<0.1	34	(5)<0.1	-	-	8	(5)<0.1	-	-
Chin See Kew	SSF	Chin See Kew	• Chin See Kew is our Promoter, Executive Director and substantial shareholder.	• Advances from/(to) Chin See Kew	-	-	15	(4)<0.1	-	-	(12)	(4)<0.1	-	-
				• Repayment (to)/ from Chin See Kew	-	-	-	-	(15)	(4)<0.1	12	(4)<0.1	-	-
				• Sales of furniture to Chin See Kew	-	-	-	-	-	-	3	(4)<0.1	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
Lok Kok Khong	SSF	Lok Kok Khong	• Lok Kok Khong is our Promoter, Executive Director/ Deputy Chief Executive Officer and substantial shareholder.	• Sales of furniture to Lok Kok Khong	-	-	-	-	-	-	3	(4)<0.1	-	-
Wong Choong Loong	SHG	Wong Choong Loong	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder.	• Advances from Wong Choong Loong	320	(4)0.5	-	-	-	-	-	-	-	-
				• Repayment to Wong Choong Loong	-	-	(10)	(4)<0.1	(320)	(4)0.3	-	-	-	-
Wong Choong Loong	SSF Holdings	Wong Choong Loong	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder.	• Advances from Wong Choong Loong	470	(4)0.7	-	-	-	-	-	-	-	-
				• Repayment to Wong Choong Loong	-	-	(200)	(4)0.2	(300)	(4)0.3	(420)	(4)0.4	-	-
Chin See Kew	SSF Holdings	Chin See Kew	• Chin See Kew is our Promoter, Executive Director and substantial shareholder.	• Advances from Chin See Kew	30	(4)<0.1	-	-	-	-	-	-	-	-
				• Repayment to Chin See Kew	-	-	-	-	-	-	(80)	(4)<0.1	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
Wong Choong Loong	SSF Creative Life	Wong Choong Loong	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder.	• Repayment to Wong Choong Loong	(57)	(4)0.1	-	-	-	-	-	-	-	-
				• Sales of cash voucher	-	-	-	-	-	-	10	(5)<0.1	-	-
Chin See Kew	SSF Creative Life	Chin See Kew	• Chin See Kew is our Promoter, Executive Director and substantial shareholder.	• Repayment to Chin See Kew	(38)	(4)0.1	-	-	-	-	-	-	-	-
Wong Choong Loong	SSF Home Furnishing	Wong Choong Loong	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder.	• Repayment to Wong Choong Loong	(11)	(4)<0.1	-	-	-	-	-	-	-	-
Chin See Kew	SSF Home Furnishing	Chin See Kew	• Chin See Kew is our Promoter, Executive Director and substantial shareholder.	• Repayment to Chin See Kew	(8)	(4)<0.1	-	-	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 May 2023 up to LPD RM'000	1 May 2023 up to LPD %
Wong Choong Loong	SSF Delanco	Wong Choong Loong	• Wong Choong Loong is our Promoter, Managing Director/ Chief Executive Officer and substantial shareholder.	• Repayment to Wong Choong Loong	(2)	(4) <0.1	-	-	-	-	-	-	-	-
Chin See Kew	SSF Delanco	Chin See Kew	• Chin See Kew is our Promoter, Executive Director and substantial shareholder.	• Repayment to Chin See Kew	(2)	(4) <0.1	-	-	-	-	-	-	-	-
Wong Choong Lian	SHG	Wong Choong Lian	• Wong Choong Lian is our Promoter, Executive Director and substantial shareholder.	• Advances from Wong Choong Lian	-	-	23	(4) <0.1	-	-	-	-	-	-
				• Repayment to Wong Choong Lian	-	-	-	-	(23)	(4) <0.1	-	-	-	-

Notes:

(1) Calculated based on our selling and distribution expenses for each of the respective financial years/period.

(2) Calculated based on our other income for each of the respective financial years/period.

(3) Calculated based on our general and administrative expenses for each of the respective financial years/period.

(4) Calculated based on our net assets for each of the respective financial years/period.

(5) Calculated based on our revenue for each of the respective financial years/period.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(6) Relates to management fees for accounting, human resource and strategic planning provided to them. Subsequent to August 2022, we no longer provide any management services to third parties.

(7) Relates to one-off purchase of racking system which was utilised in our Klang Warehouse in FYE 2021. Upon consolidating our warehousing operations from Klang Warehouse to our central warehouse centre, such racking system was also relocated to our central warehouse centre. We do not plan to purchase any other racking system from Seven Star Realty in the future.

(8) Relates to formulating marketing and branding strategies for our Group. KL Brothers is principally involved in providing business consultancy services for formulation of new marketing and branding strategies as well as training of such strategies. Subsequent to June 2022, our Group has not sought consultancy services from KL Brothers as such formulation of marketing and branding strategies (i.e. retail branding of SSFHOME) are a one-off service. We do not plan to seek any business consultancy services from KL Brothers in the future.

(9) We rented a warehouse, hostel and retail outlet from Seven Star Realty. The warehouse was located at 6, Jalan Jurutera U1/23, Seksyen U1, 40150 Shah Alam, Selangor and the rental arrangement ceased on 15 July 2022. The hostel was located at B-10-2, Kondominium Cita Damansara, Jalan PJU 3/27 Sunway Damansara, 47810 Petaling Jaya, Selangor and the rental arrangement ceased on 31 October 2022. The retail outlet was located at 2774, 2775 & 2776, Jalan Chain Ferry, Taman Inderawasih, 13600 Perai, Pulau Pinang and the rental arrangement ceased on 30 April 2021.

(10) We rented a retail outlet located at 2774, 2775 & 2776, Jalan Chain Ferry, Taman Inderawasih, 13600 Perai, Pulau Pinang from Seven Star Realty. The tenancy period is from 1 May 2021 to 30 April 2024, with an option to renew at the discretion of the landlord. The rental is at RM336,000 per annum. In the event we breach the terms of such tenancy agreement, the landlord is entitled to terminate the tenancy and forfeit the deposit.

(11) We rented Klang Warehouse from Ruby Glaze. This rental arrangement ceased on 31 October 2022.

(12) We rented a retail outlet located at 1, 1A, 1B, 1C, 3, 3A, 3B, 5, 5A, 5B, 7, 7A, 7B, 9, 9A, 9B, 11, 11A & 11B, Jalan Pusat Perniagaan Falim 3, Pusat Perniagaan, Falim, 30200, Ipoh, Perak from CL Wong Realty. The tenancy period is from 1 May 2021 to 30 April 2022, which was subsequently renewed from 1 May 2022 to 30 April 2025 with an option to renew at the discretion of the landlord. The rental is at RM540,000 per annum. In the event we breach the terms of such tenancy, the landlord is entitled to terminate the tenancy and forfeit the deposit.

(13) Relates to brand management of our Group (where amongst others, Industria redesigned the "SSFHOME" logo by proposing a different design), social media management, advertising services and implementation of marketing strategies provided for our Group's new brand management and training for environmental, social and governance practices. Such services were provided to our Group for 10 months (i.e. from May 2022 to February 2023). Moving forward, these services will be done internally within our Group and we do not plan to seek such services from Industria in the future.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(14) Living Market was incorporated by Wong Choong Loong (50.0%) and Chin See Kew (50.0%) on 28 December 2017 to undertake the sale of home living package deals which includes a bundle of our products and other suppliers' products such as flooring and wallpaper. Subsequently, we acquired 80.0% and 20.0% of their shareholdings on 14 January 2020 and 15 February 2022 respectively.

On August 2022, Living Market ceased its operations as we intend to streamline our business model to include the sale of such home living package deals under our Group. On 1 September 2022, we disposed our entire shareholdings (100.0%) in Living Market to Shirley Teh (Wong Choong Loong and Wong Choong Lian's nephew's wife) for RM1.00 and Wong Choong Loong and Chin See Kew subsequently resigned as its directors on 30 September 2022. Thereafter, Living Market ceased to be our related party. Living Market is currently dormant and there is no intended future plans for the company as at LPD.

(15) SFair was incorporated by Wong Choong Loong (50.0%) and Chin See Kew (50.0%) on 7 August 2008 as a retailer of furniture, home décor and home living products. Subsequently, we acquired their entire shareholdings (100.0%) on 28 November 2019. SFair operated 4 retail outlets, 3 retail outlets and 1 retail outlet for our Group as at 30 April 2020, 30 April 2021 and 30 April 2022 respectively.

Since 7 August 2022, the last retail outlet operated by SFair in Berjaya Times Square located at Bukit Bintang, Kuala Lumpur has closed. On 1 September 2022, our Group disposed the entire shareholdings in SFair (100.0%) to Shirley Teh for RM0.50 million and Wong Choong Loong and Chin See Kew resigned as directors of SFair on 30 September 2022. Thereafter, SFair ceased to be its related party.

On 1 September 2022, a consignment agreement was executed between SSF and SFair to sell our Group's slow-moving products or products that have minor defects on a consignment basis. The consignment period is for 1 year and it expired on 31 August 2023. On 1 August 2023, the consignment agreement was further extended to 31 August 2024. The consignment fee is 30.0% of the net sales which is payable within 30 working days from the date of receipt of the consignee's bill. In addition, either party is entitled to terminate the agreement by giving 30 days notice to the other. Further details on this arrangement is set out in Section 11.1.1.

(16) These transactions or any additional costs to be reimbursed by/to SFair will recur in the future, subject to the renewal of the consignment agreement between our Group and SFair.

(17) Relates to licencing fees charged to SFair for using our Group's trademarks. Upon the closure of the retail outlet operated by SFair, SFair no longer uses our Group's trademarks.

(18) Not applicable as we did not prepare any financial statements from 1 May 2023 up to LPD.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

The advances given by/ to our Group's related parties and the sales of furniture to Wong Choong Loong, Lok Kok Khong and Chin See Kew were not conducted on arm's length basis as the advances were interest free and the sales of furniture was at cost price in view of their contribution to our Group. The nature of advances given by/ to our Group's related parties were mainly in relation to expenses such as professional fees, insurance expenses, bank guarantee charges, transportation fees, software development fees and advertisement expenses paid on behalf of our related parties or by our related parties on our behalf. As at LPD, all advances given by/ to our Group's related parties have been fully settled.

Moving forward, our Group will no longer:

(a) provide or receive any advances from our related parties; and
(b) sell our furniture to our Promoters/ Directors at cost price and will only offer such persons discounted price similar to the rate applicable to our eligible employees.

Save for the above, our Board is of the view that all other related party transactions were conducted on an arm's length basis and competitive commercial terms not more favourable to the related parties. This was determined based on the following:

(a) benchmarking exercise in respect of related party transactions involving SSF pursuant to the Transfer Pricing Documentation Report for FYE 2020 to 2022;
(b) management services fees charged by SSF to its related parties from 1 May 2022 up to LPD were within the range of fees charged by other companies providing similar services based on the study conducted by our tax agent;
(c) licencing fees charged by SSF Holdings to SFair, transportation cost charged to SFair and Living Market and the sales of our products to Living Market and SFair is at the same rate or price charged to the other subsidiaries of our Group;
(d) rental expense paid to the related parties were based on the then prevailing market rental rates;
(e) purchase of racking system from Seven Star Realty by SSF was based on comparable purchase costs from external suppliers;
(f) purchase of computer software from Living Market by SSF was within prevailing market rate;
(g) sale of computer from SSF Home Furnishing to SFair was within prevailing market rate;
(h) purchase of furniture, fittings and office equipment from SFair and Living Market by SSF and SSF Creative Life was based on NBV;
(i) digital marketing services fees paid to Industria was based on comparable fees charged from other service providers;
(j) business consultancy services fees paid to KL Brothers was based on comparable fees charged from other service providers;
(k) value of the cash voucher purchased by Wong Choong Loong is equivalent to the amount paid in exchange for it; and
(l) consignment rate paid to SFair by SSF was based on comparable rates given by other companies.

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10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

(i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or

(ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

(i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;

(ii) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and

(iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS

10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2020 to 2023 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

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10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(b) Guarantees

As at LPD,

(i) our Promoters, namely Wong Choong Loong, Chin See Kew and Wong Choong Lian have jointly and/or severally provided personal guarantees for the banking and hire purchase facilities extended by 3 financial institutions (collectively referred to as "**Financiers**"); and

(ii) Seven Star Realty, a company wholly-owned by Wong Choong Loong, Chin See Kew and Wong Choong Lian, has also provided a property as security for our banking facility extended by 1 of the Financier (collectively referred to as the "**Third-party Securities**");

details of which are as follows:

Financiers	Type of facilities	Purpose	Outstanding balance as at LPD RM'000	Facility limit and amount guaranteed RM'000	Type of Third-party Securities	Guarantor(s)
Hong Leong Bank Berhad	1 Trade Facility 1 Forward Exchange Contract Facility	For working capital purposes and to hedge forward exchange exposure	5,227	16,500	1 property owned by Seven Star Realty	• Wong Choong Loong • Chin See Kew • Wong Choong Lian
CIMB Bank Berhad	1 Trade Facility	For working capital purposes	-	3,300	Nil	• Wong Choong Loong • Chin See Kew • Wong Choong Lian
Affin Bank Berhad	1 Hire Purchase Facility	Hire purchase of motor vehicle	54	130	Nil	Wong Choong Loong
	Total		**5,281**	**19,930**		

In conjunction with our Listing, we have applied to the Financiers to obtain a release and/or discharge of the personal guarantees as well as the Third-Party Securities by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Directors will continue to provide the personal guarantees and the Third-Party Securities will remain intact as securities for the banking facilities extended to our Group.

As at LPD, all Financiers have granted their no objection to release and/or discharge the personal guarantees provided by Wong Choong Loong, Chin See Kew and Wong Choong Lian, subject to, amongst others, the following conditions:

(aa) the success of our Listing;
(bb) for Wong Choong Loong and Chin See Kew to remain as key senior management and to collectively remain as substantial shareholders whether direct or indirect in SHG throughout the subsistence of the facilities taken up with CIMB Bank Berhad;
(cc) for Wong Choong Loong, Chin See Kew and Wong Choong Lian to remain as key senior management and to collectively hold not less than 51.0% shareholdings, whether direct or indirect in SHG, throughout the subsistence of the facilities taken up with Hong Leong Bank Berhad; and/ or
(dd) replacement of the personal guarantees with corporate guarantees from our Company.

(iii) Our Promoters, namely Wong Choong Loong, Chin See Kew and Wong Choong Lian, had jointly and/or severally provided personal guarantees for 17 tenancies of our retail outlets ("**Landlords**"). As at LPD, our Group has received conditional approvals from the Landlords, and are subject to, amongst others, the following:

(i) written approval of our Listing by Bursa Securities;
(ii) the success of our Listing; and/ or
(iii) replacement of the personal guarantees with corporate guarantees from our Company.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(iv) Prior to LPD, our Group has provided corporate guarantees for banking facilities extended to our related parties in favour of the following financiers ("**Corporate Guarantees**"). Details of which are as follow:

Guarantor	Guarantee	Financier
SHG	Ruby Glaze	Affin Islamic Bank Berhad
SSF and SSF Creative Life	CL Wong Realty	Public Bank Berhad
SSF	CL Wong Realty	Public Bank Berhad
SHG	CL Wong Realty	Affin Bank Berhad
SSF and SHG	Seven Star Realty	Hong Leong Bank Berhad

As at LPD, all the Corporate Guarantees in the table above have been discharged by the respective banks.

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10.2.3 Promotions of any material assets acquired/to be acquired within 3 financial years preceding the date of this Prospectus

None of our Directors or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets which had been, within FYE 2020 to 2023, acquired, disposed or leased or proposed to be acquired, disposed or leased to/by us.

10.2.4 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

(a) Agreement dated 27 June 2022 between SHG and M&A Securities for the appointment of M&A Securities as Adviser, Placement Agent and Sponsor for our Listing; and

(b) Underwriting Agreement dated 18 August 2023 entered into between our Company and M&A Securities for the underwriting of 80,000,000 Issue Shares.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

Save as disclosed below, none of our Directors and substantial shareholders has any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group, or which are customers and suppliers of our Group as at LPD.

11.1.1 Customers of our Group

On 28 November 2019, we acquired the entire shareholdings of SFair from Wong Choong Loong, Chin See Kew (which were then SFair Directors) and Wong Choong Lian for a consideration of RM0.71 million, resulting in SFair emerging as our wholly-owned subsidiary. On 1 September 2022, our Group disposed the entire shareholdings of SFair to Shirley Teh (Wong Choong Loong and Wong Choong Lian's nephew's wife) for RM0.50 million and Wong Choong Loong and Chin See Kew resigned as directors of SFair on 30 September 2022.

Prior to the disposal of our Group's entire shareholdings as mentioned above, SFair operated 4 retail outlets, 3 retail outlets and 1 retail outlet for our Group as at 30 April 2020, 30 April 2021 and 30 April 2022 respectively, where SFair rented these retail outlets from third parties, details of which are as follows:

No.	Postal address	Landlord/ Tenant
As at 30 April 2020		
(1)	1st, 2nd and 3rd Floor of 163, 165, 167, 1st and 2nd Floor of 169, Jalan Sultan Idris Shah, 30000 Ipoh, Perak	Leong Cheok Lung, Ong Chong Yang, Leong Yeok San and Lau Teong Eng/ SFair
(2)	T-01 and T-02, 3rd Floor of Taiping Sentral Mall, 36, Jalan Istana Larut, 34000 Taiping, Perak	Asiabina Sdn Bhd/ SFair
(3)	F4-36, F4-39, F4-42, F4-45, F4-47, F4-50, F4-51, CA4-01 (4th Floor) and F05-01 (5th Floor) of Elements Mall @ Hatten City, Jalan Melaka Raya 23, Taman Melaka Raya, 75000 Melaka	MDSA Resources Sdn Bhd (formerly known as Fuyuu Resources Sdn Bhd)/ SFair
(4)	Ground and 1st Floor of Wisma MCA, No. 32 and 32A, Jalan Hang Tuah, 75300 Melaka	MCA Malacca State Liaison Committee/ SFair
As at 30 April 2021		
(1)	01-46, 01-47, 01-48, 01-49, 01-50 & 01-50A, 1st Floor of Berjaya Times Square, No. 1, Jalan Imbi, Bukit Bintang, 55100 Kuala Lumpur	Berjaya Times Square Sdn Bhd/ SFair
(2)	1st, 2nd and 3rd Floor of 163, 165, 167, 1st and 2nd Floor of 169, Jalan Sultan Idris Shah, 30000 Ipoh, Perak	Leong Cheok Lung, Ong Chong Yang, Leong Yeok San and Lau Teong Eng/ SFair
(3)	T-01 and T-02, 3rd Floor of Taiping Sentral Mall, 36, Jalan Istana Larut, 34000 Taiping, Perak	Asiabina Sdn Bhd/ SFair
As at 30 April 2022		
(1)	01-46, 01-47, 01-48, 01-49, 01-50 & 01-50A, 1st Floor of Berjaya Times Square, 1, Jalan Imbi, Bukit Bintang, 55100 Kuala Lumpur	Berjaya Times Square Sdn Bhd/ SFair[(1)]

Note:

(1) This last retail outlet operated by SSF Home Deco Sdn Bhd (currently known as SFair) closed on 7 August 2022.

11. CONFLICT OF INTEREST *(Cont'd)*

SSF Home Deco Sdn Bhd (currently known as SFair) had incurred all the necessary cost and capital for operating the abovementioned retail outlets in the past (i.e. (1) operational costs such as rental costs, salaries, purchase costs of products, utilities and etc. and (2) capital expenditure such as renovation costs, purchase of electrical fittings, computer and software, office equipment, signboard and furniture and fittings). In return, our Group charged SSF Home Deco Sdn Bhd (currently known as SFair) management fees for accounting, human resource and strategic planning, sale of products, licencing fees and transportation fees.

On 1 September 2022, a consignment agreement was executed between SSF and SFair to sell our Group's slow-moving products or products that have minor defects (and no longer carry our "SSF" brand as we have removed and/or redact the previous price tags, labels, packaging and boxes which has our "SSF" identity prior to delivery to SFair) on a consignment basis. This arrangement serves as a means to sell our Group's products that are no longer in trend or have defects at a discounted price determined by Lee Chooi San, our Purchasing Manager and approved by Wong Choong Loong, our Managing Director/ Chief Executive Officer. SFair sells the products at its retail outlet and the products are generally sold individually and not in bulk. As at LPD, our consigned inventories to SFair amounts to RM1.54 million.

Our Group adopts visual merchandising strategies such as window displays, house displays, concept displays and eye-level displays in our retail outlets to present our wide range of products across various design, styles, themes and in-store displays, whereas SFair displays products by adopting a warehouse sales setting. SFair's retail outlet is located at 2601, Off Jalan Welfare, Kampung Baru Sungai Buloh, 47000, Selangor, which was the location of our previous HQ SB.

The key terms and conditions of the consignment agreement are as follows:

Consignment period	:	1 year, expiring on 31 August 2024 (with no option to renew)
Consignment fee	:	Our Group will pay to SFair 30.0% of net sales (i.e. being all sums received from sale of the consignment products, net of discounts and sales returns) generated by SFair on a monthly basis
Additional cost borne by us	:	Save for the cost of any marketing activities[(1)] and repair works to defective products (upon being delivered to SFair) where such costs are mutually agreed between both parties, our Group does not bear any other cost incurred by SFair. Such cost to be incurred by any party will not affect the computation of the net sales as the cost incurred will be reimbursed to the other party separately
Insurance	:	SFair is obliged to take up insurance on the products to be sold by them and will bear losses arising from theft or damages to the products occurred subsequent to the delivery As at LPD, SFair has taken up fire, fidelity guarantee, burglary, public liability and money insurance policies, with total sum insured of RM3.96 million[(2)]

Notes:

(1) Relates to advertisements on social media, printing of banners and flyers, as well as any costs of employees for engagement to create contents of such marketing activities. Since the commencement of the consignment arrangement with SFair and up to LPD, we have not incurred any cost of marketing activities for the consigned products to SFair.

11. CONFLICT OF INTEREST *(Cont'd)*

(2) Taking into consideration the sum insured against the aggregate value of the consigned goods and the coverage of the insurance taken up by SFair, our Group is of the view that the insurance in relation to the consignment arrangement is adequate.

Save for different commercial terms between both parties (as each consignor will have their own cost structure for their products, different duration of arrangement and additional costs to be borne by consignor/consignee), the terms and conditions of the abovementioned consignment agreement between our Group and SFair are within normal industry practice.

In the event that the consigned products are not sold by SFair within 6 months, we will further mark down the price of such products (as determined by Lee Chooi San, our Purchasing Manager and approved by Wong Choong Loong, our Managing Director/ Chief Executive Officer). Thereafter, if SFair is still unable to sell such products in the following 6 months, we will perform the following:

(a) If we renew the consignment agreement with SFair, we will request SFair to engage further marketing activities for another 12 months. After which, any unsold products will be returned to our Group to be written off, and such products will be sponsored to events and charities as part of our corporate social responsibility initiatives; or

(b) If we do not renew the consignment agreement with SFair, our products will be returned to us upon the expiry of the consignment period (i.e. by 31 August 2024). We intend to continue this consignor-consignee arrangement and will appoint another consignee before the expiry of the agreement with SFair. Upon appointment of another consignee, we will repeat the step as stated in (a) above.

As at LPD, our Group has such consignment agreement with SFair only and such agreement is not exclusive to SFair. As at LPD, SFair only sells our Group's slow-moving products or products that have minor defects and we are not aware of SFair's intention to sell other products in future.

Although SFair has similar business activities as our Group, our Board is of the view that there is no existing or potential conflict of interest between our Group and SFair pursuant to the consignment arrangement as:

(a) our Directors and substantial shareholders no longer have any direct or indirect interest in SFair; and

(b) the products that our Group consigned to SFair are products that are discontinued by our Group (as they were slow moving) or have minor defects.

Moving forward, our Audit and Risk Management Committee will supervise any actual conflict of interest or potential conflict of interest situations.

In order to mitigate any possible conflict of interest situation, our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group.

Our Nomination Committee will first then evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nomination Committee will then:

11. CONFLICT OF INTEREST *(Cont'd)*

(a) Immediately inform our Board of the conflict of interest situation;

(b) Make recommendations to our Board to direct the conflicted Director to:

(i) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and

(ii) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

(a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for our Listing.

(b) Rosli Dahlan Saravana Partnership has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing.

(c) Moore Stephens Associates PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.

(d) Protégé Associates Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout FYE 2020 to 2023 has been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

12.1.1 Combined statements of comprehensive income

The following table sets out a summary of our audited combined statements of comprehensive income for FYE 2020 to 2023 which have been extracted from the Accountants' Report as set out in Section 13.

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	129,381	208,073	160,990	174,474
Cost of sales	(59,155)	(92,621)	(71,224)	(79,386)
GP	**70,226**	**115,452**	**89,766**	**95,088**
Other income	2,416	4,056	3,952	3,077
General and administrative expenses	(57,600)	(67,215)	(64,189)	(67,763)
Selling and distribution expenses	(7,778)	(9,827)	(6,769)	(7,392)
Profit from operations	**7,264**	**42,466**	**22,760**	23,010
Finance costs	(781)	(960)	(891)	(1,052)
PBT	**6,483**	**41,506**	**21,869**	21,958
Tax expense	(2,375)	(10,294)	(5,111)	(5,927)
PAT/ total comprehensive income for the financial year	**4,108**	**31,212**	**16,758**	**16,031**
PAT/ total comprehensive income attributable to:				
- Owners of our Company	4,126	31,090	16,632	16,031
- Non-controlling interests	(18)	122	126	-
	4,108	**31,212**	**16,758**	**16,031**
EBIT (RM'000)(1)	6,776	42,162	22,425	22,583
EBITDA (RM'000)(1)	11,116	49,604	30,895	33,708
GP margin (%)(2)	54.3	55.5	55.8	54.5
PBT margin (%)(3)	5.0	19.9	13.6	12.6
PAT margin (%)(3)	3.2	15.0	10.4	9.2
Effective tax rate (%)(4)	36.6	24.8	23.4	27.0
Basic EPS (sen)(5)	0.7	5.2	2.8	2.7
Diluted EPS (sen)(6)	0.5	3.9	2.1	2.0

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT	**4,108**	**31,212**	**16,758**	**16,031**
Less:				
Interest income	(488)	(304)	(335)	(427)
Add:				
Finance costs	781	960	891	1,052
Tax expense	2,375	10,294	5,111	5,927
EBIT	**6,776**	**42,162**	**22,425**	**22,583**
Add:				
Depreciation	4,338	7,441	8,469	11,121
Amortisation	2	1	1	4
EBITDA	**11,116**	**49,604**	**30,895**	**33,708**

(2) Calculated based on GP divided by revenue.

(3) Calculated based on PBT or PAT divided by revenue.

(4) Calculated based on tax expense divided by PBT.

(5) Calculated based on PAT attributable to owners of our Company divided by our share capital of 600,000,000 Shares before Public Issue.

(6) Calculated based on PAT attributable to owners of our Company divided by our enlarged share capital of 800,000,000 Shares after Public Issue.

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12.1.2 Combined statements of financial position

The following table sets out the combined statements of financial position of our Group as at 30 April 2020, 2021, 2022 and 2023 which have been extracted from the Accountants' Report as set out in Section 13.

	Audited			
	As at 30 April			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	21,792	22,294	22,412	22,632
Right-of-use assets(4)	5,873	6,349	7,493	13,945
Intangible assets	7	12	13	18
Other investment(5)	-	-	-	214
Deferred tax assets	1,211	1,393	3,372	2,726
Total non-current assets	**28,883**	**30,048**	**33,290**	**39,535**
Current assets				
Inventories	57,859	64,050	73,517	59,835
Trade receivables	2,027	2,289	3,774	1,978
Other receivables(1)	9,936	12,102	13,648	10,344
Tax recoverable	1,106	-	-	280
Short term investments	685	8,507	2,867	12,531
Fixed deposits with licensed banks	3,092	4,515	3,583	9,853
Cash and bank balances	6,988	21,972	19,214	14,526
Total current assets	**81,693**	**113,435**	**116,603**	**109,347**
Total assets	**110,576**	**143,483**	**149,893**	**148,882**
Equity and liabilities				
Equity				
Share capital	73,079	73,379	74,219	74,219
Reorganisation deficit	(69,736)	(69,736)	(70,036)	(70,036)
Retained earnings	65,671	96,761	93,468	108,799
Equity attributable to owners of our Company	**69,014**	**100,404**	**97,651**	**112,982**
Non-controlling interests	346	449	-	-
Total equity/ NA	**69,360**	**100,853**	**97,651**	**112,982**
Liabilities				
Non-current liabilities				
Provision for restoration costs	-	-	612	735
Lease liabilities	2,831	2,160	4,188	6,401
Deferred tax liabilities	117	548	-	-
Total non-current liabilities	**2,948**	**2,708**	**4,800**	**7,136**
Current liabilities				
Trade payables	10,680	6,961	5,959	1,924
Other payables(2)	9,610	9,413	7,206	4,527
Dividend payable	7,600	-	10,000	-
Provision for restoration costs	-	-	1,171	348

	Audited			
	As at 30 April			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Contract liabilities(3)	664	201	3,405	3,379
Amounts due to related parties	175	489	349	-
Amounts due to Directors	1,330	1,184	500	-
Lease liabilities	2,835	3,994	2,664	7,060
Bank borrowings	5,374	15,357	13,933	11,526
Tax payable	-	2,323	2,255	-
Total current liabilities	**38,268**	**39,922**	**47,442**	**28,764**
Total liabilities	**41,216**	**42,630**	**52,242**	**35,900**
Total equity and liabilities	**110,576**	**143,483**	**149,893**	**148,882**

Notes:

(1) Mainly relates to rental and utility deposits (which is refundable upon lapse of tenancy period or discontinuation of lease arrangement) and advance payment made to suppliers for the purchase of inventories as well as dividend receivables.

(2) Mainly relates to amount due to non-trade creditors for the purchase of property, plant and equipment (e.g. furniture and fittings, renovations, electrical fittings and etc.) and transportation services by third-party logistics and courier companies as well as accruals on staff salaries and rental of warehouse and retail outlets.

(3) Mainly comprises deferred revenue from the sale of our SSFHOME VIP memberships which will be recognised progressively over the period of the membership tenure of 12 months.

(4) Mainly relates to the leasing of warehouses, retail outlets, office and hostels from our landlords as well as motor vehicles from hire purchase arrangements.

(5) Relates to keyman insurance policy in relation to a life insurance policy for Wong Choong Loong, our Managing Director/ Chief Executive Officer. The carrying amount of the keyman insurance contract represents the expected cash value from the life insurance policy which has been assigned to Hong Leong Bank Berhad, as absolute assignee for security of banking facilities granted to one of our subsidiary, SSF.

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12.1.3 Combined statements of cash flows

The following table sets out the combined statements of cash flows of our Group for FYE 2020 to 2023 which have been extracted from the Accountants' Report as set out in Section 13.

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash Flows from Operating Activities				
PBT	6,483	41,506	21,869	21,958
Adjustments for:				
Amortisation of intangible assets	2	1	1	4
COVID-19 related rent concessions	(83)	(127)	(355)	(9)
Depreciation of property, plant and equipment	2,379	3,036	3,385	3,629
Depreciation of right-of-use assets	1,959	4,405	5,084	7,492
(Gain)/Loss on disposal of property, plant and equipment	(41)	3	-	(15)
(Gain)/Loss on lease termination	-	(44)	(52)	70
(Gain)/Loss on unrealised foreign exchange	(38)	(25)	10	(10)
Interest expense	781	960	891	1,052
Interest income	(307)	(176)	(201)	(343)
Impairment loss on other receivables	-	-	171	-
Investment income	(181)	(128)	(134)	(84)
Impairment loss on property, plant and equipment	-	-	387	-
Loss/(Gain) on lease modification	-	-	19	(15)
(Reversal of)/Provision for slow-moving inventories, net	(78)	(12)	1,568	1,700
Provision/(Reversal) for restoration costs	-	-	1,171	(540)
Write off of bad debts	2	-	-	-
Write off of deposits	5	46	-	-
Write off of inventories	1,131	1,380	776	1,963
Write off of property, plant and equipment	302	974	216	449
Operating profit before working capital changes	12,316	51,799	34,806	37,301
Changes in working capital:				
Contract liabilities	648	(463)	3,204	(26)
Inventories	(20,692)	(7,559)	(11,811)	10,019
Receivables	1,417	(2,173)	(2,963)	5,100
Payables	8,545	(3,892)	(3,218)	(6,704)
Provision	-	-	-	(571)
Cash generated from operations	2,234	37,712	20,018	45,119
Income tax paid	(4,365)	(6,668)	(7,706)	(7,988)
Income tax refunded	316	52	-	172
Interest received	307	176	201	343
Interest paid	(781)	(960)	(891)	(1,052)
Net cash (used in)/from operating activities	**(2,289)**	**30,312**	**11,622**	**36,594**

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash Flows from Investing Activities				
Addition of intangible assets	(6)	(6)	(2)	(9)
Addition of other investment	-	-	-	(214)
Addition of right-of-use assets – cash payments	(351)	-	-	(35)
Proceeds from disposal of property, plant and equipment	60	55	18	187
Purchase of property, plant and equipment	(13,716)	(4,101)	(3,909)	(4,179)
Investment income received	181	128	134	84
Net cash used in investing activities	**(13,832)**	**(3,924)**	**(3,759)**	**(4,166)**
Cash Flows from Financing Activities				
Dividends paid	(1,800)	(7,600)	(10,200)	(10,700)
Dividend paid to non-controlling interests	-	(19)	-	-
Advances from/(Repayment to) Directors	604	(146)	(684)	(500)
Advances from/(Repayment to) related parties	170	(155)	(140)	(349)
(Increase)/Decrease in fixed deposits pledged	(2)	(2)	(1)	65
Payment for principal portion of lease liabilities	(1,797)	(4,222)	(4,745)	(7,226)
Drawdown/(Repayment) of bank borrowings, net	1,700	9,983	(1,424)	(2,407)
Net cash used in financing activities	**(1,125)**	**(2,161)**	**(17,194)**	**(21,117)**
Net (decrease)/increase in cash and cash equivalents	**(17,246)**	**24,227**	**(9,331)**	**11,311**
Cash and cash equivalents at beginning of the financial year	**27,949**	**10,703**	**34,930**	**25,599**
Cash and cash equivalents at end of the financial year[1]	**10,703**	**34,930**	**25,599**	**36,910**

Note:

(1) Cash and cash equivalents comprise the following:

	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term investments	685	8,507	2,867	12,531
Fixed deposits with licensed banks	3,092	4,515	3,583	9,853
Cash and bank balances	6,988	21,972	19,214	14,526
	10,765	34,994	25,664	36,910
Less: Fixed deposits pledged with licensed banks	(62)	(64)	(65)	-
	10,703	**34,930**	**25,599**	**36,910**

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis of our combined financial information for FYE 2020 to 2023 should be read in conjunction with the Accountants' Report included in Section 13.

12.2.1 Overview of our operations

(i) Principal activities

Our Group is principally involved in the retail of furniture, home décor and home living products. Please refer to Section 7 for our Group's detailed business overview.

(ii) Revenue

Our Group's revenue for the financial years under review was derived from the sale of furniture, home décor and home living products. In addition, we also provide value-added services such as installation services for our furniture and generate revenue from our SSFHOME VIP membership loyalty programme.

Our revenue for the financial years under review was generated from the following product segments:

(i) Furniture: home, office and bedding furniture available in assembled and non-assembled forms (e.g. armchairs and lounge chairs, bedframes, sofas, tables and desks, wardrobes and etc);

(ii) Home décor: various range of decoration products available in various trends and styles (e.g. home decorations, artificial flowers and plants, paintings, lightings and clock);

(iii) Home living: various range of home living products (e.g. bathroom products, beddings, carpets and rugs, curtains, household products, kitchenware, soft furnishing, toys and electrical items); and

(iv) Others: SSFHOME VIP Membership loyalty programme and product installation services.

Further details of the full range of our products for (i) to (iii) above are set out in Section 7.3.

Revenue from sales of furniture, home décor and home living products are recognised when the control of the goods has been transferred to our customers (i.e. delivery of goods or cash and carry basis), or performance of services, net of sales and service tax and discounts. Revenue generated from the membership loyalty programme is recognised over the membership tenure of 12 months, which give rise to the recognition of contract liabilities.

A contract liability is the obligation to transfer goods and services to a customer for which our Group has received consideration from the customer. Contract liabilities are recognised as revenue when our Group performs its obligation under the contracts.

(iii) Cost of sales

Our cost of sales comprises purchase of products from our suppliers, and charges incurred arising from freight and forwarding, handling and port storage, as well as packaging costs and cost incurred for the provision of service and maintenance.

(iv) Other income

Other income mainly comprises interest income, government grant (such as wage subsidy), management fees, transportation income, lease incentives, COVID-19 related rent concessions, investment income, insurance compensation and reversal of provision for restoration costs.

(v) Expenses

Our expenses are classified under selling and distribution expenses as well as general and administrative expenses.

(i) Selling and distribution expenses

Selling and distribution expenses consist of the following:

(aa) Distribution expenses such as transportation and logistics charges incurred to deliver goods to our customers;

(bb) Advertisement and promotion expenses such as social media advertisements or printed advertising;

(cc) Travelling expenses such as petrol and diesel costs, as well as toll and parking fees incurred by our logistics teams;

(dd) Upkeep and maintenance of motor vehicles; and

(ee) Consignment commission payable to our consignee.

(ii) General and administrative expenses

General and administrative expenses mainly consist of staff costs, rental expenses, directors' remuneration, depreciation charges, utilities, legal and professional fees, repair and maintenance, telephone and IT expenses and restoration cost.

(vi) Finance cost

Finance costs comprise bankers' acceptances interests and lease liabilities interests.

(vii) Recent developments

Save for the Subdivision of Shares which was completed on 18 July 2023, there were no other significant events subsequent to our Group's audited combined financial statements for FYE 2023.

12. FINANCIAL INFORMATION *(Cont'd)*

(viii) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2020 to 2023. In addition, our audited financial statements for the financial years under review were not subject to any audit qualifications.

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12.2.2 Review of our results of operations

(i) Revenue

Analysis of revenue by product segments

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Furniture	66,500	51.4	108,903	52.3	89,246	55.4	93,364	53.5
Home décor	34,464	26.6	48,743	23.4	35,274	21.9	38,054	21.8
Home living	24,131	18.7	42,416	20.4	33,324	20.7	35,005	20.1
Others[(1)]	4,286	3.3	8,011	3.9	3,146	2.0	8,051	4.6
	129,381	**100.0**	**208,073**	**100.0**	**160,990**	**100.0**	**174,474**	**100.0**

Note:

(1) Comprises membership fees and installation services fees.

Our revenue for the financial years under review are mainly derived from the furniture segment, which accounted for 51.4%, 52.3%, 55.4% and 53.5% of our total revenue in FYE 2020 to 2023 respectively.

Analysis of revenue by sale channels

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Retail channel[(1)(2)]	128,780	99.5	206,446	99.2	157,638	97.9	173,603	99.5
Online channel	601	0.5	1,627	0.8	3,352	2.1	871	0.5
	129,381	**100.0**	**208,073**	**100.0**	**160,990**	**100.0**	**174,474**	**100.0**

Our revenue for the financial years under review are mainly derived from the retail channel, which accounted for 99.5%, 99.2%, 97.9% and 99.5% of our total revenue for FYE 2020 to 2023 respectively.

Notes:

(1) Same store sales growth ("**SSSG**") is a measure of the growth in the revenue generated by our retail outlets during a period compared to the revenue generated by the same retail outlets during the corresponding period of the same duration in the immediate preceding year. The following table shows the SSSG of our retail outlets during FYE 2020 to 2023:

	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
SSSG[a]	(20.6%)	35.1%	(29.6%)	12.0%
Number of retail outlets included in the calculation of SSSG[b]	23	23	37	37
Number of retail outlets as at end of the financial year[c]	45	41	46	42
Weighted average number of retail outlets during the financial year[c]	38	42	42	43
Average revenue contribution per outlet (RM'000)[d]	3,263	4,720	3,615	3,993

Notes:

(a) The SSSG of our retail outlets for each financial year is calculated by dividing (a) the revenue generated by our retail outlets during that period after deducting the revenue generated by those same outlets during the corresponding period of the same duration in the immediate preceding year, by (b) the revenue generated by those same outlets during the corresponding period of the same duration in the immediate preceding year.

(b) These retail outlets are those which were operational for 2 full financial years up to the respective financial year end. Our Group's other retail outlets comprised either (i) new retail outlets which opened less than 2 years before the respective financial year ends and (ii) retail outlets which have shut down prior to the end of the respective financial years and have therefore been excluded from the analysis above.

(c) The following table shows the number of retail outlets operated at the beginning and the end of the respective financial year under review:

	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**	**1 May 2023 up to LPD**
Number of existing retail outlets at the beginning of the financial year/period	29	45	41	46	42
New retail outlets opened during the financial year/period	[bb]17	2	7[ee]	2	-
Retail outlets closed during the financial year/period[aa]	(1)	[cc](6)	(2)	(6)	(1)
Number of retail outlets at the end of the financial year/period	**45**	**41**	**46**	**42**	**41**
Weighted average number of retail outlets during the financial year/period[dd]	**38**	**42**	**42**	**43**	**41**

(d) Calculated by dividing (a) total revenue generated from the retail channel during the financial years under review, after deducting credit sales, warehouse sales and consignment sales amounting to RM4.77 million, RM8.20 million, RM5.80 million and RM1.89 million for FYE 2020 to 2023 respectively (as described in Note (2) below); by (b) weighted average number of retail outlets during the financial years under review.

Notes:

(aa) The closure of our retail outlets during FYE 2020 to 2023 and up to LPD were mainly due to non-extension or early termination of the tenancy agreements after such retail outlets did not achieved the required sales target and we were unable to revive the sales of the outlets despite running promotional activities and campaigns and reassessing the product mix allocation. We will set the initial sales target for each outlet based on their respective breakeven costs (i.e. operational expenses incurred such as rental costs, salaries, purchase costs of products, utilities and etc). Subsequently, we may also opt to close outlets which have met their breakeven costs but unable to meet its monthly sales target (taking into consideration amongst others, footfall, potential sales growth of the outlet, purchasing power of consumers and new development in the vicinity of the retail outlet) set by our Group.

In addition, such closures were also due to opening of new outlets in close proximity to the existing ones. Details of the closure of our retail outlets during FYE 2020 to 2023 and up to LPD are set out below:

	No. of retail outlets closed	Location of retail outlet	Commencement date	Closure date	Reason of closure
FYE 2020	1	Udini Square, George Town, Penang	4 October 2016	7 October 2019	Retail outlet did not achieve the required sales target
FYE 2021	6	(1) Boulevard Shopping Mall, Miri, Sarawak	21 January 2016	23 October 2020	Opening of new outlets in close proximity to the outlet: (1) MCLD, Wisma United Borneo Press, Miri, Sarawak
		(2) A shoplot in Kuantan, Pahang	1 March 2004	31 August 2020	(2) Kuantan City Mall, Kuantan, Pahang
		(3) Viva City, Kuching, Sarawak	30 November 2017	29 November 2020	Consolidated retail operation with existing outlet in close proximity (i.e. CityONE Megamall, Kuching, Sarawak)
		(4) Bandar Klang, Klang, Selangor	15 November 2019	31 August 2020	Retail outlets did not achieve the required sales targets
		(5) IOI Mall Kulai, Kulai, Johor	27 June 2014	31 October 2020	
		(6) Sunway Geo, Subang Jaya, Selangor	9 January 2018	13 November 2020	Consolidated retail operation with existing outlet in close proximity (i.e. Subang Parade, Subang Jaya, Selangor)

	No. of retail outlets closed	Location of retail outlet	Commencement date	Closure date	Reason of closure
FYE 2022	2	(1) Plaza Shell, Kota Kinabalu, Sabah	5 May 2018	15 September 2021	Consolidated retail operation with existing outlet in close proximity (i.e. Suria Sabah Shopping Mall, Kota Kinabalu, Sabah)
		(2) 1 Borneo Hypermall, Kota Kinabalu, Sabah	19 June 2015	8 November 2021	
FYE 2023	6	(1) Dungun, Terengganu	19 April 2022[(aaa)]	31 October 2022	Retail outlet did not achieve the required sales target
		(2) TMG Mart, Temerloh, Pahang	1 April 2022[(aaa)]	17 July 2022	Opening of new outlet in close proximity to the outlet (i.e. a shoplot in Temerloh, Pahang)
		(3) Pearl Shopping Gallery, Jalan Klang Lama, Kuala Lumpur	7 October 2016	6 October 2022	Consolidated retail operation with existing outlets in close proximity (i.e. The Scott Garden, Jalan Klang Lama, Kuala Lumpur)
		(4) A shoplot in Tanah Merah, Kelantan	8 April 2022[(aaa)]	31 October 2022	Retail outlet did not achieve the required sales target
		(5) Avenue 9, Nilai, Negeri Sembilan	5 May 2018	30 November 2022	Consolidated retail operation with existing outlets in close proximity (1) Mesamall, Nilai, Negeri Sembilan
		(6) Subang Parade, Subang Jaya, Selangor	12 November 2019	31 August 2022	(2) Casa Square, Puchong, Selangor (3) The Scott Garden, Jalan Klang Lama, Kuala Lumpur
1 May 2023 up to LPD	1	(1) Boulevard Shopping Mall, Kuching, Sarawak	7 May 2016	31 July 2023	Consolidated retail operation with existing outlet in close proximity (i.e. CityONE Megamall, Kuching, Sarawak)

Note:

(aaa) These retail outlets were closed in less than a year of operations due to the various reasons stated above. Our Group performed feasibility studies to ascertain the suitability of these location while taking into consideration the target population and demographics, size and rental of the location as well as economic conditions. In addition, we keep track of the performance of each of our retail outlets on a quarterly basis to ensure the required sales target were achieved. Despite the above, our Group is not assured of our customers' shopping behavior and the response from the target customers of the locality.

Arising from the early terminations, our Group has communicated with the respective landlords ahead and negotiated with them for mutual early termination. For the financial years under review, save for a penalty of RM8,600 for the early termination of the shoplot in Tanah Merah, Kelantan on 31 October 2022, we have not incur any other penalties arising from early terminations.

(bb) The 17 new retail outlets opened in FYE 2020 contributed a total revenue of RM23.27 million, RM69.60 million, RM53.58 million and RM56.90 million in FYE 2020 to 2023 respectively.

(cc) Amongst the 17 new retail outlets opened in FYE 2020, the outlet located at Bandar Klang, Klang, Selangor closed during FYE 2021 (i.e. August 2020) as such outlet did not achieve the required sales target.

(dd) Calculated based on the number of retail outlets in operation for each month during the financial years under review, divided by 12 months.

(ee) Includes retail outlet located at Taiping Sentral Mall, Taiping, Perak which we have operated since 26 April 2015 as disclosed in Section 6.9.2(a)(20). However, SSF Home Deco Sdn Bhd (currently known as SFair) was operating this outlet from 26 April 2015 until 30 April 2021. Subsequently upon the expiration of the previous tenancy on 1 May 2021, SSF Creative Life took over the tenancy and operations of this retail outlet.

(2) Including sales amounting to RM4.77 million, RM8.20 million, RM5.80 million and RM1.89 million for FYE 2020 to 2023 respectively, from:

(a) credit sales to SSF Home Deco Sdn Bhd (currently known as SFair), Living Market and other trade debtors. Further details of SSF Home Deco Sdn Bhd (currently known as SFair) and Living Market as set out in Notes (14) and (15) of Section 10.1;

(b) warehouse sales to clear our slow-moving products for FYE 2021 and 2022 respectively. Such warehouse sales are not expected to recur in the future as we have appointed SFair as our consignee to sell our Group's slow-moving products or products that have minor defects. Further details are as set out in Section 11.1.1; and

(c) consignment sales to SFair in FYE 2023 of RM2.00 million. The sales of RM1.89 million for FYE 2023 was derived from the consignment sales of RM2.00 million, deducting sales return from SSF Home Deco Sdn Bhd (currently known as SFair) for inventories returned upon the closure of Berjaya Time Square retail outlet in August 2022 of RM0.22 million and including credit sales to other trade debtors as well as Living Market of RM0.11 million.

Analysis of revenue by geographical location

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Retail channel								
Central region[1]	62,996	48.7	98,562	47.4	66,851	41.5	74,715	42.8
Northern region[2]	15,610	12.1	24,384	11.7	23,488	14.6	26,084	15.0
Southern region[3]	20,167	15.6	33,597	16.1	24,482	15.2	30,084	17.2
Eastern region[4]	9,640	7.4	17,682	8.5	17,967	11.2	20,413	11.7
	108,413	83.8	174,225	83.7	132,788	82.5	151,296	86.7
East Malaysia[5]	20,367	15.7	32,221	15.5	24,850	15.4	22,307	12.8
	128,780	99.5	206,446	99.2	157,638	97.9	173,603	99.5
Online channel	601	0.5	1,627	0.8	3,352	2.1	871	0.5
	129,381	**100.0**	**208,073**	**100.0**	**160,990**	**100.0**	**174,474**	**100.0**

Notes:

(1) Comprise Selangor and WP.
(2) Comprise Kedah, Penang and Perak.
(3) Comprise Negeri Sembilan, Melaka and Johor.
(4) Comprise Kelantan, Terengganu and Pahang.
(5) Comprise Sabah and Sarawak.

More than 80.0% of our total revenue for FYE 2020 to 2023 is derived from sales in Peninsular Malaysia. Please refer below for further discussions on the overall year-on-year fluctuation in our revenue. Separately, sales in East Malaysia accounted for 15.7%, 15.5%, 15.4% and 12.8% of our total revenue for FYE 2020 to 2023 respectively. Our revenue contribution from East Malaysia decreased by RM7.37 million or 22.9% from RM32.22 million in FYE 2021 to RM24.85 million in FYE 2022, mainly attributable to:

(a) the imposition of the FMCO which led to the closure of business for the month of June until mid-July 2021. In addition, both states imposed state travel restrictions to contain the spread of COVID-19 pandemic (includes producing police permits and providing COVID-19 test results prior to inter-district travelling), which was subsequently lifted in October 2021. Sabah and Sarawak also imposed shorter operating hours for all economic sectors in FYE 2022 (i.e.: operating from 9 am to 6 pm for Sabah since June 2021; operating from 6am to 8pm for Sarawak since May 2021), which subsequently resumed back to normal operating hours (i.e.: operating from 6am to 10pm) in October 2021 and July 2021 respectively; and

(b) the closure of 4 outlets (i.e. Boulevard Shopping Mall, Miri, Sarawak and Viva City, Kuching, Sarawak outlets in October 2020 and November 2020 respectively, where we accounted approximately 6 and 7 months of their revenue contribution respectively in FYE 2021 and none in FYE 2022; as well as Plaza Shell, Kota Kinabalu, Sabah and 1 Borneo Hypermall, Kota Kinabalu, Sabah outlets in September 2021 and November 2021 respectively, where we accounted full 12 months of their revenue contribution each in FYE 2021, but only 5 and 7 months of their revenue contribution respectively in FYE 2022).

In FYE 2023, our revenue contribution from East Malaysia further decreased by RM2.54 million or 10.2% to RM22.31 million (FYE 2022: RM24.85 million), mainly attributable to closure of 2 retail outlets (i.e. Plaza Shell, Kota Kinabalu, Sabah and 1 Borneo Hypermall, Kota Kinabalu, Sabah outlets in September 2021 and November 2021 respectively), where we only accounted approximately 5 and 7 months of their revenue contributions respectively in FYE 2022 and none in FYE 2023.

Comparison between FYE 2020 and FYE 2021

Our Group's total revenue increased by RM78.69 million or 60.8% from RM129.38 million in FYE 2020 to RM208.07 million in FYE 2021.

The higher revenue recorded in FYE 2021 was mainly driven by higher revenue generated from the following product segments:

(i) furniture segment which increased by RM42.40 million or 63.8% to RM108.90 million (FYE 2020: RM66.50 million);
(ii) home décor segment which increased by RM14.28 million or 41.4% to RM48.74 million (FYE 2020: RM34.46 million);
(iii) home living segment which increased by RM18.29 million or 75.8% to RM42.42 million (FYE 2020: RM24.13 million); and
(iv) others segment which increased by RM3.72 million or 86.7% to RM8.01 million (FYE 2020: RM4.29 million).

The increase in the revenue was mainly attributable to:

(i) the imposition of the MCO 1.0 on 18 March 2020 which had led to the closure of business activities from mid-March to April 2020 (i.e. being the last quarter of FYE 2020), thus resulted in lower revenue generated during FYE 2020 as we only operated for approximately 10.5 months whilst we operated for a full 12 months during FYE 2021. In addition, the higher revenue generated for FYE 2021 was also contributed by the roll over effect from the imposition of the MCO 1.0 where customers' spending for the Hari Raya Aidilfitri festive season which generally commence during Ramadan month (a month before Hari Raya Aidilfitri i.e. April 2020 (FYE 2020)) was brought over to May 2020 (FYE 2021). This led to the increase in average revenue contribution per outlet by RM1.46 million or 44.8% from RM3.26 million per outlet in FYE 2020 to RM4.72 million per outlet in FYE 2021;

(ii) the imposition of the various MCOs which had resulted in a shift in behaviour to embrace work-from-home practices which had contributed positively to the sale of all our product segments as consumers were spending time working, cooking and dining at home. This resulted in the increase in the demand of furniture products (such as tables, chairs and sofas) and home living products (such as tableware, carpets and bed linens), which also led to our retail outlets recording higher SSSG of 35.1% in FYE 2021; and

(iii) the full 12 months revenue contribution from 17 new retail outlets opened nationwide in FYE 2020 (of which 8 out of the 17 retail outlets were in operation for less than 6 months during FYE 2020), coupled with the opening of additional 2 new retail outlets located in WP and Terengganu in FYE 2021 (i.e. March 2021 and April 2021 respectively). Such 17 new retail outlets opened in FYE 2020 contributed a total revenue of RM23.27 million and RM69.60 million in FYE 2020 and 2021 respectively.

Comparison between FYE 2021 and FYE 2022

Our Group's total revenue decreased by RM47.08 million or 22.6% from RM208.07 million in FYE 2021 to RM160.99 million in FYE 2022.

The lower revenue recorded in FYE 2022 was mainly driven by lower revenue generated from the following product segments:

(i) furniture segment which decreased by RM19.65 million or 18.0% to RM89.25 million (FYE 2021: RM108.90 million);
(ii) home décor segment which decreased by RM13.47 million or 27.6% to RM35.27 million (FYE 2021: RM48.74 million);
(iii) home living segment which decreased by RM9.10 million or 21.5% to RM33.32 million (FYE 2021: RM42.42 million); and
(iv) others segment which decreased by RM4.86 million or 60.7% to RM3.15 million (FYE 2021: RM8.01 million).

The decrease in the revenue was mainly attributable to:

(i) the imposition of the FMCO which had led to the closure of businesses for the month of June until mid-July 2021. From mid-July 2021 onwards, we gradually opened our retail outlets based on the operating hours allowed for each states by the Government;

(ii) the subsequent easing of the MCO periods and moving into NRP Phase 1 to Phase 4 which has led our customers to return to their work place and businesses, thus, reducing their work-from-home practices. As such, there was a decrease in sales across all product segments which also led to our Group's retail outlets recording SSSG of -29.6%; and

(iii) the closure of 6 retail outlets in FYE 2021, whereby despite opening 7 new retail outlets in FYE 2022, 5 of such retail outlets (2 retail outlets each located in Kelantan and Terengganu, and 1 retail outlet located in Pahang) were only in operation for less than 1 month thus generating lower revenue in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our Group's total revenue increased by RM13.48 million or 8.4% from RM160.99 million in FYE 2022 to RM174.47 million in FYE 2023.

The higher revenue recorded in FYE 2023 was mainly driven by higher revenue generated from the following product segments:

(i) furniture segment which increased by RM4.11 million or 4.6% to RM93.36 million (FYE 2022: RM89.25 million);
(ii) home décor segment which increased by RM2.78 million or 7.9% to RM38.05 million (FYE 2022: RM35.27 million);
(iii) home living segment which increased by RM1.69 million or 5.1% to RM35.01 million (FYE 2022: RM33.32 million); and
(iv) others segment which increased by RM4.90 million or 155.6% to RM8.05 million (FYE 2022: RM3.15 million).

The increase in revenue was mainly attributable to:

(i) uninterrupted business operations by our Group in FYE 2023 (i.e. operating full 12 months period from May 2022 to April 2023) as compared to FYE 2022 whereby we were affected by the imposition of the FMCO which had led to the temporary closure of business from June until mid-July 2021. From mid-July 2021 onwards, we gradually opened our retail outlets based on the operating hours allowed for each state by the Government (i.e. operating for approximately 10.5 months period in the month of May 2021 and mid-July 2021 to April 2022 in FYE 2022); and

(ii) revenue for the others segment increased by RM4.90 million or 155.6% mainly due to higher membership income recognised in FYE 2023, whereby our Group's active members increased to 89,650 active members as at 30 April 2023 (30 April 2022: 70,160 active members). As we generally engage with our walk-in customers in retail outlets to promote and recruit our membership, the increase in active members in FYE 2023 was mainly due to uninterrupted business operations by our Group in FYE 2023 as compared to FYE 2022. In addition, there was additional marketing campaigns rolled out to promote the SSFHOME VIP membership loyalty programme in FYE 2023 such as "Raya Early Bird" and "Countdown to Christmas" campaigns where extra discounts were given to SSFHOME VIP members.

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(ii) Cost of sales, GP and GP margin

Analysis of cost of sales by product segments

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Furniture	35,430	59.9	54,866	59.2	43,118	60.6	48,471	61.0
Home décor	12,775	21.6	18,405	19.9	12,704	17.8	14,198	17.9
Home living	10,948	18.5	19,350	20.9	15,400	21.6	16,717	21.1
Others	2	(1)-	(1)-	(1)-	2	(1)-	(1)-	(1)-
	59,155	**100.0**	**92,621**	**100.0**	**71,224**	**100.0**	**79,386**	**100.0**

Note:

(1) Less than RM1,000 or 0.1%.

Our cost of sales comprises purchase of products from our suppliers, and charges incurred arising from freight and forwarding, handling and port storage, as well as packaging costs and cost incurred for the provision of service and maintenance, the breakdown of which are as follows:

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Cost of trading goods(1)	57,461	97.1	91,609	98.9	70,743	99.3	78,730	99.1
Forwarding, handling, port storage and packaging costs	(2)1,660	2.8	975	1.0	461	0.6	618	0.8
Provision of service and maintenance	34	0.1	37	<0.1	20	<0.1	38	<0.1
	59,155	**100.0**	**92,621**	**100.0**	**71,224**	**100.0**	**79,386**	**100.0**

Notes:

(1) Includes freight charges.

(2) The higher forwarding, handling, port storage and packaging costs was mainly due to (a) higher forwarding costs of RM0.76 million in FYE 2020 as compared to RM0.35 million in FYE 2021, due to higher import purchases incurred for overseas trading houses in FYE 2020; and (b) higher port storage, demurrage and detention charges arising from longer storing period at ports due to relocation of warehouse (RM0.34 million in FYE 2020) and longer customs clearance period as a result of port congestion during MCO 1.0 (RM0.14 million in FYE 2020).

Analysis of GP and GP margin by product segments

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Furniture[(1)]	31,070	46.7	54,037	49.6	46,128	51.7	44,893	48.1
Home décor[(2)]	21,689	62.9	30,338	62.2	22,570	64.0	23,856	62.7
Home living[(3)]	13,183	54.6	23,066	54.4	17,924	53.8	18,288	52.2
Others	4,284	100.0	8,011	100.0	3,144	99.9	8,051	100.0
	70,226	**54.3**	**115,452**	**55.5**	**89,766**	**55.8**	**95,088**	**54.5**

Notes:

(1) Products from the furniture segment with higher margin mainly comprises dining tables, sofas and chairs, whereas products with lower margin mainly comprises ottomans, shelves, hat and clothes-stand.

(2) Products from the home décor segment with higher margin mainly comprises artificial trees, vases, table lamps and paintings, whereas products with lower margin mainly comprises pendant lamps, floor lamps as well as artificial fruits and garnishes.

(3) Products from the home living segment with higher margin mainly comprises carpets and rugs, tableware, bed linens and bedspreads, whereas products with lower margin mainly comprises curtain tassels and hooks as well as tote bags.

However, the above-mentioned products from the respective product segments may not maintain the same margin year-on-year, as the margin for the products are subject to amongst others, the number of SKUs per product for the year and the purchase cost of such product.

Comparison between FYE 2020 and FYE 2021

Our Group's cost of sales increased by RM33.46 million or 56.6% from RM59.16 million in FYE 2020 to RM92.62 million in FYE 2021.

The increase in cost of sales was in tandem with our higher sales recorded for the furniture, home décor and home living segments in FYE 2021. As a result, our Group's GP increased by RM45.22 million or 64.4% to RM115.45 million in FYE 2021 (FYE 2020: RM70.23 million) and our overall GP margin remained relatively stable at a range from 54.3% to 55.5%.

On a segmental basis:

(i) cost of sales for the furniture segment increased by RM19.44 million or 54.9% to RM54.87 million mainly due to increase in revenue by 63.8% during the year. Correspondingly, our GP increased by RM22.97 million or 73.9% to RM54.04 million. Our GP margin for the furniture segment increased from 46.7% in FYE 2020 to 49.6% in FYE 2021 mainly attributable to higher sales of dining tables and sofas which generally fetch a higher margin;

(ii) cost of sales for the home décor segment increased by RM5.63 million or 44.1% to RM18.41 million mainly due to increase in revenue by 41.4% during the year. Correspondingly, our GP increased by RM8.65 million or 39.9% to RM30.34 million. Our GP margin for the home décor segment decreased from 62.9% in FYE 2020 to 62.2% in FYE 2021 mainly attributable to campaigns undertaken by our Group where we provided higher discounts on selective items such as paintings, lightings and artificial flowers and plants;

(iii) cost of sales for the home living segment increased by RM8.40 million or 76.7% to RM19.35 million mainly due to increase in revenue by 75.8% during the year. Correspondingly, our GP increased by RM9.89 million or 75.0% to RM23.07 million. Our GP margin for the home living segment decreased marginally from 54.6% in FYE 2020 to 54.4% in FYE 2021 mainly attributable to the increase in value of free gifts given to our customers from the home living segment by approximately RM0.09 million; and

(iv) cost of sales for the others segment has remained relatively low and thus GP and GP margin also remained relatively consistent.

Comparison between FYE 2021 and FYE 2022

Our Group's cost of sales decreased by RM21.40 million or 23.1% from RM92.62 million in FYE 2021 to RM71.22 million in FYE 2022.

The decrease in cost of sales was mainly due to lower sales recorded for the furniture, home décor and home living segments in FYE 2022. As a result, our Group's GP decreased by RM25.68 million or 22.2% to RM89.77 million in FYE 2022 (FYE 2021: RM115.45 million) and our overall GP margin remained stable at around 55.0%.

On a segmental basis:

(i) cost of sales for the furniture segment decreased by RM11.75 million or 21.4% to RM43.12 million mainly due to decrease in revenue by 18.0% during the year. Correspondingly, our GP decreased by RM7.91 million or 14.6% to RM46.13 million. Despite the drop in GP, our GP margin for the furniture segment increased from 49.6% in FYE 2021 to 51.7% in FYE 2022 mainly attributable to the upward revision of selling price after we conducted a commercial review of our products and this led to higher GP margin contributed from products such as sofas, armchairs and bedframes. Such revision of selling price (i.e. increase in average selling price of 29.7%, 40.0% and 37.2% for sofas, armchairs and bedframes respectively) was mainly due to the increase in product prices charged by our suppliers;

(ii) cost of sales for the home décor segment decreased by RM5.71 million or 31.0% to RM12.70 million mainly due to decrease in revenue by 27.6% during the year. Correspondingly, our GP decreased by RM7.77 million or 25.6% to RM22.57 million. Our GP margin for the home décor segment increased from 62.2% in FYE 2021 to 64.0% in FYE 2022 mainly attributable to the upward revision of selling price after we conducted a commercial review of our Group's products and this led to higher GP margin contributed from products such as paintings, wall mirrors and artificial flowers and plants;

(iii) cost of sales for the home living segment decreased by RM3.95 million or 20.4% to RM15.40 million mainly due to decrease in revenue by 21.5% during the year. Correspondingly, our GP decreased by RM5.15 million or 22.3% to RM17.92 million. Our GP margin for the home living segment decreased from 54.4% in FYE 2021 to 53.8% in FYE 2022. There was an upward revision of selling price after we conducted a commercial review of our Group's products and this had led to higher GP margin contributed from products such as beddings and kitchenware. However, the increase in selling price was partially set off by the increase in value of free gifts given to our customers from the home living segment by approximately RM0.62 million, which led to a slight decrease in GP margin; and

(iv) cost of sales for the others segment has remained relatively low and thus GP and GP margin also remained relatively consistent.

Comparison between FYE 2022 and FYE 2023

Our Group's cost of sales increased by RM8.17 million or 11.5% from RM71.22 million in FYE 2022 to RM79.39 million in FYE 2023.

The increase in cost of sales was in tandem with our higher sales recorded under the furniture, home décor, home living and others segments in FYE 2023. Despite the increase in our Group's GP by RM5.32 million or 5.9% to RM95.09 million in FYE 2023 (FYE 2022: RM89.77 million), our overall GP margin decreased from 55.8% in FYE 2022 to 54.5% in FYE 2023.

On a segmental basis:

(i) cost of sales for the furniture segment increased by RM5.35 million or 12.4% to RM48.47 million mainly due to increase in revenue by 4.6% during the year. Our GP decreased by RM1.24 million or 2.7% to RM44.89 million and our GP margin for the furniture segment decreased from 51.7% in FYE 2022 to 48.1% in FYE 2023 mainly attributable to campaigns undertaken by our Group where we provided higher discounts on selective items such as dining tables and sofas as part of our "VIP Monthly Special Product Campaign" to benefit our "SSFHOME VIP" members;

(ii) cost of sales for the home décor segment increased by RM1.50 million or 11.8% to RM14.20 million mainly due to increase in revenue by 7.9% during the year. Correspondingly, our GP increased by RM1.29 million or 5.7% to RM23.86 million. Our GP margin for the home décor segment decreased from 64.0% in FYE 2022 to 62.7% in FYE 2023 mainly attributable to campaigns undertaken by our Group where we provided higher discounts on selective items such as artificial flowers and plants as well as paintings as part of our "VIP Monthly Special Product Campaign" to benefit our "SSFHOME VIP" members;

(iii) cost of sales for the home living segment increased by RM1.32 million or 8.6% to RM16.72 million mainly due to increase in revenue by 5.1% during the year. Correspondingly, our GP increased by RM0.37 million or 2.1% to RM18.29 million. Our GP margin for the home living segment decreased from 53.8% in FYE 2022 to 52.2% in FYE 2023 mainly attributable to increase in value of free gifts given to our customers from the home living segment by approximately RM1.14 million; and

(iv) cost of sales for the others segment remained relatively low and thus GP and GP margin also remained relatively consistent.

(iii) Other income

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Management fees[(1)]	1,297	53.7	496	12.2	576	14.6	136	4.4
Interest income	307	12.7	176	4.3	201	5.1	343	11.2
Transportation income[(2)]	268	11.1	358	8.8	314	7.9	87	2.8
Investment income[(3)]	181	7.5	128	3.2	134	3.4	84	2.7
Gain on foreign exchange								
- Realised	74	3.1	67	1.7	16	0.4	-	-
- Unrealised	38	1.6	25	0.6	-	-	10	0.3
Wage subsidy	-	-	1,618	39.9	2,223	56.3	121	3.9
Lease incentives	-	-	943	23.2	-	-	-	-

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
COVID-19 related rent concessions	83	3.4	127	3.1	355	9.0	9	0.3
Gain on lease termination	-	-	44	1.1	52	1.3	-	-
Reversal of provision for restoration costs(4)	-	-	-	-	-	-	540	17.5
Insurance compensation(5)	37	1.5	7	0.2	18	0.4	1,666	54.2
Others(6)	131	5.4	67	1.7	63	1.6	81	2.7
	2,416	**100.0**	**4,056**	**100.0**	**3,952**	**100.0**	**3,077**	**100.0**

Notes:

(1) Relates to management fees for accounting, human resource and strategic planning provided to related parties. Subsequent to August 2022, we no longer provide management services to our related parties.

(2) Mainly comprises transportation fees charged to related parties for logistic services rendered. Subsequent to September 2022, we no longer provide any logistics services to our related parties.

(3) Relates to investment income derives from the investment in money market products.

(4) Relates to balance of provision for restoration costs which was not utilised arising from change in management's decision to not close certain retail outlets.

(5) Mainly relates to insurance compensation for a fire which broke out at the Scott Garden, WP ("**fire incident**"). Further details are set out in Section 9.1.12.

(6) Mainly comprises gain on disposal of property, plant and equipment, fair value gain on financial instrument, licencing fees, gain on lease modification and sales of scrap.

Comparison between FYE 2020 and FYE 2021

Other income increased by RM1.64 million or 67.8% from RM2.42 million in FYE 2020 to RM4.06 million in FYE 2021. The increase was mainly attributable to:

(i) increase in wage subsidy received from the Government under the PERKESO Wage Subsidy Program as a result of the COVID-19 pandemic by RM1.62 million or 100.0% (FYE 2020: nil); and

(ii) increase in lease incentives given by landlords by RM0.94 million or 100.0% (FYE 2020: nil) for renovation works carried out on certain retail outlets.

The above increase was partially offset by lower management fees income by RM0.80 million or 61.5% to RM0.50 million (FYE 2020: RM1.30 million) mainly due to decrease in number of retail outlets operated by our then related party namely SFair(1) from 5 outlets in FYE 2020 to 3 outlets (where 1 retail outlet closed in January 2020, 2 retail outlets closed in March 2020 and 1 new retail outlet commenced its operation in April 2021) in FYE 2021.

Note:

(1) Prior to the disposal of SFair on 1 September 2022, SFair was wholly-owned by our Group and principally a retailer of furniture, home décor and home living products. Pursuant to the business arrangement between our Group and SFair prior to the disposal of SFair, we sold our products to SFair, and charged SFair management fees for accounting, human resource and strategic planning, licencing fees for using our Group's trademarks and transportation fees for delivery of goods. Save for the aforementioned charges, no franchise and other fees were charged to SFair. The retail outlets operated by SFair for the financial years under review were all rented from third parties and SFair incurs the cost and capital for operating such retail outlets in the past.

However, for the purpose of the Listing, our Group has opted to exclude SFair from our Group structure (by disposing SFair's shares to Shirley Teh on 1 September 2022) as the last retail outlet operated by SFair in Berjaya Times Square located at Bukit Bintang, Kuala Lumpur closed in August 2022 and thus SFair was no longer operating any other retail outlet for our Group. As such, the financial performance and number of retail outlets operated by SFair in the past was not included in our combined financial statements for the financial years under review.

Comparison between FYE 2021 and FYE 2022

Other income decreased by RM0.11 million or 2.7% from RM4.06 million in FYE 2021 to RM3.95 million in FYE 2022 mainly due to absence of lease incentives by RM0.94 million or 100.0% (FYE 2021: RM0.94 million). Such decrease was partially offset by increase in the wage subsidy by RM0.60 million or 37.0% to RM2.22 million (FYE 2021: RM1.62 million) as the Government extended the PERKESO Wage Subsidy Programme in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Other income decreased by RM0.87 million or 22.0% from RM3.95 million in FYE 2022 to RM3.08 million for FYE 2023. The decrease was mainly attributable to:

(i) decrease in wage subsidy by RM2.10 million or 94.6% to RM0.12 million (FYE 2022: RM2.22 million) as the PERKESO Wage Subsidy Programme were not extended upon the transition to endemicity;

(ii) decrease in COVID-19 related rent concessions by RM0.35 million or 97.2% to RM0.01 million (FYE 2022: RM0.36 million) as such initiatives were not extended upon the transition to endemicity; and

(iii) decrease in management fees by RM0.44 million or 75.9% to RM0.14 million (FYE 2022: RM0.58 million) as we no longer provide such services subsequent to August 2022.

Such decrease was partially offset by the following:

(i) increase in insurance compensation by RM1.65 million or 8,250.0% from RM0.02 million to RM1.67 million mainly due to insurance compensation received from the fire incident of RM1.54 million in February 2023; and

(ii) increase in reversal of provision for restoration costs of RM0.54 million mainly due to change in our management's decision to not close 4 retail outlets after further deliberation (1 retail outlet each located in Selangor, WP, Johor and Kedah).

(iv) Selling and distribution expenses

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Distribution expenses[(1)]	5,287	67.9	7,845	79.8	5,143	76.0	4,833	65.4
Advertisement and promotion expenses[(2)]	1,841	23.7	1,256	12.8	1,074	15.9	1,367	18.5
Travelling expenses[(3)]	436	5.6	491	5.0	342	5.0	369	5.0
Upkeep and maintenance expenses[(4)]	214	2.8	235	2.4	210	3.1	223	3.0
Consignment commission[(5)]	-	-	-	-	-	-	600	8.1
	7,778	**100.0**	**9,827**	**100.0**	**6,769**	**100.0**	**7,392**	**100.0**

Notes:

(1) Relates to transportation and logistics charges.

(2) Mainly comprises social media advertisements or printed advertising.

(3) Relates to petrol and diesel costs, as well as toll and parking fees incurred by our logistics teams.

(4) Relates to upkeep and maintenance of motor vehicles.

(5) Relates to commission paid to consignee.

Comparison between FYE 2020 and FYE 2021

Our selling and distribution expenses increased by RM2.05 million or 26.3% from RM7.78 million in FYE 2020 to RM9.83 million in FYE 2021. The increase was mainly attributable to the increase in distribution expenses by RM2.56 million or 48.4% to RM7.85 million (FYE 2020: RM5.29 million) arising from higher transportation and logistics charges incurred in tandem with the increase in sales.

This was partially offset by the decrease in advertisement and promotion expenses by RM0.58 million or 31.5% to RM1.26 million (FYE 2020: RM1.84 million) arising from lower spending on advertisement and promotional events as there was strong demand for our products due to increase in work-from-home practices in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our selling and distribution expenses decreased by RM3.06 million or 31.1% from RM9.83 million in FYE 2021 to RM6.77 million in FYE 2022 mainly attributable to:

(i) decrease in distribution expenses by RM2.71 million or 34.5% to RM5.14 million in FYE 2022 (FYE 2021: RM7.85 million) mainly due to lower transportation and logistics charges arising from lower sales during the year; and

(ii) decrease in advertisement and promotion expenses by RM0.19 million or 15.1% to RM1.07 million (FYE 2021: RM1.26 million) arising from lower in-store advertisement expenditure incurred due to the closure of 6 retail outlets in FYE 2021 and coupled with 5 out of 7 of the new retail outlets opened in FYE 2022 were only in operation for less than 1 month (i.e. in April 2022).

Comparison between FYE 2022 and FYE 2023

Our selling and distribution expenses increased marginally by RM0.62 million or 9.2% from RM6.77 million in FYE 2022 to RM7.39 million in FYE 2023 mainly attributable to:

(i) commission paid to consignee of RM0.60 million where such consignment arrangement only commenced in FYE 2023. The revenue generated from consignment sales of approximately RM2.00 million was captured as revenue in the respective product segments; and

(ii) increase in advertisement and promotion expenses by RM0.30 million or 28.0% to RM1.37 million (FYE 2022: RM1.07 million) mainly due to higher expenditures for our Group's marketing strategies to align our logo and taglines with our corporate branding.

Such increase was partially offset by the decrease in distribution expenses by RM0.31 million or 6.0% to RM4.83 million (FYE 2022: RM5.14 million) as more transportation and logistics services were required in FYE 2022 to fulfil outstanding deliveries from the imposition of FMCO (during June until mid-July 2021) and NRP (from mid-July 2021 onwards).

(v) General and administrative expenses

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Staff costs[(1)]	31,685	55.0	35,625	53.0	31,939	49.8	32,260	47.6
Rental expenses[(2)]	8,835	15.3	12,580	18.7	12,056	18.8	12,181	18.0
Directors' remuneration	3,123	5.4	2,203	3.3	1,992	3.1	2,564	3.8
Depreciation								
- Property, plant and equipment	2,379	4.1	3,036	4.5	3,385	5.3	3,629	5.4
- Right-of-use assets	1,959	3.4	4,405	6.6	5,084	7.9	7,492	11.1
Utilities[(3)]	1,964	3.4	2,044	3.0	2,052	3.2	2,454	3.6
Legal and professional fees[(4)]	1,552	2.7	1,138	1.7	1,054	1.6	1,115	1.6
Repair and maintenance[(5)]	910	1.6	1,147	1.7	991	1.5	809	1.2
Telephone and IT expenses	868	1.5	1,012	1.5	1,092	1.7	1,111	1.6
Office expenses[(6)]	725	1.3	836	1.2	459	0.7	1,032	1.5
Bank charges[(7)]	716	1.2	1,016	1.5	755	1.2	935	1.4
Traveling expenses[(8)]	524	0.9	335	0.5	449	0.7	728	1.1
Restoration cost	-	-	187	0.3	1,239	1.9	16	<0.1
Others[(9)]	2,360	4.2	1,651	2.5	1,642	2.6	1,437	2.1
	57,600	**100.0**	**67,215**	**100.0**	**64,189**	**100.0**	**67,763**	**100.0**

Notes:

(1) Mainly comprises staff salaries, incentives, allowances, bonuses, statutory contributions and overtime wages.
(2) Mainly relates to rental for warehouses, offices, retail outlets and forklifts.
(3) Mainly comprises electricity and water charges.
(4) Mainly comprises audit fees, security services fees, professional fees as well as stamp duty.
(5) Mainly comprises upkeep of offices, warehouses and retail outlets.
(6) Mainly comprises printing, stationeries, stocktake charges as well as processing and application fees for foreign workers.
(7) Mainly comprises credit card charges.
(8) Mainly comprises petrol, diesel and gas, toll and parking as well as accommodation expenses.
(9) Mainly comprises insurance, service and withholding tax, donations, charge out of small value assets, realised loss in foreign exchange and property, plant and equipment written off.

Comparison between FYE 2020 and FYE 2021

Our Group's general and administrative expenses increased by RM9.62 million or 16.7% from RM57.60 million in FYE 2020 to RM67.22 million in FYE 2021. The increase was mainly attributable to:

(i) increase in staff costs by RM3.94 million or 12.4% to RM35.63 million (FYE 2020: RM31.69 million) mainly due to the increase in wages arising from the increase in average monthly headcount of part time employees from 44 in FYE 2020 to 97 in FYE 2021 as we required additional manpower for packing and delivery of goods arising from the increase in sales. In addition, the increase was also contributed by higher staff incentives and allowance to our employees in line with the increase in sales in FYE 2021;

(ii) increase in rental expenses by RM3.74 million or 42.3% to RM12.58 million (FYE 2020: RM8.84 million) mainly due to higher gross revenue recorded by our retail outlets in FYE 2021 as the rental for 31 of our retail outlets includes a percentage of gross monthly sales generated by our retail outlets;

(iii) increase in depreciation charges by RM3.10 million or 71.4% to RM7.44 million (FYE 2020: RM4.34 million) mainly due to increase in depreciation on renovation and furniture and fittings, as well as higher depreciation of right-of-use assets arising from the lease of an additional warehouse (i.e. Port Klang Warehouse);

(iv) increase in bank charges by RM0.30 million or 41.9% to RM1.02 million (FYE 2020: RM0.72 million) mainly due to higher credit card charges charged by financial institutions as a result of higher revenue recorded in FYE 2021; and

(v) decrease in others expenses by RM0.71 million or 30.1% to RM1.65 million (FYE 2020: RM2.36 million) mainly due to higher service tax in FYE 2020 paid to Royal Malaysia Customs Department arising from management fees charged by SSF for accounting, human resource and strategic planning provided to our other subsidiaries. Since the acquisition of SSF Holdings, SSF, SSF Creative Life, SSF Home Furnishing and SSF Home Deco Sdn Bhd (currently known as SFair) by SHG in October 2019 and acquisition of SSF Delanco by SHG in April 2020, we are no longer subject to service tax on management fees charged within our group as we qualify for group relief.

Comparison between FYE 2021 and FYE 2022

Our Group's general and administrative expenses decreased by RM3.03 million or 4.5% from RM67.22 million in FYE 2021 to RM64.19 million in FYE 2022. The decrease was mainly attributable to:

(i) decrease in staff costs by RM3.69 million or 10.4% to RM31.94 million (FYE 2021: RM35.63 million) mainly due to lower wages due to decrease in average monthly headcount of part time employees from 97 in FYE 2021 to 75 in FYE 2022 as we required lesser manpower for packing and delivery of goods. In addition, the decrease was also contributed by lower staff incentives and overtime to our employees in line with lower sales recorded in FYE 2022; and

(ii) decrease in rental expenses by RM0.52 million or 4.1% to RM12.06 million (FYE 2021: RM12.58 million) mainly due to lower gross revenue recorded by our retail outlets in FYE 2022 as the rental for 29 of our retail outlets includes a percentage of gross monthly sales generated by our retail outlets. The decrease was partially offset by the rental expenses of Klang Warehouse of RM2.33 million in FYE 2022, where such rental commenced since April 2021.

Such decrease was partially offset by the following:

(i) increase in depreciation charged by RM1.03 million or 13.8% to RM8.47 million (FYE 2021: RM7.44 million) mainly due to the increase in depreciation on renovation and furniture and fittings, as well as higher depreciation of right-of-use assets arising from the renewal of tenancies for 7 existing retail outlets and addition of 4 new retail outlets; and

(ii) increase in restoration cost by RM1.05 million or 552.6% to RM1.24 million (FYE 2021: RM0.19 million) due to the provision for restoration cost made on the leased retail outlets and warehouses whereby our Group has the obligation to restore such properties to their original state upon the expiry of tenancies.

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Comparison between FYE 2022 and FYE 2023

Our Group's general and administrative expenses increased by RM3.57 million or 5.6% from RM64.19 million in FYE 2022 to RM67.76 million in FYE 2023. The increase was mainly attributable to:

(i) increase in depreciation charges by RM2.65 million or 31.3% to RM11.12 million (FYE 2022: RM8.47 million) mainly due to higher depreciation of right-of-use assets for our central warehouse centre at Hap Seng Business Park, Shah Alam, Selangor;

(ii) increase in rental expenses by RM0.12 million or 1.0% to RM12.18 million (FYE 2022: RM12.06 million) mainly due to higher gross revenue recorded by our retail outlets in FYE 2023 as the rental for 28 of our retail outlets includes a percentage of gross monthly sales generated by our retail outlets;

(iii) increase in utilities expenses by RM0.40 million or 19.5% to RM2.45 million (FYE 2022: RM2.05 million) mainly due to lower usage of utilities in FYE 2022 affected by the imposition of FMCO which led to closure of business for the month of June until mid-July 2021;

(iv) increase in travelling expenses by RM0.28 million or 62.2% to RM0.73 million (FYE 2022: RM0.45 million) mainly due to travelling and accommodation expenses incurred for our visits to trade fairs and exhibitions relating to furniture, home décor and home living;

(v) increase in directors' remuneration by RM0.57 million or 28.6% to RM2.56 million (FYE 2022: RM1.99 million) mainly attributable to appointment of Lok Kok Khong as our Executive Director in FYE 2023; and

(vi) increase in office expenses by RM0.57 million or 123.9% to RM1.03 million (FYE 2022: RM0.46 million) mainly due to increase in printing and stationery expenses, application and processing fees for additional foreign workers as well as stocktake charges.

Such increase was partially offset by the decrease in restoration cost by RM1.22 million mainly due to provision of restoration costs on the obligation to restore leased retail outlets and warehouses to their original state, which have been made in the previous financial year.

(vi) Finance costs

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Lease liabilities	558	71.4	627	65.3	410	46.0	596	56.7
Bankers' acceptance	223	28.6	333	34.7	481	54.0	456	43.3
	781	**100.0**	**960**	**100.0**	**891**	**100.0**	**1,052**	**100.0**

Comparison between FYE 2020 and FYE 2021

Our finance costs increased by RM0.18 million or 23.1% from RM0.78 million in FYE 2020 to RM0.96 million in FYE 2021. The increase was mainly attributable to increase in bankers' acceptance interest by RM0.11 million or 50.0% to RM0.33 million (FYE 2020: RM0.22 million) due to higher utilisation of bankers' acceptance facilities to pay our trade creditors.

Comparison between FYE 2021 and FYE 2022

Our finance costs decreased by RM0.07 million or 7.3% from RM0.96 million in FYE 2021 to RM0.89 million in FYE 2022. The decrease was mainly attributable to decrease in lease liabilities by RM0.22 million or 34.9% to RM0.41 million (FYE 2021: RM0.63 million) arising from the lower lease liabilities amortised as the tenancies were renewed at the end of FYE 2022.

Such decrease was partially offset by an increase in bankers' acceptance interest by RM0.15 million or 45.5% to RM0.48 million (FYE 2021: RM0.33 million) mainly due to higher interest rate incurred for bankers' acceptance facilities to pay our trade creditors.

Comparison between FYE 2022 and FYE 2023

Our finance costs increased by RM0.16 million or 18.0% from RM0.89 million in FYE 2022 to RM1.05 million for FYE 2023. The increase was mainly due to increase in lease liabilities interest by RM0.19 million or 46.3% to RM0.60 million (FYE 2022: RM0.41 million) mainly due to addition of lease liabilities for our central warehouse centre at Hap Seng Business Park, Shah Alam, Selangor. However, such increase was partially offset by a decrease in bankers' acceptance interest due to lower utilisation of bankers' acceptance facilities to pay our trade creditors.

(vii) PBT and PBT margin

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
PBT (RM'000)	6,483	41,506	21,869	21,958
PBT margin (%)	5.0	19.9	13.6	12.6

Comparison between FYE 2020 and FYE 2021

Our Group's PBT increased by RM35.03 million or 540.6% from RM6.48 million in FYE 2020 to RM41.51 million in FYE 2021. Such increase was mainly due to higher revenue generated in FYE 2021 due to higher demand for our products arising from work-from-home practices.

Our Group's PBT margin also increased from 5.0% in FYE 2020 to 19.9% in FYE 2021. Such increase was mainly due to improvement on the utilisation of resources which resulted in lower general and administrative expenses as a percentage of revenue by 12.2% from 44.5% in FYE 2020 to 32.3% in FYE 2021 arising from the re-opening of business activities upon the upliftment of COVID-19 movement restrictions by the Government, as compared to FYE 2020 where our retail outlets were closed during the months of March and April 2020 but our Group had to keep such administrative and operational costs running. The higher general and administrative expenses as a percentage of revenue of 44.5% in FYE 2020 relates to administrative and operational costs which was incurred by our Group for the full 12-months in FYE 2020 such as rental expenses, staff costs and utilities. Notwithstanding the above, our Group only operated for approximately 10.5 months during the year, which resulted in lower revenue recorded.

In addition, our Group also incurred lower selling and distribution expenses as a percentage of revenue by 1.3% from 6.0% in FYE 2020 to 4.7% in FYE 2021 arising from lower spending on advertisement and promotional events as there was strong demand for our products due to increase in work-from-home practices in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our Group's PBT decreased by RM19.64 million or 47.3% from RM41.51 million in FYE 2021 to RM21.87 million in FYE 2022. Such decrease was mainly due to lower revenue generated in FYE 2022 as our customers gradually returned to their workplace following the easing of the COVID-19 movement restrictions. In addition, there was a closure of business activities for June 2021 until mid-July 2021.

Our Group's PBT margin also decreased from 19.9% in FYE 2021 to 13.6% in FYE 2022. Such decrease was mainly due to higher general and administrative expenses as a percentage of revenue increased by 7.6% from 32.3% in FYE 2021 to 39.9% in FYE 2022 due to higher depreciation charged and provision for restoration cost. The higher depreciation charged was mainly due to the increase in depreciation on renovation and furniture and fittings, as well as higher depreciation of right-of-use assets arising from the renewal of tenancies for 7 existing retail outlets and addition of 4 new retail outlets whereas the higher provision for restoration cost made on leased retail outlets and warehouses. Notwithstanding the above, our retail outlets were closed due to the imposition of FMCO for the month of June until mid-July 2021, which resulted in lower revenue recorded in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our Group's PBT increased marginally by RM0.09 million or 0.4% from RM21.87 million in FYE 2022 to RM21.96 million in FYE 2023. Such increase was mainly due to higher revenue generated in FYE 2023 due to uninterrupted business operations as compared to temporary closure of business activities in FYE 2022 (for June 2021 until mid-July 2021 arising from the imposition of FMCO).

Our Group's PBT margin decreased from 13.6% in FYE 2022 to 12.6% in FYE 2023 mainly due to lower GP margin from 55.8% in FYE 2022 to 54.5% in FYE 2023 and lower other income recognised in FYE 2023 mainly due to lower wage subsidy and COVID-19 related rent concessions of RM2.45 million.

(viii) Tax expense

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
Tax expense (RM'000)	2,375	10,294	5,111	5,927
Statutory tax rate (%)	24.0	24.0	24.0	24.0
Effective tax rate (%)	36.6	24.8	23.4	27.0

Comparison between FYE 2020 and FYE 2021

Our tax expense increased by RM7.91 million or 332.4% from RM2.38 million in FYE 2020 to RM10.29 million in FYE 2021. The increase in the tax expense was mainly due to higher current tax expense arising from the higher taxable profit recorded in FYE 2021. The higher effective tax rate in FYE 2020 was mainly due to additional tax provision arising from higher non-deductible expenses such as expenses incurred on branding exercises and professional fees.

Comparison between FYE 2021 and FYE 2022

Our tax expense decreased by RM5.18 million or 50.3% from RM10.29 million in FYE 2021 to RM5.11 million in FYE 2022. The decrease in tax expense was mainly due to lower current tax expense arising from the lower PBT recorded in FYE 2022, as well as a reversal of deferred tax arising from temporary differences due to the recognition of higher amount in contract liabilities, provision for slow-moving inventories and provision for restoration costs.

Comparison between FYE 2022 and FYE 2023

Our tax expense increased by RM0.82 million or 16.0% from RM5.11 million in FYE 2022 to RM5.93 million in FYE 2022. The increase in tax expense was mainly due to the origination of deferred tax arising from temporary differences between the carrying amount of property, plant and equipment and its tax base as well as marginally higher PBT recorded in FYE 2023.

Our Group's effective tax rate for FYE 2023 was higher than statutory tax rate. This was mainly attributable to non-deductible expenses arising from the depreciation charged on renovations and electrical fittings which are deemed to be non-qualifying expenditure.

12.2.3 Review of financial position

(a) Assets

	Audited			
	As at 30 April			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	21,792	22,294	22,412	22,632
Right-of-use assets	5,873	6,349	7,493	13,945
Intangible assets	7	12	13	18
Other investment	-	-	-	214
Deferred tax assets	1,211	1,393	3,372	2,726
Total non-current assets	**28,883**	**30,048**	**33,290**	**39,535**
Current assets				
Inventories	57,859	64,050	73,517	59,835
Trade receivables	2,027	2,289	3,774	1,978
Other receivables	9,936	12,102	13,648	10,344
Tax recoverable	1,106	-	-	280
Short term investments	685	8,507	2,867	12,531
Fixed deposits with licensed banks	3,092	4,515	3,583	9,853
Cash and bank balances	6,988	21,972	19,214	14,526
Total current assets	**81,693**	**113,435**	**116,603**	**109,347**
Total assets	**110,576**	**143,483**	**149,893**	**148,882**

Comparison between 30 April 2020 and 30 April 2021

Our total assets increased by RM32.90 million or 29.8% from RM110.58 million as at 30 April 2020 to RM143.48 million as at 30 April 2021. This was mainly attributable to the increase in non-current assets by RM1.17 million or 4.1% and increase in current assets by RM31.75 million or 38.9%.

The increase in non-current assets was mainly attributable to:

(i) increase in property, plant and equipment by RM0.50 million or 2.3% to RM22.29 million (30 April 2020: RM21.79 million) mainly due to the increase in renovations, furniture and fittings, electrical fittings, computer and software as well as office equipment of RM3.97 million for 2 new retail outlets (WP and Terengganu) and Klang Warehouse. Such increase was mainly offset against depreciation charged (RM3.00 million) and write off of air-conditioners, electrical fittings, furniture and fittings, renovations and signboards (RM0.73 million) due to the closure of 6 retail outlets; and

(ii) increase in the right-of-use assets by RM0.48 million or 8.2% to RM6.35 million (30 April 2020: RM5.87 million) mainly due to the increase in lease of Port Klang Warehouse (RM4.80 million) and the renewal of 2 existing retail outlets (Selangor and Kedah) (RM0.74 million). Such increase was offset against depreciation charged (RM4.41 million) and lease termination of 2 retail outlets (RM0.78 million).

The increase in current assets was attributable to:

(i) increase in cash and bank balances by RM14.98 million or 214.3% to RM21.97 million (30 April 2020: RM6.99 million) mainly due to higher cash generated in tandem with our increase in sales;

(ii) increase in short-term investments by RM7.82 million or 1,133.3% to RM8.51 million (30 April 2020: RM0.69 million) mainly due to placement of additional funds into money market products;

(iii) increase in inventories by RM6.19 million or 10.7% to RM64.05 million (30 April 2020: RM57.86 million) mainly due to inventories purchased during the end of the year in anticipation of sales arising from Hari Raya Aidilfitri in May 2021; and

(iv) increase in other receivables by RM2.16 million or 21.7% to RM12.10 million (30 April 2020: RM9.94 million) mainly due to higher advance payment to suppliers (RM0.93 million), amount due from landlords arising from lease incentives (RM0.59 million), increase in rental and utility deposits by RM1.08 million mainly arising from the opening of Klang Warehouse. Such increase was offset by refund of deposits from the closure of 6 retail outlets (RM0.49 million).

Comparison between 30 April 2021 and 30 April 2022

Our total assets increased by RM6.41 million or 4.5% from RM143.48 million as at 30 April 2021 to RM149.89 million as at 30 April 2022. This was mainly attributable to the increase in non-current assets by RM3.24 million or 10.8% and increase in current assets by RM3.16 million or 2.8%.

The increase in non-current assets was mainly attributable to:

(i) increase in right-of-use assets by RM1.14 million or 18.0% to RM7.49 million (30 April 2021: RM6.35 million) mainly due to the renewal of tenancies of 7 existing retail outlets (RM4.65 million) and addition of 4 new retail outlets (RM2.87 million). Such increase was offset by the depreciation charged (RM5.08 million) and lease termination for Port Klang Warehouse (RM1.74 million); and

(ii) increase in deferred tax assets by RM1.98 million or 142.4% to RM3.37 million (30 April 2021: RM1.39 million) mainly due to higher deferred tax incurred from the origination of temporary differences derived from the recognition of higher contract liabilities, provision of slow-moving inventories and provision for restoration costs.

The increase in current assets was attributable to:

(i) increase in inventories by RM9.47 million or 14.8% to RM73.52 million (30 April 2021: RM64.05 million) mainly due to inventories purchased at the end of the financial year in anticipation of higher sales prior a festive season (i.e. Hari Raya Aidilfitri in May 2022);

(ii) increase in other receivables by RM1.55 million or 12.8% to RM13.65 million (30 April 2021: RM12.10 million) mainly due to the increase in rental and utility deposits by RM1.44 million arising from our central warehouse centre at Hap Seng Business Park, Shah Alam, Selangor; and

(iii) increase in trade receivables by RM1.48 million or 64.6% to RM3.77 million (30 April 2021: RM2.29 million) mainly due to higher collection-in-transit balances pending settlement by credit card companies. Such increase was offset by lower amount due from related parties by RM0.79 million in respect of products sold to them, and management services and licencing fees charged to them.

Such increase in current assets was partially offset by the following:

(i) decrease in short term investments by RM5.64 million or 66.3% to RM2.87 million (30 April 2021: RM8.51 million) mainly due to the uplift of funds from money market products; and

(ii) decrease in cash and bank balances by RM2.76 million or 12.6% to RM19.21 million (30 April 2021: RM21.97 million) mainly due to lower cash generated from our business operations and higher dividends paid in FYE 2022.

Comparison between 30 April 2022 and 30 April 2023

Our total assets decreased by RM1.01 million or 0.7% from RM149.89 million as at 30 April 2022 to RM148.88 million as at 30 April 2023. This was attributable to the decrease in current assets by RM7.25 million or 6.2% which was offset by increase in non-current assets by RM6.25 million or 18.8%.

The decrease in current assets was mainly attributable to:

(i) decrease in inventories by RM13.68 million or 18.6% to RM59.84 million (30 April 2022: RM73.52 million) mainly due to lower purchases during the financial year as we have split out inventory order from suppliers into several tranches based on our estimated sales volume since January 2023;

(ii) decrease in other receivables by RM3.31 million or 24.2% to RM10.34 million (30 April 2022: RM13.65 million) mainly due to repayment of balances by related parties (RM3.10 million), deposits refunded from landlords on termination of tenancies (RM1.52 million) and lower advance payment to landlords (RM0.48 million). Such decrease was partially offset by prepaid listing expenses made in FYE 2023 (RM2.03 million);

(iii) decrease in trade receivables by RM1.79 million or 47.5% to RM1.98 million (30 April 2022: RM3.77 million) mainly due to lower collection-in-transit balances pending settlement by credit card companies; and

(iv) decrease in cash and bank balances by RM4.68 million or 24.4% to RM14.53 million (30 April 2022: RM19.21 million) mainly due to cash and bank balances was placed into fixed deposit and money market products.

Such decrease in current assets was partially offset by the following:

(i) increase in fixed deposits with licensed banks by RM6.27 million or 175.1% to RM9.85 million (30 April 2022: RM3.58 million); and

(ii) increase in short term investments by RM9.66 million or 336.6% to RM12.53 million (30 April 2022: RM2.87 million) mainly due to the placement of additional funds into money market products.

The increase in non-current assets was mainly attributable to the increase in right-of-use assets by RM6.46 million or 86.2% to RM13.95 million (30 April 2022: RM7.49 million) mainly due to our new central warehouse centre at Hap Seng Business Park, Shah Alam, Selangor in FYE 2023 (RM13.02 million) and 3 retail outlets (opened in April 2022, 2 in Terengganu and July 2022, 1 in Pahang) (RM1.50 million). Such increase was offset against depreciation charged (RM7.49 million) and lease termination of 2 retail outlets located at Kelantan and Terengganu (RM0.43 million).

(b) Liabilities

	Audited			
	As at 30 April			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities				
Provision for restoration costs	-	-	612	735
Lease liabilities	2,831	2,160	4,188	6,401
Deferred tax liabilities	117	548	-	-
Total non-current liabilities	**2,948**	**2,708**	**4,800**	**7,136**
Current liabilities				
Trade payables	10,680	6,961	5,959	1,924
Other payables	9,610	9,413	7,206	4,527
Dividend payable	7,600	-	10,000	-
Provision for restoration costs	-	-	1,171	348
Contract liabilities	664	201	3,405	3,379
Amounts due to related parties	175	489	349	-
Amounts due to Directors	1,330	1,184	500	-
Lease liabilities	2,835	3,994	2,664	7,060
Bank borrowings	5,374	15,357	13,933	11,526
Tax payable	-	2,323	2,255	-
Total current liabilities	**38,268**	**39,922**	**47,442**	**28,764**
Total liabilities	**41,216**	**42,630**	**52,242**	**35,900**

Comparison between 30 April 2020 and 30 April 2021

Our total liabilities increased by RM1.41 million or 3.4% from RM41.22 million as at 30 April 2020 to RM42.63 million as at 30 April 2021. This was mainly attributable to an increase in current liabilities by RM1.65 million or 4.3%, which was offset by the decrease in non-current liabilities by RM0.24 million or 8.1%.

The increase in current liabilities was mainly attributable to:

(i) increase in bank borrowings by RM9.99 million or 186.0% to RM15.36 million (30 April 2020: RM5.37 million) mainly due to higher utilisation of bankers' acceptance facilities to pay our trade creditors towards the financial year end;

(ii) increase in tax payable by RM2.32 million or 100.0% (30 April 2020: Nil) which was in line with our higher taxable profit; and

(iii) increase in the current portion of lease liabilities by RM1.15 million or 40.5% to RM3.99 million (30 April 2020: RM2.84 million) mainly due to lease of the Port Klang Warehouse.

Such increase in current liabilities was partially offset by the following:

(i) decrease in dividends payable by RM7.60 million or 100.0% (30 April 2020: RM7.60 million) as no dividend was declared in respect of FYE 2021; and

(ii) decrease in trade payables by RM3.72 million or 34.8% to RM 6.96 million (30 April 2020: RM10.68 million) mainly due to utilisation of bankers' acceptance facilities to pay our trade creditors towards the financial year end.

In addition, the decrease in non-current liabilities by RM0.24 million or 8.1% was mainly attributable to the decrease in lease liabilities by RM0.67 million or 23.7% arising from reduction in the remaining lease period of 6 existing retail outlets. Such decrease was partially offset by the increase in deferred tax liabilities by RM0.43 million or 358.3% to RM0.55 million (30 April 2020: RM0.12 million) mainly due to origination in temporary difference derived from property, plant and equipment and provision of slow-moving inventories.

Comparison between 30 April 2021 and 30 April 2022

Our total liabilities increased by RM9.61 million or 22.5% from RM42.63 million as at 30 April 2021 to RM52.24 million as at 30 April 2022. This was mainly attributable to the increase in non-current liabilities by RM2.09 million or 77.1% and increase in current liabilities by RM7.52 million or 18.8%.

The increase in non-current liabilities was mainly attributable to:

(i) increase in non-current portion of lease liabilities by RM2.03 million or 94.0% to RM4.19 million (30 April 2021: RM2.16 million) mainly due to the renewal of tenancies for 7 existing retail outlets (2 in Penang and 1 each in WP, Kedah, Kelantan, Johor and Sarawak) and an addition of 4 new retail outlets (2 each in Perak and Kelantan) and was partially offset by lease termination of Port Klang Warehouse; and

(ii) increase in provision for restoration costs by RM0.61 million or 100.0% (30 April 2021: Nil) made for restoration cost whereby our Group has the obligation to restore 11 leased retail outlets to their original state upon expiry of tenancies.

Such increase in the non-current liabilities was partially offset by the decrease in the deferred tax liabilities by RM0.55 million or 100.0% (30 April 2021: RM0.55 million) mainly due to the origination of temporary differences derived from higher contract liabilities, provision of slow moving inventories and provision for restoration costs.

The increase in current liabilities was mainly attributable to:

(i) increase in dividend payable by RM10.00 million or 100.0% (30 April 2021: Nil) being the remaining dividend declared in respect of FYE 2022 but yet to be paid;

(ii) increase in contract liabilities by RM3.21 million or 1,605.0% to RM3.41 million (30 April 2021: RM0.20 million) mainly due to the increase in deferred revenue from the annual fee received from our SSFHOME VIP membership loyalty programme which will be recognised over the period of the membership tenure (i.e. 12 months period); and

(iii) increase in the provision for restoration costs by RM1.17 million or 100.0% (30 April 2021: Nil) made for restoration cost of 10 leased retail outlets, Klang Warehouse and HQ SB, whereby our Group has the obligation to restore such properties to their original state upon expiry of tenancies.

Such increase was partially offset by the following:

(i) decrease in other payables by RM2.20 million or 23.4% to RM7.21 million (30 April 2021: RM9.41 million) mainly due to absence of the accrual of salaries in FYE 2022;

(ii) decrease in bank borrowings by RM1.43 million or 9.3% to RM13.93 million (30 April 2021: RM15.36 million) mainly due to lower utilisation of bankers' acceptance to pay our trade creditors towards the financial year end;

(iii) decrease in lease liabilities by RM1.33 million or 33.3% to RM2.66 million (30 April 2021: RM3.99 million) mainly due to lease termination of the Port Klang Warehouse which was offset by the increase in newly leased retail outlets; and

(iv) decrease in amount due to Directors by RM0.68 million or 57.6% to RM0.50 million (30 April 2021: RM1.18 million) mainly due to repayment made in FYE 2022.

Comparison between 30 April 2022 and 30 April 2023

Our total liabilities decreased by RM16.34 million or 31.3% from RM52.24 million as at 30 April 2022 to RM35.90 million as at 30 April 2023. This was attributable to decrease in current liabilities by RM18.68 million or 39.4% which was offset by the increase in non-current liabilities by RM2.34 million or 48.8%.

The decrease in current liabilities was mainly attributable to:

(i) decrease in dividend payable by RM10.00 million or 100.0% (30 April 2022: RM10.00 million) being the dividend declared in respect of FYE 2022 which was paid in FYE 2023;

(ii) reversal of tax payable of RM2.26 million (current liabilities) to tax recoverable of RM0.28 million (current assets) mainly due to income tax paid based on tax estimation submitted to Inland Revenue Board which was higher than the current tax provision;

(iii) decrease in trade payables by RM4.04 million or 67.8% to RM1.92 million (30 April 2022: RM5.96 million) mainly due to lower purchases during the financial year;

(iv) decrease in other payables by RM2.68 million or 37.2% to RM4.53 million (30 April 2022: RM7.21 million) mainly due to lower payable to logistic service provider of RM1.89 million, renovation and other service provider RM0.78 million;

(v) decrease in bank borrowings by RM2.40 million or 17.2% to RM11.53 million (30 April 2022: RM13.93 million) mainly due to lower utilisation of bankers' acceptance facilities to pay our trade creditors; and

(vi) decrease in provision for restoration costs of RM0.82 million or 70.1% to RM0.35 million (30 April 2022: RM1.17 million) mainly due to provision provided in prior year for retail outlets and warehouses which were utilised in in FYE 2023 and reversal of restoration costs for the 4 retail outlets in Johor, Kedah, Selangor and WP as we decided to continue operating said retail outlets.

Such decrease was partially offset by increase in lease liabilities by RM4.40 million or 165.4% to RM7.06 million (30 April 2022: RM2.66 million) (current liabilities portion) and by RM2.21 million or 52.7% to RM6.40 million (30 April 2022: RM4.19 million) (non-current liabilities portion) mainly due to the initial recognition of our new central warehouse centre at Hap Seng Business Park, Shah Alam, Selangor and 3 retail outlets (2 opened in April 2022 in Terengganu and 1 opened in July 2022 in Pahang).

12.2.4 Review of cash flows

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash (used in)/from operating activities	(2,289)	30,312	11,622	36,594
Net cash used in investing activities	(13,832)	(3,924)	(3,759)	(4,166)
Net cash used in financing activities	(1,125)	(2,161)	(17,194)	(21,117)
Net (decrease)/ increase in cash and cash equivalents	**(17,246)**	**24,227**	**(9,331)**	**11,311**
Cash and cash equivalents at the beginning of financial year	27,949	10,703	34,930	25,599
Cash and cash equivalents at end of financial year	**10,703**	**34,930**	**25,599**	**36,910**
Cash and cash equivalents at end of the financial year comprise:				
Short term investments	685	8,507	2,867	12,531
Cash and bank balances	6,988	21,972	19,214	14,526
Fixed deposits with licensed banks	3,092	4,515	3,583	9,853
	10,765	34,994	25,664	36,910
Less: Fixed deposits pledged with licensed banks	(62)	(64)	(65)	-
	10,703	**34,930**	**25,599**	**36,910**

FYE 2020

Net cash for operating activities

In FYE 2020, our Group recorded a net cash used in operating activities of RM2.29 million. We collected RM134.78 million from the following:

(a) RM132.33 million from our customers;

(b) other income of RM2.07 million received which comprises management fees, interest income and transportation income;

(c) RM0.06 million deposits refunded from landlords due to termination of retail outlets; and

(d) income tax refund of RM0.32 million from the Inland Revenue Board.

The above collections were partially offset by cash payments of RM137.07 million in respect of the following:

(a) payment of RM75.74 million to our trade suppliers;

(b) payment for expenses and deposits mainly for the rental of retail outlets and warehouses of RM21.04 million;

(c) payment for staff costs and directors' remuneration of RM35.14 million;

(d) income tax of RM4.37 million paid to the Inland Revenue Board; and

(e) interest paid of RM0.78 million.

In FYE 2020, our Group recorded a negative operating cash flow mainly due to increase in purchases of inventories for the opening of 17 new retail outlets. In addition, the imposition of MCO 1.0 (closure of business activities from mid-March to April 2020, where we only operated for approximately 10.5 months in FYE 2020) led to lower sales recorded in FYE 2020, which resulted in higher inventories level as at 30 April 2020 amounting to RM57.86 million (30 April 2019: RM38.22 million).

Net cash for investing activities

In FYE 2020, our Group recorded a net cash used in investing activities amounting to RM13.83 million. It was mainly attributable to the purchase of property, plant and equipment for the opening of 17 new retail outlets nationwide during the year (RM13.72 million) which led to the increase in expenditure for the purchase of furniture and fittings, signboards, renovations and electrical fittings.

Net cash for financing activities

In FYE 2020, our Group recorded a net cash used in financing activities of RM1.13 million which was mainly attributable to:

(a) scheduled repayment of lease liabilities of RM1.87 million mainly for our Group's leased retail outlets;

(b) dividends paid by SHG of RM1.80 million; and

(c) increase in the net drawdown of bankers' acceptance of RM1.70 million arising from higher utilisation of bankers' acceptance facilities to pay our trade creditors.

FYE 2021

Net cash for operating activities

In FYE 2021, our Group recorded a net cash from operating activities amounting to RM30.31 million. We collected RM211.25 million from the following:

(a) RM207.35 million from our customers;

(b) other income of RM3.14 million received which comprises management fees, interest income, transportation income, wage subsidy from the Government and lease incentive from landlords;

(c) RM0.71 million deposits refunded from landlords due to termination of retail outlets, hostels and warehouse; and

(d) income tax refund of RM0.05 million from the Inland Revenue Board.

The above collections were partially offset by cash payments of RM180.94 million in respect of the following:

(a) payment of RM102.51 million to our trade suppliers;

(b) payment for expenses and deposits mainly for the rental of retail outlets, hostel and warehouse of RM33.98 million;

(c) payment for staff costs and directors' remuneration of RM36.82 million;

(d) income tax of RM6.67 million paid to the Inland Revenue Board; and

(e) interest paid of RM0.96 million.

Net cash for investing activities

In FYE 2021, our Group recorded a net cash used in investing activities of RM3.92 million mainly due to the purchase of property, plant and equipment (RM4.10 million) for the opening of 2 new retail outlets (WP and Terengganu) and Klang Warehouse which led to the increase in expenditure on furniture and fittings, renovations and electrical fittings. This was partially offset by investment income of RM0.13 million from placement in money market products.

Net cash for financing activities

In FYE 2021, our Group recorded net cash used in financing activities of RM2.16 million which was mainly attributable to:

(a) increase in the net drawdown of bankers' acceptance of RM9.98 million arising from higher utilisation of bankers' acceptance facilities to pay our trade creditors;

(b) dividends paid by SHG of RM7.60 million; and

(c) scheduled repayment of lease liabilities of RM4.22 million mainly for our Group's leased retail outlets, HQ SB and Port Klang Warehouse.

FYE 2022

Net cash for operating activities

In FYE 2022, our Group recorded a net cash from operating activities amounting to RM11.62 million. We collected RM167.14 million from the following:

(a) RM162.71 million from our customers;

(b) RM0.43 million deposits refunded from landlords due to termination of retail outlets; and

(c) other income of RM4.00 million received which comprises management fees, interest income, transportation income, wage subsidy from the Government and lease incentives from landlords.

The above collections were partially offset by cash payments of RM155.52 million in respect of the following:

(a) payment of RM81.70 million to our trade suppliers;

(b) payment for expenses and deposits mainly for the rental of retail outlets, hostel and warehouse of RM28.99 million;

(c) payment for staff costs and directors' remuneration of RM36.23 million;

(d) income tax of RM7.71 million paid to the Inland Revenue Board; and

(e) interest paid of RM0.89 million.

Net cash for investing activities

In FYE 2022, our Group recorded net cash used in investing activities of RM3.76 million due to the purchase of property, plant and equipment amounting to RM3.91 million for the opening of 7 new retail outlets as abovementioned, which had led to the increase in expenditure on renovations, furniture and fittings, signboards and electrical fittings. This was partially offset by investment income of RM0.13 million received from the placement in money market products.

Net cash for financing activities

In FYE 2022, our Group recorded net cash used in financing activities amounting to RM17.19 million which was mainly attributable to:

(a) dividends paid by SHG of RM10.20 million;

(b) scheduled repayment of lease liabilities of RM4.75 million mainly for our Group's leased retail outlets, HQ SB and Port Klang Warehouse;

(c) increase in net repayment of bankers' acceptance of RM1.42 million mainly due to lower utilisation of bankers' acceptance facilities to pay our trade creditors; and

(d) repayment to Directors of RM0.68 million.

FYE 2023

Net cash for operating activities

In FYE 2023, our Group recorded a net cash from operating activities amounting to RM36.59 million. We collected RM180.32 million from the following:

(a) RM176.24 million from our customers;

(b) other income of RM2.40 million received which mainly comprises management fees, interest income and insurance compensation;

(c) RM1.51 million deposits refunded from landlords due to termination of retail outlets, hostels and warehouses; and

(d) income tax refund of RM0.17 million from the Inland Revenue Board.

The above collections were partially offset by cash payments of RM143.73 million in respect of the following:

(a) payment of RM69.73 million to our trade suppliers;

(b) payment for expenses and deposits mainly for the rental of retail outlets and our headquarters of RM28.24 million;

(c) payment for staff costs and directors' remuneration of RM34.69 million;

(d) income tax of RM7.99 million paid to the Inland Revenue Board;

(e) interest paid of RM1.05 million; and

(f) prepaid of listing expenses of RM2.03 million.

Net cash for investing activities

In FYE 2023, our Group recorded a net cash used in investing activities of RM4.17 million mainly attributable to the purchase of various property, plant and equipment (RM4.18 million) for our new central warehouse centre at Hap Seng Business Park, Shah Alam, Selangor and 5 retail outlets (2 in Terengganu, 2 in Kelantan and 1 in Pahang) as well as addition of a keyman insurance contract (RM0.21 million) for life insurance policy taken for Wong Choong Loong, our Managing Director/ Chief Executive Officer. This was partially offset by proceeds from disposal of computer and software, furniture and fittings and office equipment amounting to RM0.19 million as well as investment income of RM0.08 million from the placement in money market products.

Net cash for financing activities

In FYE 2023, our Group recorded net cash used in financing activities of RM21.12 million which was mainly attributable to:

(a) dividends paid by SHG of RM10.70 million;

(b) scheduled repayment of lease liabilities of RM7.23 million mainly for our Group's leased retail outlets and our central warehouse centre at Hap Seng Business Park, Shah Alam, Selangor; and

(c) net repayment of bankers' acceptance of RM2.41 million mainly due to lower utilisation of bankers' acceptance facilities to pay our trade creditors.

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12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions, and existing cash and bank balances. Our facilities from financial institutions comprise bank overdraft, bankers' acceptance and hire purchase.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

Our Board confirms that we have sufficient funds for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

(a) Our cash and cash equivalent of RM36.81 million as at LPD;

(b) Our expected future cash flows from operations;

(c) Our total banking facilities as at LPD of RM19.70 million (excluding lease liabilities), of which RM5.23 million or 26.5% have been utilised; and

(d) Our gearing level of 0.13 times, computed based on our pro forma consolidated statements of financial position as at 30 April 2023 after the IPO and utilisation of proceeds.

At this juncture, we do not foresee any circumstances which will materially affect our liquidity. As a significant portion of our sales are transacted on cash basis, we are subject to the credit risk of our customers.

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12.4 BORROWINGS

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings (excluding lease liabilities arising from lease of retail outlets and warehouse of RM13.39 million) as at 30 April 2023 stood at RM11.60 million, details of which are set out below:

Type	**Purpose**	**Security**	**Tenure of the facility**	**Effective interest rate**	**As at 30 April 2023**
				%	**RM'000**
Interest bearing short-term borrowings, payable within 1 year:					
Bankers' acceptance	For working capital purposes	(i) Legal charge over a related party's property (ii) Jointly and severally guaranteed by Directors of our Company; and (iii) Corporate guarantee by our Company (iv) Keyman insurance contract	150 days	3.34 - 4.94	11,526
Hire purchase	To finance the purchase of motor vehicles	Guaranteed by Director of our Company	2 years	4.21	76
Total borrowings					**11,602**
Gearing (times)					
Before Public Issue and utilisation of proceeds(1)					0.22
After Public Issue and utilisation of proceeds(2)					0.13

Notes:

(1) Computed based on our pro forma equity attributable to the owners of our Company of RM112.98 million in our pro forma consolidated statements of financial position before Public Issue and utilisation of proceeds.

(2) Computed based on our equity attributable to the owners of our Company of RM158.68 million in our pro forma consolidated statements of financial position after Public Issue and utilisation of proceeds which includes the repayment of bank borrowings of RM5.00 million.

Our bank borrowings and hire purchase carry the following interest rates for the financial years under review:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	% per annum			
Fixed rates				
Hire purchase	3.60 – 4.93	3.60 – 4.93	3.60 – 4.93	4.21
Floating rates				
Bankers' acceptances	3.36 - 4.60	2.62 - 3.32	3.09 - 3.27	3.34 – 4.94

Separately, we have also recognised the following lease liabilities on the right-of-use assets (arising from lease of retail outlets and a warehouse), which are denominated in RM:

	Purpose	**Tenure**	**As at 30 April 2023**
			RM'000
Lease liabilities payable within 1 year	Lease of retail outlets, and a warehouse	Initial lease of 1 to 3 years, with option to renew for another 1 to 3 years	6,995
Lease liabilities payable after 1 year	Lease of retail outlets, and a warehouse	Initial lease of 1 to 3 years, with option to renew for another 1 to 3 years	6,390
			13,385

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2020 to 2023 and up to LPD.

As at LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan, which can materially affect (a) our financial position and results, (b) our business operations or (c) the investments by holders of our securities. During FYE 2020 to 2023, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Save as disclosed in Section 12.4 above, we do not have or utilise any other financial instruments or have any other treasury policies.

As at 30 April 2023, all our facilities with licensed financial institutions are based on the bank's cost of funds/ base lending rate/ base rate, plus or minus a rate which varies depending on the different types of bank facilities.

12.6 MATERIAL CAPITAL COMMITMENTS

As at LPD, save as disclosed below, we do not have any other material capital commitments:

	To be funded internally or with borrowings	To be funded from proceeds of our Public Issue
	RM'000	**RM'000**
Approved and contracted for(1)		
Replace our existing ERP system, namely Goldsoft entirely with a new enhanced ERP system (i.e. Microsoft Dynamics 365 Business Centre and LS Retail POS System)	862	-
Enhance our mobile application and e-commerce functions	238	-
Purchase of 1 unit of forklift and 2 units of pallet trucks	145	-
Approved but not contracted for(2)		
General renovation cost, advertising works and signage and purchase of various property, plant and equipment and racking systems for our 18 new retail outlets	-	14,220
	1,245	**14,220**

Notes:

(1) Further details are set out in Section 7.22.2.

(2) Further details are set out in Section 4.9.1(a).

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

As at LPD, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or business.

As at LPD, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our business, financial results or position.

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group as at 30 April 2020, 30 April 2021, 30 April 2022 and 30 April 2023 are as follows:

	Audited			
	As at 30 April			
	2020	**2021**	**2022**	**2023**
Trade receivables turnover (days)[(1)]	9	4	7	6
Trade payables turnover (days)[(2)]	57	35	33	18
Inventory turnover (days)[(3)]	297	240	353	307
Current ratio (times)[(4)]	2.13	2.84	2.46	3.80
Gearing ratio (times)[(5)]	0.08	0.15	0.14	0.10

Notes:

(1) Computed based on average opening and closing trade receivables over revenue for the year, multiplied by 366 days for FYE 2020 or 365 days for FYE 2021, 2022 and 2023.

(2) Computed based on average opening and closing trade payables over cost of sales for the year, multiplied by 366 days for FYE 2020 or 365 days for FYE 2021, 2022 and 2023.

(3) Computed based on average opening and closing inventories over cost of sales for the year, multiplied by 366 days for FYE 2020 or 365 days for FYE 2021, 2022 and 2023.

(4) Computed based on current assets over current liabilities as at the end of each financial year.

(5) Computed based on total interest-bearing borrowings (excluding lease liabilities arising from lease of warehouses, retail outlets, office and hostels) over total equity attributable to the owners of our Company as at the end of each financial year.

12.8.1 Trade receivables turnover

The normal credit period granted by our Group ranges from cash on delivery to 120 days from the date of our invoice.

Our average trade receivables turnover days for FYE 2020 to FYE 2023 is as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening trade receivables	4,328	2,027	2,289	3,774
Closing trade receivables	2,027	2,289	3,774	1,978
Average trade receivables	3,178	2,158	3,032	2,876
Revenue	129,381	208,073	160,990	174,474
Trade receivables turnover days	9	4	7	6

Due to the nature of our business, a significant portion of our transaction are settled immediately on a cash basis, either through cash or through financial institutions providing retail credit services such as credit and debit cards. Our trade receivables mainly comprise collection-in-transit pending settlement by credit card companies.

Our trade receivables turnover days for FYE 2020 to 2023 was relatively consistent at 9 days, 4 days, 7 days and 6 days respectively. Such number of days were within the credit period granted by our Group and therefore there was no concentration of credit risk.

The higher trade receivables turnover days in FYE 2022 as compared to FYE 2021 was because the last day of FYE 2022 (i.e. 30 April 2022) fell on a weekend, which resulted in longer clearance for collection-in-transit by credit card companies.

The ageing analysis of our trade receivables as at 30 April 2023 is as follows:

	Trade receivables as at 30 April 2023		Collection from 1 May 2023 up to LPD	Balance trade receivables as at LPD
	RM'000	Percentage of trade receivables (%)	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Neither past due nor impaired	1,974	99.8	1,974	-
Past due but not impaired:				
- less than 30 days	4	0.2	4	-
- 31 to 60 days	-	-	-	-
- over 60 days	-	-	-	-
	4	0.2	4	-
Total	**1,978**	**100.0**	**1,978**	**-**

As at LPD, we have fully collected all of our trade receivables as at 30 April 2023. During FYE 2020 to 2023, we do not have any significant exposure to any individual customer.

12.8.2 Trade payables turnover

Our trade payables mainly comprise purchases of goods. The credit terms granted to our Group ranges from 30 to 120 days from the date of supplier's invoice.

Our average trade payables turnover days for FYE 2020 to 2023 is as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	7,668	10,680	6,961	5,959
Closing trade payables	10,680	6,961	5,959	1,924
Average trade payables	9,174	8,821	6,460	3,942
Cost of sales	59,155	92,621	71,224	79,386
Average trade payables turnover days	57	35	33	18

To maintain good relationship with our suppliers, we will pay the suppliers as payment fall due. Our trade payables turnover days for FYE 2020 to 2023 was 57 days, 35 days, 33 days and 18 days respectively, which were within the normal credit terms granted by our suppliers.

The higher trade payables turnover days in FYE 2020 was mainly due to the imposition of MCO 1.0 which had resulted in the temporary disruption to our business operations.

The ageing analysis of our trade payables as at 30 April 2023 is as follows:

	Trade payables as at 30 April 2023		**Payment from 1 May 2023 up to LPD**	**Balance trade payables as at LPD**
	RM'000	**Percentage of trade payables**	**RM'000**	**RM'000**
	(a)	**(a)/total of (a) (%)**	**(b)**	**(c) = (a)-(b)**
Within credit period	1,514	78.7	1,514	-
Exceeding credit period:	-	-	-	
- 1 to 30 days	410	21.3	410	-
- 31 to 60 days	-	-	-	-
- over 60 days	-	-	-	-
	410	21.3	410	-
Total	**1,924**	**100.0**	**1,924**	**-**

As at LPD, we have fully repaid all our total trade payables as at 30 April 2023.

As at LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment which have been initiated by our suppliers against us. There are also no disputes regarding trade payables, and our suppliers have not initiated any legal action against us to demand for payments.

12.8.3 Inventory turnover

Our average trade inventory turnover days for FYE 2020 to 2023 is as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening inventories	38,220	57,859	64,050	73,517
Closing inventories	57,859	64,050	73,517	59,835
Average inventories	48,040	60,955	68,784	66,676
Cost of sales	59,155	92,621	71,224	79,386
Average inventory turnover days	297	240	353	307

Our inventories comprise various range of furniture, home décor and home living products. We constantly endeavour to maintain sufficient inventory level to avoid instances of stock unavailability at our retail outlets. The inventory turnover ratio of home furnishing retail industry ranges between 200 and 350 days. Our average inventory turnover days for FYE 2020 to 2023 was 297 days, 240 days, 353 days and 307 days respectively.

Our Group's inventory level is generally higher prior to the start of festive seasons such as Hari Raya Aidilfitri, Christmas and Chinese New Year as our Group will increase our purchases prior to such periods to ensure that we have sufficient inventories to fulfil our customers' demand.

During FYE 2020, our Group operated for 322 days. Our inventory turnover days decreased from 297 days for FYE 2020 to 240 days for FYE 2021 mainly due to the easing of MCOs which allowed us to resume our retail outlets operation coupled with the increase in the demand for our products arising from work-from-home practices.

Our inventory turnover days subsequently increased from 240 days for FYE 2021 to 353 days for FYE 2022 as our retail outlets operations were disrupted from the imposition of the FMCO during June to mid-July 2021. In FYE 2022, our Group's operating days were an average of 290 days during the year. In addition, the increase in inventory turnover days was also due to delay in supply chain which led us to increase our inventory level to buffer against any disruption in our supply chain and operations. However, in FYE 2023, our inventory turnover days reduced to 307 days mainly due to lower purchases during the year as we have split our inventory order from suppliers into several tranches based on our estimated quarterly sales volume.

We perform annual review on our inventories to assess the impairment of slow moving inventories. Our policy is to provide full provision for inventories aged more than 2 years and inventories which we foresee are out of trend. Our Group's obsolete inventories refer to inventories (a) with major damages which mainly occurs during transportation or mishandling of inventories or (b) products that are unsellable as they are no longer in trend (even after launching promotional campaigns and/or price reduction of such products). Such products will be written off by our Group.

We have written off inventories of RM1.13 million, RM1.38 million and RM0.78 million for FYE 2020 to 2022 respectively, which relates solely to inventories with major damages. In FYE 2023, we have written off inventories of RM3.49 million, of which RM1.96 million or 56.2% relates to inventories with major damages (RM0.92 million from the fire incident at The Scott Garden, WP in July 2022), and RM1.53 million or 43.8% relates to products that are unsellable as they are no longer in trend.

The aging of our inventories for FYE 2020 to 2023 can be analysed as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Within 1 year	52,715	59,056	65,380	51,965
More than 1 year and less than 2 years	3,855	4,035	8,137	7,870
More than 2 years and less than 3 years	1,289	959	1,660	2,959
More than 3 years and less than 4 years	578	466	580	833
More than 4 years[(1)]	2,740	2,840	2,634	1,253
	61,177	67,356	78,391	64,880
Less: Provision for slow moving inventories	(3,318)	(3,306)	(4,874)	(5,045)
	57,859	**64,050**	**73,517**	**59,835**

Note:

(1) We are unable to further breakdown the range of years for these inventories due to system limitation of our existing ERP system.

As per tabulated above, 7.5%, 6.3%, 6.2% and 7.8% of our total inventories (prior to provision for slow moving inventories) are aged more than 2 years in FYE 2020 to 2023 respectively.

During FYE 2020 to 2023, the movement in the provision for slow moving inventories are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of the financial year	3,396	3,318	3,306	4,874
Additions	322	485	1,764	2,102
Reversal[(1)]	(400)	(497)	(196)	(402)
Written off[(2)]	-	-	-	(1,529)
At end of the financial year	**3,318**	**3,306**	**4,874**	**5,045**

Notes:

(1) Reversal of provision for slow moving inventories as such inventories were sold in the respective financial year.

(2) Relates to obsolete inventories written off (i.e. products that are unsellable as they are no longer in trend, even after launching promotional campaigns and/or price reduction of such products). These inventories have been provided as slow moving inventories in previous financial years.

Our Group has adopted the accounting policy on slow-moving inventories in accordance with MFRS 102, Inventories, which requires the cost of inventories to be measured at lower of cost and net realisable value. Provisions are made for inventories with a net realisable value less than cost or which are slow-moving, of which unsellable inventories are fully provided to profit or loss. Based on MFRS, estimates of net realisable value are be based on the most reliable evidence available and taken into consideration the fluctuations of price or cost after the end of the period, if this is evidence of conditions existing at the end of the period.

The higher provision for slow moving inventories recorded in FYE 2022 was mainly due to a change in the provision policy from making provision for inventories aged more than 3 years to 2 years, to be more prudent after taking into consideration the ever-changing trends and customers' preference. As such, according to MFRS 108, Accounting Policies, Change in Accounting Estimates and Errors, this change in estimate on provision for slow moving inventories was accounted prospectively in FYE 2022, instead of retrospectively in FYE 2020 and 2021.

Our Group has taken the following steps to manage our inventory turnover days:

(a) we adopted our existing ERP system, namely Goldsoft which allow us to assess the volume and rate of sales of our products at each retail outlet from time to time, enabling better decision making when maintaining optimal inventory levels. The optimal inventory level envisaged by our Group ranges between 280 and 300 days, taking into consideration amongst others, lead time of delivery from our suppliers to our retail outlets, restocking costs, products which requires minimum order quantity and expansion of number of retail outlets in the financial years under review.

    We have since June 2021, commenced the migration to a new enhanced ERP system. This new enhanced ERP system is equipped with business intelligence and artificial intelligence features to assist in selected tasks such as sales and inventory forecasts, and is integrated with an inventory management module to manage our inventory which will lead to better tracking of data analytics in real-time between our various departments. Further details on such migration are as set out in Section 7.22.2(a).

Despite the application of our existing ERP system, our inventory turnover days increased from 240 days in FYE 2021 to 353 days in FYE 2022 mainly due to our Group's effort to curb any disruption in supply chain as stated in (b) below; and

During FYE 2020 to 2022 and up to January 2023, we increased our inventory level to buffer against any disruption in our supply chain and operations as a result of the COVID-19 pandemic. In this regard, our Group generally placed orders with suppliers 2 to 3 times a year, with a larger quantity per SKU ordered for an entire forecast period of 4 to 6 months, with staggered deliveries made by the suppliers. Although the transition to endemic phase started since 1 April 2022 and we were not materially impacted by the above-mentioned supply chain issue in FYE 2022, our Group continued to use the same approach to purchase inventories as our local trading houses purchase majority of their supplies from China, where travel restrictions were still imposed during this period. This serves as a safety measure to prevent any unexpected disruption of our supply chain. However, since January 2023, we have split our inventory order from suppliers into several tranches based on our estimated quarterly sales volume. This will enable us to closely monitor our inventory balance before re-ordering the same batch of products. A such, our Group's inventory turnover days improved to 307 days as at 30 April 2023;

(b) continue to launch promotional campaigns and/or price reduction events to entice customers to purchase our products from us; and

(c) On 1 September 2022, we appointed SFair to sell our Group's slow-moving products or products that have minor defects on a consignment basis. This arrangement serves as a means to sell such products, that are no longer in trend or have defects, at a discounted price. As at LPD, our consigned inventories to SFair amounts to RM1.54 million. Further details on the consignment arrangement are set out in Section 11.1.1.

Our inventory turnover days for FYE 2022 of 353 days is 3 days higher than the inventory turnover ratio of home furnishing retail industry which ranges between 200 and 350 days mainly due to the higher inventory level to buffer against any disruption in our supply chain and operations as mentioned in (b) above and due to the lesser operating days of an average of 290 days in FYE 2022. As such higher inventory turnover days in FYE 2022 was mainly due the COVID-19 pandemic and in view of the steps taken by our Group to manage our inventory level above, our Sponsor is of the view that such inventory turnover days was an anomaly and expects our Group to return within the industry's range of inventory turnover ratio. This was evident as our inventory turnover days had improved to 307 days in FYE 2023.

12.8.4 Current ratio

Our current ratio throughout FYE 2020 to 2023 are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	81,693	113,435	116,603	109,347
Current liabilities	(38,268)	(39,922)	(47,442)	(28,764)
Net current assets	**43,425**	**73,513**	**69,161**	**80,583**
Current ratio (times)	2.13	2.84	2.46	3.80

Our current ratio increased from 2.13 times as at 30 April 2020 to 2.84 times as at 30 April 2021. The higher current ratio was mainly due to the higher inventory level in anticipation of higher sales prior to a festive season, as well as higher short-term investments and cash and bank balances as at 30 April 2021.

Our current ratio decreased from 2.84 times as at 30 April 2021 to 2.46 times as at 30 April 2022 mainly due to higher dividends payable and contract liabilities as at 30 April 2022.

Our current ratio increased from 2.46 times as at 30 April 2022 to 3.80 times as at 30 April 2023 mainly due to dividend payable of RM10.00 million in FYE 2022 which did not recur in FYE 2023 and reversal of tax payable of RM2.26 million (current liabilities) to tax recoverable of RM0.28 million (current assets) mainly due to tax paid based on tax estimation submitted to Inland Revenue Board which was higher than the current tax provision.

12.8.5 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	Audited			
	As at 30 April			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Total borrowings[1]	5,692	15,544	13,967	11,602
Total equity attributable to the owners of our Company	69,014	100,404	97,651	112,982
Gearing ratio (times)	0.08	0.15	0.14	0.10

Note:

(1) Excluding lease liabilities arising from lease of retail outlets, office, warehouses and hostels for FYE 2020 to 2023 amounting to RM5.35 million, RM5.97 million, RM6.82 million and RM13.39 million respectively.

Our gearing ratio increased from 0.08 times as at 30 April 2020 to 0.15 times as at 30 April 2021. The increase was mainly due to higher utilisation of bankers' acceptance facilities to pay our trade creditors.

Despite a drop in the borrowings, our gearing ratio remained relatively consistent at 0.14 times as at 30 April 2022 mainly due to the lower equity attributable to the owners of our Company arising from dividends declared in FYE 2022.

Our gearing ratio decreased from 0.14 times as at 30 April 2022 to 0.10 times as at 30 April 2023. The decrease was mainly due to lower utilisation of bankers' acceptance facilities to pay our trade creditors and higher equity attributable to the owners of our Company due to profit recorded in FYE 2023.

12.9 SIGNIFICANT FACTORS AFFECTING OUR REVENUE

Section 9 details a number of risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenues and profits include but not limited to the following:

(a) We are dependent on our brand and reputation

Our "SSF" brand, logo and trademarks have brand value and recognition that have contributed significantly to the growth and success of our business. Our brand is essential for our continued ability to attract customers to visit and shop at our retail outlets or to purchase our products via our e-commerce website and to maintain our relationships with suppliers. However, the occurrence of events which draw negative publicity may impact our "SSF" brand and deter our customers from shopping with us. It may also discourage our suppliers from conducting business with us. Examples of such events include incidents relating to quality and safety of our products, our business practices as well as comments from the general public and customers, which are beyond our control. We may also be subject to liabilities resulting from actions by our employees, which are beyond our control.

The occurrence of negative events could lead to decreased trust and confidence in our products, reduced demand for our products and adversely affect our business, financial performance and prospects.

(b) We are exposed to disruptions in the services from third-party logistics and courier service providers

We utilise a combination of third-party logistics, courier service providers and our own in-house logistic team for the delivery of goods between our central warehouse centre, retail outlets and our customers.

We will prioritise the use of our own lorries to distribute goods from our central warehouse centre to our retail outlets and customers. In the event our own distribution fleet of lorries is not sufficient to fulfil our deliveries, we will engage the services of third-party logistics and courier service providers.

In the event of any disruption arising from these third-party logistics and courier service providers in any region nationwide and should we be unable to arrange for other alternative delivery options in a timely manner, our ability to effectively deliver our products to our retail outlets and/or to our customers may be affected. Consequently, we may receive complaints from our customers as a result of such delays which will adversely affect our market reputation and business performance.

(c) Our business is subject to shipping disruption and fluctuation in freight rates

Our furniture, home décor and home living products are sourced from our local and overseas suppliers who in turn may source them from their supplier network overseas, and thus we rely on marine transportation for the delivery of our products. In the event of any freight disruption, our order replenishment may be prolonged, which may in turn affect our sales. Hence, we are susceptible to freight disruptions that may arise due to circumstances that are beyond our control, which include amongst other, adverse weather condition, political turmoil, social unrest, port strikes and/or congestions, oil spills, delayed or lost shipments.

In addition, our business is also exposed to fluctuation in freight rates. As freight charges are aggregated with the product prices in invoices by our suppliers (i.e. from local and overseas trading houses who in turn may source them from their supplier network overseas), any fluctuation in global freight rates are reflected and passed on to us. Therefore, our profit margins may be affected if we are unable to pass on such increase in costs to our customers by raising selling prices.

Although we have been able to pass on some of the increased in freight costs to our customers, there can be no assurance that such increase in freight costs can always be passed to them. In the event of the increase in freight costs cannot be passed on, it may have an adverse impact on our financial performance.

(d) We are dependent on our ability to secure prime locations for our retail outlets, renewal and changes in the terms of tenancies

There is no assurance that our existing retail outlets will continue to meet our expectations in terms of customer traffic, accessibility and target markets.

Our existing tenancies for our retail outlets are typically for 3 years, with options for renewal. As at LPD, 5 out of 41 retail outlets, representing 12.2% of our total retail outlets, have tenancy periods of 1 year or less. These 5 outlets contributed 9.8% in terms of our total revenue for FYE 2023. In the event these short period tenancies are terminated by landlords prior to the tenancies' expiry, our Group will not be materially impacted financially as we will be able to relocate such retail outlets to other premises.

As at LPD, we have not experienced any early termination of tenancy prior to its expiry by our landlords. However, upon expiry of the tenancies, the landlord has the right to review and amend the terms and conditions of the renewed tenancies, including rental rates. There can be no assurance that we will be able to secure rented properties in prime locations for our future plans, or that our existing tenancies will be renewed at terms that are favourable to us. If we are unable to secure prime locations for our retail outlets, or if we are unable to renew our existing tenancies for a substantial number of retail outlets at reasonable commercial terms, our business and financial performance may be adversely affected.

(e) We are exposed to unexpected disruptions in our central warehouse centre and retail outlets which may lead to interruptions in our business operations

As at LPD, we manage and operate 41 retail outlets nationwide to serve walk-in customers, and a central warehouse centre located at Hap Seng Business Park in Shah Alam, Selangor that receives and stores products from suppliers, before distributing them to retail outlets and customers. Therefore, any material unexpected disruptions in our retail outlets and central warehouse centre that include amongst others, fire, flood, prolonged power outages, system failures, break-ins, outbreak of diseases or human error may affect our retail operations and distribution of products to retail outlets or customers.

Such disruption, if prolonged could result in material adverse impact on our business and financial performance. There can be no assurance that we will be able to restore our operations or locate and set up an alternative site in a timely manner.

12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to COVID-19, there were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during the financial years under review. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.

12.11 IMPACT OF INFLATION

During the financial years under review, our financial performance was not materially affected by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

12.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS

(a) Impact of foreign exchange rates

Our Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currency of our Group.

We currently do not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis and our Group endeavours to keep the net foreign exchange exposure at an acceptable level.

Our Group does not hedge our exposure to fluctuation in foreign currency exchange rates. As at LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchases from our foreign supplier. A depreciation of the RM against the USD will lead to higher costs of suppliers for our Group.

Our Group's exposure to a foreign currency risk, based on the carrying amounts as at the end of the financial years under review are as follows:

	Audited			
	As at 30 April			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Denominated in USD				
Trade payables	2,333	-	1,223	-

As at 30 April 2023, we do not have any foreign currency trade balance out of our total trade payables of RM1.92 million. A 5.0% strengthening or weakening of the RM against the USD at the end of the financial year would have immaterial impact on our PAT.

(b) Impact of interest rates

Our Group is exposed to interest rate risk through the impact of rate changes in fixed deposits with licensed banks, short term investments and bank borrowings.

The interest rate profile of our Group's significant interest-bearing financial instruments as at the end of the financial years under review are as follows:

	Audited			
	As at 30 April			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Floating rate instruments:				
Financial assets				
- Fixed deposits with licensed banks	3,092	4,515	3,583	9,853
- Short term investments	685	8,507	2,867	12,531
Financial liabilities				
- Bank borrowings	(5,374)	(15,357)	(13,933)	(11,526)

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. Our interest coverage ratio for the FYE 2020 to 2023 is as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
EBIT	6,776	42,162	22,425	22,583
Finance costs	781	960	891	1,052
Interest coverage ratio (times)[(1)]	8.68	43.92	25.17	21.47

Note:

[(1)] Computed based on EBIT over finance costs for FYE 2020 to 2023.

Our interest coverage ratios ranged between 8.68 times and 43.92 times from FYE 2020 to 2023, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

Our financial results for FYE 2020 to 2023 were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

(c) Impact of commodity prices

We were not directly affected by fluctuations in commodity prices for FYE 2020 to 2023. Any adverse changes in commodity prices (namely wood and steel) will raise our cost of sales and may have adverse effect on us. However, any such price increase will affect the entire home furnishing retail industry. We will generally pass on such price increase to our customers, wherever possible, to minimise the impact on financial performance.

12.13 ORDER BOOK

We do not enter into long-term contracts with our customers. Sales through our retail outlets and online channel are sold to customers on ad-hoc basis. Due to the nature of our business, we do not maintain an order book.

12.14 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(a) Our Group's revenue will remain sustainable with an upward growth trend, in line with positive outlook of the home furnishing retail industry as set out in the IMR Report;

(b) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.22; and

(c) Our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arises.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margin or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.15 TREND INFORMATION

As at LPD, our financial performance, position and operations are not affected by any of the following:

(a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in Sections 12.2, 7, 8 and 9;

(b) Material commitments for capital expenditure disclosed in Section 12.6;

(c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in Sections 12.2 and 9;

(d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and/or profit as disclosed in Section 12.2, business and industry overview, as set out in Sections 7 and 8, and business strategies and future plans as set out in Section 7.22;

(e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, save as disclosed in Sections 12 and 9; and

(f) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, save as disclosed in Sections 12, 7 and 9.

Our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.21, the outlook of the home furnishing retail industry in Malaysia as set out in the IMR Report in Section 8 and our commitment to implement the business strategies and future plans as set out in Section 7.22.

12.16 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distribution are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. The payment of dividends by our subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of Directors deem relevant. Save for certain restrictive covenants from our credit facilities, which our subsidiaries are subject to, there is no other dividend restriction imposed on our subsidiaries as at LPD.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(a) the level of cash and level of indebtedness;

(b) required and expected interest expenses, cash flows, profits, return on equity and retained earnings;

(c) our expected results of operations and future level of operations;

(d) our projected levels of capital expenditure and other investment plans; and

(e) the prior consent from our lenders, if any.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in a general meeting, may from time to time approve dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(a) our Company is, or would after the payment be unable to pay our liabilities as they become due; or

(b) the realisable value of our Company's assets would thereby be less than our liabilities.

For FYE 2020 to 2023, our Group declared and paid the following dividends to shareholders of the respective subsidiaries:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT attributable to owners of our Company	4,126	31,090	16,632	16,031
Dividends declared	7,600	-	20,200	700
Dividends paid	[(1)]1,800	7,600	10,200	10,700
Dividend payout ratio (%)[(2)]	184.2	-	121.5	4.4

Notes:

(1) The dividend paid of RM1.80 million was in respect of dividend declared in FYE 2019.

(2) Computed based on dividends declared over PAT attributable to owners of our Company for each financial year. The PAT attributable to owners of our Company represents the maximum profits available for distribution to our shareholders in FYE 2020 to 2023.

The above dividends were funded by internally-generated funds of the respective subsidiaries. The dividends will not affect the execution and implementation of our future plans or business strategies. Together with the proceeds from the Public Issue, we believe that we have sufficient cash from operations and bank borrowings to fund our operations and expansion plans.

As at LPD, there is no outstanding dividends declared but remained unpaid. The dividends declared and paid in FYE 2020 to 2023 is not an indication of our future dividend payment. Subsequent to FYE 2023 and up to the date of this Prospectus, no dividend was declared, made or paid by our Group. Further, we do not intend to declare and pay any dividends from date of this Prospectus up to our Listing.

No inference should or can be made from any of the above statements as to our actual future profitability or our ability to pay dividends in the future.

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12.17 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 July 2023 and after adjusting for the effects of the Subdivision of Shares, Public Issue including the utilisation of proceeds.

	Unaudited	**I**	**II**	**III**
	As at 31 July 2023	**After Subdivision of Shares**	**After I and Public Issue**	**After II and utilisation of proceeds**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capitalisation				
Share capital	74,219	74,219	124,219	123,053
Reorganisation deficit	(70,036)	(70,036)	(70,036)	(70,036)
Retained earnings	111,445	111,445	111,445	108,311
Total capitalisation	**115,628**	**115,628**	**165,628**	**161,328**
Indebtedness[(1)]				
Current				
Secured and guaranteed				
Bankers' acceptance	5,530	5,530	5,530	530
Lease liability (under hire purchase agreement)	60	60	60	60
Total indebtedness	**5,590**	**5,590**	**5,590**	**590**
Total capitalisation and indebtedness	**121,218**	**121,218**	**171,218**	**161,918**
Gearing ratio (times)[(2)]	**0.05**	**0.05**	**0.03**	**<0.01**

Notes:

(1) All of our indebtedness are secured and guaranteed.

(2) Calculated based on total indebtedness (excluding lease liabilities arising from rental of retail outlets and warehouse) divided by total capitalisation.

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SSF HOME GROUP BERHAD
(Formerly known as SSF Home Living Sdn Bhd)
Registration No.: 201501016707 (1142041-X)
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT ON
COMBINED FINANCIAL STATEMENTS

MOORE

Moore Stephens Associates PLT
[201304000972 (LLP0000963-LCA)]
Chartered Accountants [AF002096]
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THE BOARD OF DIRECTORS
SSF HOME GROUP BERHAD
(Formerly known as SSF Home Living Sdn Bhd)
Sunway Nexis
C-11-08 & C-11-09
1, Jalan PJU 5/1
Kota Damansara
47810 Petaling Jaya
Selangor

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS (AS DEFINED HEREIN) CONTAINED IN THE ACCOUNTANTS' REPORT OF SSF HOME GROUP BERHAD ("THE COMPANY" OR "SHG")

Opinion

We have audited the combined financial statements of SSF Home Group Berhad ("SHG" or "the Company") and its combining entities (collectively known as "the Group" or "SHG Group"), which comprise the combined statements of financial position as at 30 April 2020, 30 April 2021, 30 April 2022 and 30 April 2023 and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for financial years ended ("FYE") 30 April 2020, 30 April 2021, 30 April 2022 and 30 April 2023 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 4 to 86.

The historical financial information has been prepared for inclusion in the prospectus of SHG in connection with the listing of and quotation for the entire enlarged issued share capital of SHG on the ACE Market of Bursa Malaysia Securities Berhad ("Prospectus"). This report is prepared for the purpose of complying with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for no other purpose.

The Company, SSF Holdings Sdn Bhd, SSF Sdn Bhd, SSF Creative Life Centre Sdn Bhd, SSF Home Furnishing Sdn Bhd and SSF Delanco Sdn Bhd are collectively referred to as "the Group".

In our opinion, the combined financial statements give a true and fair view of the combined financial position of the Group as at 30 April 2020, 30 April 2021, 30 April 2022 and 30 April 2023, and of their combined financial performance and their combined cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

MOORE

Basis for Opinion (cont'd)

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Combined Financial Statements

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

In preparing the combined financial statements of the Group, 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 Group 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:

(a) 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.

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

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

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Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (cont'd)

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

(d) Conclude on the appropriateness of 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 our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

Restriction on Distribution and Use

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of SSF Home Group Berhad in connection with the listing of and quotation for the entire enlarged issued share capital of SSF Home Group Berhad on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

STEPHEN WAN YENG LEONG
02963/07/2025 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 18 August 2023

SSF HOME GROUP BERHAD
(Formerly known as SSF Home Living Sdn Bhd)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED ("FYE") 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023

		Audited			
	Note	**2020 RM'000**	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Revenue	4	129,381	208,073	160,990	174,474
Cost of sales		(59,155)	(92,621)	(71,224)	(79,386)
Gross profit		70,226	115,452	89,766	95,088
Other income		2,416	4,056	3,952	3,077
General and administrative expenses		(57,600)	(67,215)	(64,189)	(67,763)
Selling and distribution expenses		(7,778)	(9,827)	(6,769)	(7,392)
Profit from operations		7,264	42,466	22,760	23,010
Finance costs		(781)	(960)	(891)	(1,052)
Profit before tax	5	6,483	41,506	21,869	21,958
Tax expense	6	(2,375)	(10,294)	(5,111)	(5,927)
Profit net of tax, representing total comprehensive income for the financial year		4,108	31,212	16,758	16,031
Total comprehensive income attributable to:					
Owners of the Company		4,126	31,090	16,632	16,031
Non-controlling interests ("NCI")		(18)	122	126	-
		4,108	31,212	16,758	16,031
Earnings per ordinary share attributable to Owners of the Company					
Basic and diluted (sen)	7	0.52	3.89	2.08	2.00

The annexed notes form an integral part of,
and should be read in conjunction with, these combined financial statements.

SSF HOME GROUP BERHAD
(Formerly known as SSF Home Living Sdn Bhd)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023

		Audited			
		2020	**2021**	**2022**	**2023**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS					
Non-current assets					
Property, plant and equipment	8	21,792	22,294	22,412	22,632
Right-of-use assets	9	5,873	6,349	7,493	13,945
Intangible assets	10	7	12	13	18
Other investment	11	-	-	-	214
Deferred tax assets	12	1,211	1,393	3,372	2,726
		28,883	30,048	33,290	39,535
Current assets					
Inventories	13	57,859	64,050	73,517	59,835
Trade receivables	14	2,027	2,289	3,774	1,978
Other receivables	15	9,936	12,102	13,648	10,344
Tax recoverable		1,106	-	-	280
Short term investments	16	685	8,507	2,867	12,531
Fixed deposits with licensed banks	17	3,092	4,515	3,583	9,853
Cash and bank balances		6,988	21,972	19,214	14,526
		81,693	113,435	116,603	109,347
TOTAL ASSETS		110,576	143,483	149,893	148,882

SSF HOME GROUP BERHAD
(Formerly known as SSF Home Living Sdn Bhd)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023 (cont'd)

		Audited			
		2020	**2021**	**2022**	**2023**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
EQUITY AND LIABILITIES					
Equity					
Share capital	18	73,079	73,379	74,219	74,219
Reorganisation deficit	18	(69,736)	(69,736)	(70,036)	(70,036)
Retained earnings		65,671	96,761	93,468	108,799
Equity attributable to Owners of the Company		69,014	100,404	97,651	112,982
Non-controlling interests ("NCI")		346	449	-	-
TOTAL EQUITY		69,360	100,853	97,651	112,982
LIABILITIES					
Non-current liabilities					
Provision for restoration costs	19	-	-	612	735
Lease liabilities	20	2,831	2,160	4,188	6,401
Deferred tax liabilities	12	117	548	-	-
		2,948	2,708	4,800	7,136
Current liabilities					
Trade payables	21	10,680	6,961	5,959	1,924
Other payables	22	9,610	9,413	7,206	4,527
Dividend payable		7,600	-	10,000	-
Provision for restoration costs	19	-	-	1,171	348
Contract liabilities	23	664	201	3,405	3,379
Amounts due to related parties	24	175	489	349	-
Amounts due to Directors	24	1,330	1,184	500	-
Lease liabilities	20	2,835	3,994	2,664	7,060
Bank borrowings	25	5,374	15,357	13,933	11,526
Tax payable		-	2,323	2,255	-
		38,268	39,922	47,442	28,764
TOTAL LIABILITIES		41,216	42,630	52,242	35,900
TOTAL EQUITY AND LIABILITIES		110,576	143,483	149,893	148,882

The annexed notes form an integral part of,
and should be read in conjunction with, these combined financial statements.

SSF HOME GROUP BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital RM'000	Distributable retained earnings RM'000	Reorganisation deficit RM'000	Total RM'000	NCI RM'000	Total equity RM'000
2020							
At 1 May 2019		2,600	69,145	-	71,745	364	72,109
Profit/(Loss) net of tax, representing total comprehensive income for the financial year		-	4,126	-	4,126	(18)	4,108
Transactions with Owners of the Company:							
Issuance of ordinary shares	18	70,479	-	-	70,479	-	70,479
Dividends	26	-	(7,600)	-	(7,600)	-	(7,600)
Business combination through common control		-	-	(69,736)	(69,736)	-	(69,736)
Total transactions with Owners of the Company		70,479	(7,600)	(69,736)	(6,857)	-	(6,857)
At 30 April 2020		73,079	65,671	(69,736)	69,014	346	69,360

SSF HOME GROUP BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY (cont'd)

	Note	Share capital RM'000	Distributable retained earnings RM'000	Reorganisation deficit RM'000	Total RM'000	NCI RM'000	Total equity RM'000
2021							
At 1 May 2020		73,079	65,671	(69,736)	69,014	346	69,360
Profit net of tax, representing total comprehensive income for the financial year		-	31,090	-	31,090	122	31,212
Transactions with Owners of the Company:							
Issuance of ordinary shares	18	300	-	-	300	-	300
Dividends		-	-	-	-	(19)	(19)
Total transactions with Owners of the Company		300	-	-	300	(19)	281
At 30 April 2021		73,379	96,761	(69,736)	100,404	449	100,853

SSF HOME GROUP BERHAD
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(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY (cont'd)

	Note	Share capital RM'000	Distributable retained earnings RM'000	Reorganisation deficit RM'000	Total RM'000	NCI RM'000	Total equity RM'000
2022							
At 1 May 2021		73,379	96,761	(69,736)	100,404	449	100,853
Profit net of tax, representing total comprehensive income for the financial year		-	16,632	-	16,632	126	16,758
Transactions with Owners of the Company:							
Issuance of ordinary shares	18	840	-	-	840	-	840
Increase in stake in subsidiaries	18	-	275	(300)	(25)	(575)	(600)
Dividends	26	-	(20,200)	-	(20,200)	-	(20,200)
Total transactions with Owners of the Company		840	(19,925)	(300)	(19,385)	(575)	(19,960)
At 30 April 2022		74,219	93,468	(70,036)	97,651	-	97,651

SSF HOME GROUP BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY (cont'd)

	Note	Share capital RM'000	Distributable retained earnings RM'000	Reorganisation deficit RM'000	Total RM'000	NCI RM'000	Total equity RM'000
2023							
At 1 May 2022		74,219	93,468	(70,036)	97,651	-	97,651
Profit net of tax, representing total comprehensive income for the financial year		-	16,031	-	16,031	-	16,031
Transaction with Owners of the Company:							
Dividends	26	-	(700)	-	(700)	-	(700)
At 30 April 2023		74,219	108,799	(70,036)	112,982	-	112,982

The annexed notes form an integral part of,
and should be read in conjunction with, these combined financial statements.

SSF HOME GROUP BERHAD
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(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023

		Audited			
		2020	**2021**	**2022**	**2023**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash Flows from Operating Activities					
Profit before tax		6,483	41,506	21,869	21,958
Adjustments for:					
Amortisation of intangible assets		2	1	1	4
Covid-19 related rent concessions		(83)	(127)	(355)	(9)
Depreciation of property, plant and equipment		2,379	3,036	3,385	3,629
Depreciation of right-of-use assets		1,959	4,405	5,084	7,492
(Gain)/Loss on disposal of property, plant and equipment		(41)	3	-	(15)
(Gain)/Loss on lease termination		-	(44)	(52)	70
(Gain)/Loss on unrealised foreign exchange		(38)	(25)	10	(10)
Interest expense		781	960	891	1,052
Interest income		(307)	(176)	(201)	(343)
Impairment loss on other receivables		-	-	171	-
Investment income		(181)	(128)	(134)	(84)
Impairment loss on property, plant and equipment		-	-	387	-
Loss/(Gain) on lease modification		-	-	19	(15)
Provision/(Reversal) for restoration costs		-	-	1,171	(540)
(Reversal of)/Provision for slow moving inventories, net		(78)	(12)	1,568	1,700
Write off of bad debts		2	-	-	-
Write off of deposits		5	46	-	-
Write off of inventories		1,131	1,380	776	1,963
Write off of property, plant and equipment		302	974	216	449
Operating profit before working capital changes		12,316	51,799	34,806	37,301
Changes in working capital:					
Contract liabilities		648	(463)	3,204	(26)
Inventories		(20,692)	(7,559)	(11,811)	10,019
Receivables		1,417	(2,173)	(2,963)	5,100
Payables		8,545	(3,892)	(3,218)	(6,704)
Provision		-	-	-	(571)
Cash generated from operations		2,234	37,712	20,018	45,119

SSF HOME GROUP BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023 (cont'd)

	Note	Audited 2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Cash Flows from Operating Activities (cont'd)					
Income tax paid		(4,365)	(6,668)	(7,706)	(7,988)
Income tax refunded		316	52	-	172
Interest received		307	176	201	343
Interest paid		(781)	(960)	(891)	(1,052)
Net cash (used in)/from operating activities		(2,289)	30,312	11,622	36,594
Cash Flows from Investing Activities					
Addition of intangible assets		(6)	(6)	(2)	(9)
Addition of other investment		-	-	-	(214)
Addition of right-of-use assets - cash payments	(iii)	(351)	-	-	(35)
Investment income received		181	128	134	84
Proceeds from disposal of property, plant and equipment		60	55	18	187
Purchase of property, plant and equipment	8(i)	(13,716)	(4,101)	(3,909)	(4,179)
Net cash used in investing activities		(13,832)	(3,924)	(3,759)	(4,166)
Cash Flows from Financing Activities					
Dividends paid		(1,800)	(7,600)	(10,200)	(10,700)
Dividend paid to NCI		-	(19)	-	-
Advances from/(Repayment to) Directors	(iv)	604	(146)	(684)	(500)
Advances from/(Repayment to) related parties	(iv)	170	(155)	(140)	(349)
(Increase)/Decrease in fixed deposits pledged		(2)	(2)	(1)	65
Payment for principal portion of lease liabilities	(ii),(iv)	(1,797)	(4,222)	(4,745)	(7,226)
Drawdown/(Repayment) of bank borrowings, net	(iv)	1,700	9,983	(1,424)	(2,407)
Net cash used in financing activities		(1,125)	(2,161)	(17,194)	(21,117)
Net (decrease)/increase in cash and cash equivalents		(17,246)	24,227	(9,331)	11,311
Cash and cash equivalents at beginning of the financial year		27,949	10,703	34,930	25,599
Cash and cash equivalents at end of the financial year	(i)	10,703	34,930	25,599	36,910

SSF HOME GROUP BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023 (cont'd)

Note:

(i) Cash and cash equivalents comprised of the following:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term investments	685	8,507	2,867	12,531
Fixed deposits with licensed banks	3,092	4,515	3,583	9,853
Cash and bank balances	6,988	21,972	19,214	14,526
	10,765	34,994	25,664	36,910
Less: Fixed deposits pledged with licensed banks	(62)	(64)	(65)	-
	10,703	34,930	25,599	36,910

(ii) Cash outflows for leases as a lessee are as follows:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Included in net cash used in operating activities:				
Interest paid in relation to lease liabilities	558	627	410	596
Payment related to short-term leases and lease of low value assets	2,698	2,158	4,187	1,958
Payment related to variable leases	6,137	10,422	7,869	10,223
Included in net cash used in financing activities:				
Payment for principal portion of lease liabilities	1,797	4,222	4,745	7,226
Total cash outflows for leases	11,190	17,429	17,211	20,003

(iii) The additions of right-of-use assets are satisfied by the following:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash payments	351	-	-	35
Lease arrangements	4,103	5,664	7,516	14,436
	4,454	5,664	7,516	14,471

SSF HOME GROUP BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023 (cont'd)

Note: (cont'd)

(iv) Reconciliation of movements of liabilities to cash flows arising from financing activities:

,

	Bank borrowings RM'000	Lease liabilities RM'000	Amounts due to Directors RM'000	Amounts due to related parties RM'000
2020				
At 1 May 2019	3,674	3,443	726	5
Acquisition of new leases [Note(iii)]	-	4,103	-	-
Covid-19 related rent concessions	-	(83)	-	-
Advances from	-	-	820	170
Drawdown	25,194	-	-	-
Interest expense	223	558	-	-
Repayment	(23,717)	(2,355)	(216)	-
Net changes in financing cash flows	1,700	(1,797)	604	170
At 30 April 2020	5,374	5,666	1,330	175

SSF HOME GROUP BERHAD
(Formerly known as SSF Home Living Sdn Bhd)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023 (cont'd)

Note: (cont'd)

(iv) Reconciliation of movements of liabilities to cash flows arising from financing activities: (cont'd)

	Bank borrowings RM'000	Lease liabilities RM'000	Amounts due to Directors RM'000	Amounts due to related parties RM'000
2021				
At 1 May 2020	5,374	5,666	1,330	175
Acquisition of new leases [Note(iii)]	-	5,664	-	-
Covid-19 related rent concessions	-	(127)	-	-
Lease termination	-	(827)	-	-
Purchase of property, plant and equipment	-	-	-	469
Advances from	-	-	64	(132)
Drawdown	34,641	-	-	-
Interest expense	333	627	-	-
Repayment	(24,991)	(4,849)	(210)	(23)
Net changes in financing cash flows	9,983	(4,222)	(146)	(155)
At 30 April 2021	15,357	6,154	1,184	489

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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023 (cont'd)

Note: (cont'd)

(iv) Reconciliation of movements of liabilities to cash flows arising from financing activities: (cont'd)

	Bank borrowings RM'000	Lease liabilities RM'000	Amounts due to Directors RM'000	Amounts due to related parties RM'000
2022				
At 1 May 2021	15,357	6,154	1,184	489
Acquisition of new leases [Note(iii)]	-	7,516	-	-
Covid-19 related rent concessions	-	(355)	-	-
Lease termination	-	(1,789)	-	-
Lease modification	-	71	-	-
Drawdown	50,489	-	-	-
Interest expense	481	410	-	-
Repayment	(52,394)	(5,155)	(684)	(140)
Net changes in financing cash flows	(1,424)	(4,745)	(684)	(140)
At 30 April 2022	13,933	6,852	500	349

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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 APRIL 2020, 30 APRIL 2021, 30 APRIL 2022 AND 30 APRIL 2023 (cont'd)

Note: (cont'd)

(iv) Reconciliation of movements of liabilities to cash flows arising from financing activities: (cont'd)

	Bank borrowings RM'000	Lease liabilities RM'000	Amounts due to Directors RM'000	Amounts due to related parties RM'000
2023				
At 1 May 2022	13,933	6,852	500	349
Acquisition of new leases [Note(iii)]	-	14,436	-	-
Covid-19 related rent concessions	-	(9)	-	-
Lease termination	-	(560)	-	-
Lease modification	-	(32)	-	-
Drawdown	40,062	-	-	-
Interest expense	456	596	-	-
Repayment	(42,925)	(7,822)	(500)	(349)
Net changes in financing cash flows	(2,407)	(7,226)	(500)	(349)
At 30 April 2023	11,526	13,461	-	-

The annexed notes form an integral part of,
and should be read in conjunction with, these combined financial statements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SSF Home Group Berhad was incorporated in Malaysia under Companies Act 1965 on 24 April 2015 as a private limited liability company under the name of Smart APP Outlet Sdn Bhd and changed its name to SSF Home Living Sdn Bhd on 18 November 2019. On 19 December 2022 the Company has changed its name to SSF Home Group Sdn Bhd ("the Company") and to undertake an internal reorganisation for the purpose of the listing of and quotation of the entire enlarged share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing"). On 18 January 2023, the Company converted into a public limited company and adopted its present name.

Upon completion of the Listing, the entire enlarged share capital of SSF Home Group Berhad of RM124,219,000 comprising 800,000,000 ordinary shares will be listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding. The principal activities and other information of the combining entities are as follows:

Combining Entities	Country of Incorporation	Date of Incorporation	Principal Activities	Effective Interests Held (%) 2020	2021	2022	2023
SSF Home Furnishing Sdn Bhd	Malaysia	16.08.2002	Retailer of furniture, home décor and home living products	100	100	100	100
SSF Creative Life Centre Sdn Bhd	Malaysia	16.01.2008	Retailer of furniture, home décor and home living products	100	100	100	100
SSF Holdings Sdn Bhd	Malaysia	03.04.2008	Licensing and trademark management	100	100	100	100

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1. GENERAL INFORMATION (cont'd)

Combining Entities	Country of Incorporation	Date of Incorporation	Principal Activities	Effective Interests Held (%) 2020	2021	2022	2023
SSF Delanco Sdn Bhd	Malaysia	28.12.2017	Retailer of furniture, home décor and home living products	70	70	100	100
SSF Sdn Bhd	Malaysia	20.03.1996	Purchasing hub of furniture, home décor and home living products and provision of management services	100	100	100	100

There have been no significant changes in the nature of the principal activities during these financial years under review.

(a) Movement of equity interests in SSF Delanco Sdn Bhd ("SSF Delanco")

On 25 October 2021, the Company acquired an additional 30% equity interest (representing 300,000 ordinary shares) in SSF Delanco from the non-controlling interests for a consideration of RM600,000, thereupon, SSF Delanco became a wholly-owned subsidiary of the Company.

The effect of acquisitions of shares from NCI was presented as follows:-

	2022 RM'000
Carrying amount of non-controlling interests acquired	575
Carrying amount of reorganisation deficits previously held	300
Consideration paid to non-controlling interests	(600)
Increase in equity	275

This Accountants' Report comprises the historical financial statements of SHG and the combining entities ("the Group"), which include the combined statements of financial position of the Group as at 30 April 2020, 30 April 2021, 30 April 2022 and 30 April 2023, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 30 April 2020, 30 April 2021, 30 April 2022 and 30 April 2023 and note to the financial statements, including a summary of significant accounting policies and other explanatory notes (together, the "historical combined financial statements"), as set out on pages 4 to 86.

SSF HOME GROUP BERHAD
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2. BASIS OF PREPARATION

The combined financial statements of SHG and the combined entities (collectively hereinafter referred to as the "Group") for the financial years ended ("FYE") 30 April 2020, 30 April 2021, 30 April 2022 and 30 April 2023 have been prepared for inclusion into the Prospectus in connection with the proposed listing of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control for each of the financial years:

	FYE 30 April			
	2020	**2021**	**2022**	**2023**
Entities under common control:				
SHG	√, +	√, +	√, +	√, +
SSF Sdn Bhd ("SSF")	√, +	√, +	√, +	√, +
SSF Creative Life Centre Sdn Bhd ("SSF Creative Life")	√, +	√, +	√, +	√, +
SSF Home Furnishing Sdn Bhd ("SSF Home Furnishing")	√, +	√, +	√, +	√, +
SSF Holdings Sdn Bhd ("SSF Holdings")	√, +	√, +	√, +	√, +
SSF Delanco Sdn Bhd ("SSF Delanco")	√, +	√, +	√, +	√, +

√ *The combined financial statements of the Group include the financial statements of these combining entities prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs") for the respective financial years.*

\+ *The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Messrs. Moore Stephens Associates PLT. The audited financial statements of the combining entities for the respective financial years as reported above were not subject to any qualification or modification.*

<u>Entities under common control disposed on 1 September 2022 excluded from listing structure</u>

Referring to two wholly-owned subsidiaries of the Company, namely SFair Factory Outlet Sdn Bhd *(formerly known as SSF Home Deco Sdn Bhd)* ("SFair") and Living Market Sdn Bhd *(formerly known as SSF Living Market Sdn Bhd)* ("Living Market") which are under the common controls of Directors of the Company and were previously under the existing Group structure.

For the purpose of Initial Public Offering, the Group has opted to exclude these entities under common control from the listing structure given that during the financial year on 1 September 2022, the Company has entered into a Shares Sale Agreement ("SSA") with a purchaser to dispose entire equity interest of SFair and Living Market for a cash consideration of RM500,000 and RM1 respectively. With all shares sale conditions being met, the sales are deemed to be completed on 1 September 2022. Arising from the above, both of the subsidiaries no longer under common control of the Group and hence being excluded from the listing structure hence the financial statements of these two entities are not included in the combined financial statements.

Subsequently, with the listing structure of the Group in place upon the completion of the disposal of the two subsidiaries on 1 September 2022, the combined financial statements of the Group as at 30 April 2023 is reflective of the audited consolidated financial statement of SHG and its subsidiaries as at 30 April 2023.

2. BASIS OF PREPARATION (cont'd)

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

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

The financial information presented in the combined financial statements may not correspond to those in the combined financial statements had the relevant proposed transactions to legally constitute a group been incorporated in the combined financial statements for the respective years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

Common control business combination

For such common control business combinations, the "pooling-of-interest" method is used to account for the assets, liabilities, results, equity changes and cash flows in the combined financial statements.

Under the "pooling-of-interest" method, the results of the Group are presented as if the "pooling-of-interest" had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the end of transfer of their shareholdings to SHG.

The effect of all transactions and balances, and any unrealised income and expenses occurring between the combining entities are eliminated in preparing the combined financial statements.

(a) Statement of compliance

The combined financial statements of the Group for the FYE 30 April 2020, 30 April 2021, 30 April 2022 and 30 April 2023 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRSs") and the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants on 28 November 2018.

Application of New Standards, Amendments and Interpretation

In the preparation of the combined financial statements, the Directors have applied consistently throughout the financial years, a number of new accounting pronouncements that became effective mandatorily during the current financial year.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

The Group has also considered the new accounting pronouncements in the preparation of the combined financial statements.

(i) Accounting pronouncements that are effective and adopted during the financial year

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRSs 2018 – 2020	

The adoption of the above accounting pronouncements did not have any significant effect on the financial statements of the Group.

(ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted

The Group has not adopted the following new accounting pronouncements that have been issued by MASB but are not yet effective for the current financial period:-

Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 — Comparative Information
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 112	International Tax Reform – Pillar Two Model Rules

Effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Non-current Liabilities with Covenants
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will adopt the above accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any effect to the financial statements of the Group upon their initial applications.

2. BASIS OF PREPARATION (cont'd)

(b) Basis of measurement

These combined financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, and have been rounded to the nearest thousand, unless otherwise stated.

(d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) <u>Provision for slow-moving inventories</u>

Reviews are made periodically by management on 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.

(ii) <u>Impairment of non-financial assets</u>

Impairment of property, plant and equipment and right-of-use assets

The Group reviews the carrying amounts of right-of-use assets and property, plant and equipment at each reporting date to assess whether there is any indicator of impairment. In any such indication exists, the Group makes an estimates of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value-in-use ("VIU"). The Group estimates the recoverable amount of the cash-generating units ("CGU") based on fair value less cost to sell and VIU approaches.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

(iii) Determining the lease term of contracts with renewal and termination options as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period such as three to four years. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

(iv) Provision for restoration costs

The Group estimates provision for restoration costs based on historical costs incurred per square feet of rent area as well as on suppliers' quotations. The estimated provision for restoration costs is reviewed periodically and is updated if expectations differ from previous estimates due to changes in cost factors. Where expectations differ from the original estimates, the differences would impact the carrying amount of provision for restoration costs of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements by the Group, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Entities under common control

For acquisition of entities under a reorganisation scheme that does not result in any change in economic substance, the consolidated financial statements of the Company is a continuation of the acquired entities and is accounted for as follows:

- The results of entities are presented as if the reorganisation occurred from the beginning of the earliest period presented in the financial statements;
- The Company will consolidate the assets and liabilities of the acquired entities at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method; and
- No new goodwill is recognised as a result of the reorganisation. The only goodwill that is recognised is the existing goodwill relating to the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reorganisation reserve or deficit.

(iv) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(v) Loss of control

Upon the loss of control of a subsidiary, the Group recognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the Owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and Owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

Transactions in foreign currencies are converted into the functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into the functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rates as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue and other income recognition

(i) Revenue from contracts with customers

Revenue from contracts with customers 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.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. 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 by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Retailer of furniture, home décor and home living products

Revenue from retailer of furniture, home décor and home living products is recognised when the control of the goods has been transferred to the customers (i.e. delivery of goods or cash and carry basis), net of sales and service tax and discounts.

Revenue from membership subscription program

Revenue from membership subscription program is recognised over the membership tenure of 12 months.

Contract liability

A contract liability is the obligation to transfer goods and services to a customer for which the Group has received consideration from the customer. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue and other income recognition (cont'd)

(ii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on asset.

(iii) Government grant

Government grant received from government on wage subsidy is recognised on monthly basis over the qualified period under the criteria set by the government.

(iv) Management fees

Management fees are recognised when services are rendered.

(v) Licensing fees

Licensing fee income is recognised over the period in accordance with the substance of the respective licensing agreement.

(vi) Transportation income

Transportation fee income is recognised when control over the goods delivered has been transferred to the recipient where revenue is recognised at a point in time when the recipient has acknowledged the delivery order note.

(vii) Insurance compensation

Insurance compensation is recognised when the right to receive payment is established.

(d) Employee benefits

(i) Short term employee benefits

Wages, salaries, allowances, incentives, social security contributions, commissions, overtimes and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plan

As required by the law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(f) Income tax

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial period, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised using the liability method for all temporary differences between the carrying amount of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(g) **Property, plant and equipment** (cont'd)

(iii) Depreciation (cont'd)

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Air conditioner	10 years
Computer and software	10 years
Electrical fittings	10 years
Forklift	7 years
Furniture and fittings	4 – 10 years
Leasehold buildings	50 years
Motor vehicles	4 – 7 years
Office equipment	4 – 10 years
Renovation	10 years
Signboard	4 – 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(iv) Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses and includes borrowing cost incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

(h) **Inventories**

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

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories that aged 2 years and above (2022: 2 years and above; 2021: 3 years and above; 2020: 3 years and above), a 100% provision on slow moving inventories will be reflected in the statements of comprehensive income as an expense. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If the inventories were sold subsequently, the provision would be reversed accordingly.

(i) **Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and on hand, fixed deposits with licensed banks and short-term investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of pledged deposits, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

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

(ii) Financial instrument categories and subsequent measurement

The Group categorises financial instruments as follows:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) <u>Amortised cost</u>

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(b) Financial assets at fair value through profit or loss ("FVTPL")

All the financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised at FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at FVTPL are subject to impairment assessment under Note 3(k)(i).

Financial liabilities

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the combined statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial instruments (cont'd)

(v) 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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, 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.

(vi) Financial guarantees 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 payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued are initially measured at their fair values and, if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the loss allowance determined in accordance with MFRS 9; and
- the amount recognised initially less, where appropriate, cumulative amount of income recognised.

Liabilities arising from financial guarantees are presented together with other provisions.

(k) Impairment of assets

(i) Financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowances of the Group are measured on either of the following bases:

(a) 12-month ECLs - represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(b) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(k) **Impairment of assets** (cont'd)

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

Simplified approach - trade receivables

The Group applies the simplified approach to provide ECLs for all trade receivables as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

General approach - other financial instruments and financial guarantees contracts

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantees contracts, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 180 days past due.

The Group considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(k) **Impairment of assets** (cont'd)

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

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event (e.g being more than 180 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Any recoveries made are recognised in profit or loss.

(ii) **Non-financial assets**

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus of the assets to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flow that largely are independent from other assets and groups.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of assets (cont'd)

(ii) Non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exist. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for assets in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(l) Equity instruments

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

<u>Ordinary shares</u>

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

<u>Distribution of non-cash assets to Owners of the Company</u>

The distribution of non-cash assets to Owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

<u>Issuance expenses</u>

Costs directly attributable to the issuance of new equity instruments are deducted from share capital.

(m) Leases

<u>As a lessee</u>

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Leases (cont'd)

As a lessee (cont'd)

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment as disclosed in Note 3(g) except for the following:

Lease of hostel premises	Over lease term of 3 years
Lease of warehouses, office and retail outlets	Over lease term of 2 to 4 years

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3(k)(ii).

Whenever, the Group incurs obligation for costs to dismantle and remove a leased asset, restore the site on which is located to restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137 as described in Note 3(n). To the extent that the costs relate to right-of-use asset, the costs are included in the related right-of-use asset.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflets current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

Provision for restoration costs

This provision is recognised in respect of the obligation of the Group to restore leased retail outlets and warehouses to their original state upon the expiry of tenancy agreements.

If there is no longer probable for an outflow of economic benefits will be required to settle the obligation, the provision shall be reversed. In the event of utilisation of the previously recognised provisions, only the expenditures that relate to the original provisions are set against with the provisions.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Provisions (cont'd)

Legal claims

For lawsuit provisions, a probability-weighted average outcome is applied in the measurement, taking into account past court judgements made in similar cases and advice of legal experts.

(o) Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from customer. If customer pays consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue 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, which in this case is the Board of Directors, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(q) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial period for the effects of all dilutive potential ordinary shares.

(r) Intangible assets

Intangible assets which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are derecognised when no future economic benefits are expected from its use.

Amortisation

Amortisation is calculated based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Trademarks	10 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. REVENUE

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Revenue from contracts with customers				
Recognised at point in time:				
- Retailer of furniture, home décor and home living products *	125,870	201,132	158,646	167,449
Recognised over time:				
- Membership subscription fees	3,511	6,941	2,344	7,025
	129,381	208,073	160,990	174,474

* The revenue is derived solely from local sales.

4. REVENUE (cont'd)

Unsatisfied contract

The following table shows revenue from performance obligation that are unsatisfied at the reporting date.

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total contracted revenue	3,511	6,941	5,526	12,573
Less: Cumulative membership subscriptions revenue recognised	(3,511)	(6,941)	(2,344)	(9,369)
Aggregate amount of the transaction price allocated to membership subscriptions revenue that are partially or fully unsatisfied as at the end of the financial year	-	-	3,182	3,204
To be recognised as revenue:				
Within 1 year	-	-	3,182	3,204

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration	120	120	168	197
Amortisation of intangible assets	2	1	1	4
Covid-19 related rent concessions	(83)	(127)	(355)	(9)
Depreciation of property, plant and equipment	2,379	3,036	3,385	3,629
Depreciation of right-of-use assets	1,959	4,405	5,084	7,492
Employee benefits expense [Note (a)]	34,808	37,828	33,931	34,824
(Gain)/Loss on disposal of property, plant and equipment	(41)	3	-	(15)
(Gain)/Loss on lease termination	-	(44)	(52)	70
(Gain)/Loss on foreign exchange:				
- Realised	(74)	(67)	(16)	106
- Unrealised	(38)	(25)	10	(10)
Loss/(Gain) on lease modification	-	-	19	(15)
Insurance compensation [Note (c)]	(37)	(7)	(18)	(1,666)
Interest expense on:				
- Bankers' acceptance	223	333	481	456
- Lease liabilities	558	627	410	596
Interest income on:				
- Fixed deposits from licensed banks	(243)	(105)	(70)	(106)
- Bank balances	(64)	(71)	(131)	(237)

5. PROFIT BEFORE TAX (cont'd)

Profit before tax is arrived at after charging/(crediting): (cont'd)

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Investment income	(181)	(128)	(134)	(84)
Impairment loss on property, plant and equipment	-	-	387	-
Impairment loss on other receivables	-	-	171	-
Management fees	(1,297)	(496)	(576)	(136)
Licensing fees	(21)	(18)	(5)	-
Provision/(Reversal) for restoration cost	-	-	1,171	(540)
(Reversal of)/Provision for slow moving inventories, net	(78)	(12)	1,568	1,700
Right-of-use assets:-				
- Short term lease of premises	2,642	1,956	3,900	1,733
- Short term lease of equipment	46	178	287	225
- Low value assets	10	24	-	-
- Variable leases	6,137	10,422	7,869	10,223
Wage subsidy [Note (b)]	-	(1,618)	(2,223)	(121)
Write off of bad debts	2	-	-	-
Write off of deposits	5	46	-	-
Write off of inventories	1,131	1,380	776	1,963
Write off of property, plant and equipment	302	974	216	449

(a) Employee benefits expense comprised of:

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Directors' remuneration:				
- Fee	702	-	-	106
- Salaries, allowances, incentives, bonuses and others	2,142	1,977	1,788	2,203
- Contributions to defined contribution plan	274	224	201	251
- Social security contributions	4	2	3	4
- Contributions to employee insurance system	1	-	-	-
- Benefits-in-kind	66	68	72	61
	3,189	2,271	2,064	2,625

5. PROFIT BEFORE TAX (cont'd)

(a) Employee benefits expense comprised of: (cont'd)

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Staff costs:				
- Salaries, allowances, incentives, commissions, overtimes, bonuses and others	28,230	31,958	28,490	28,868
- Contributions to defined contribution plan	3,070	3,247	3,078	3,000
- Social security contributions	348	347	335	354
- Contributions to employee insurance system	37	73	36	38
- Benefits-in-kind	86	76	88	81
	31,771	35,701	32,027	32,341
Total employee benefits expense	34,960	37,972	34,091	34,966
Analysed as:				
Total employee benefits expense (excluding benefits-in-kind)	34,808	37,828	33,931	34,824

(b) Wage subsidy

This related to wage subsidies granted by the Government of Malaysia to the Group.

(c) Insurance compensation

For the financial year ended 30 April 2023, the Group received insurance compensation amounting to RM1,666,000 of which RM1,538,000 and RM116,000 are relating to a fire incident at a retail outlet and a water leakage at a warehouse respectively.

6. TAX EXPENSE

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Current tax:				
- Current year	2,723	10,593	7,806	5,386
- Under/(Over)provision in prior year	139	(548)	(168)	(105)
	2,862	10,045	7,638	5,281
Deferred tax (Note 12):				
- Relating to (reversal)/origination of temporary differences	(166)	(62)	(1,767)	292
- (Over)/Underprovision in prior year	(321)	311	(760)	354
	(487)	249	(2,527)	646
Tax expense for the financial year	2,375	10,294	5,111	5,927

6. TAX EXPENSE (cont'd)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 24%; 2021: 24%; 2020: 24%) of the estimated assessable profit for the financial year.

The reconciliation from the tax amount at statutory income tax rate to the Group's tax expense is as follows:

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Profit before tax	6,483	41,506	21,869	21,958
Tax at Malaysian statutory income tax rate of 24%	1,556	9,961	5,249	5,270
Income not subject to tax	(37)	(419)	(558)	(42)
Non-deductible expenses	977	985	1,348	450
Under/(Over) provision in prior year:-				
- Income tax	139	(548)	(168)	(105)
- Deferred tax	(321)	311	(760)	354
Deferred tax assets not recognised	130	84	-	-
Utilisation of previously unrecognised deferred tax assets	(69)	(80)	-	-
Tax expense for the financial year	2,375	10,294	5,111	5,927

The Group has the following estimated item available for set-off against future taxable profits:

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Unabsorbed capital allowances	487	-	-	-

7. EARNINGS PER SHARE ("EPS")

Basic EPS is calculated by dividing the profit attributable to Owners of the Company by the weighted average number of ordinary shares issued.

For the purpose of illustration, the number of ordinary shares for the respective financial years represents the weighted average number of ordinary shares issued of the Company.

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Profit attributable to Owners of the Company (RM'000)	4,126	31,090	16,632	16,031
Weighted average number of ordinary shares in issue (Unit'000) *	800,000	800,000	800,000	800,000
Basic EPS (sen)	0.52	3.89	2.08	2.00

* *Based on the assumption of the proposed existing issued and enlarged share capital upon completion of listing*

The basic and diluted EPS are equal as the Company has no potential dilutive ordinary shares at the end of each financial year.

8. PROPERTY, PLANT AND EQUIPMENT ("PPE")

	Air conditioner RM'000	Computer and software RM'000	Electrical fittings RM'000	Forklift RM'000	Furniture and fittings RM'000	Leasehold buildings RM'000	Balance carried forward RM'000
2020							
At cost							
At 1 May 2019	1,392	1,807	2,981	157	6,762	139	13,238
Additions	554	378	2,965	-	2,822	-	6,719
Disposals	-	(11)	-	-	(10)	-	(21)
Written off	(31)	-	(160)	-	(185)	-	(376)
At 30 April 2020	1,915	2,174	5,786	157	9,389	139	19,560
Accumulated depreciation							
At 1 May 2019	1,008	951	695	101	3,194	40	5,989
Charge for the financial year	82	185	422	24	621	3	1,337
Disposals	-	(5)	-	-	-	-	(5)
Written off	(11)	-	(48)	-	(60)	-	(119)
At 30 April 2020	1,079	1,131	1,069	125	3,755	43	7,202
Net carrying amount							
At 30 April 2020	836	1,043	4,717	32	5,634	96	12,358

8. PROPERTY, PLANT AND EQUIPMENT ("PPE") (cont'd)

	Balance brought forward RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Signboard RM'000	Capital work-in-progress RM'000	Total RM'000
2020							
At cost							
At 1 May 2019	13,238	3,392	2,276	4,346	585	-	23,837
Additions	6,719	-	719	5,313	542	423	13,716
Disposals	(21)	(250)	(3)	-	-	-	(274)
Written off	(376)	-	(27)	(5)	(88)	-	(496)
At 30 April 2020	19,560	3,142	2,965	9,654	1,039	423	36,783
Accumulated depreciation							
At 1 May 2019	5,989	2,205	1,508	2,995	364	-	13,061
Charge for the financial year	1,337	316	154	430	142	-	2,379
Disposals	(5)	(249)	(1)	-	-	-	(255)
Written off	(119)	-	(10)	(1)	(64)	-	(194)
At 30 April 2020	7,202	2,272	1,651	3,424	442	-	14,991
Net carrying amount							
At 30 April 2020	12,358	870	1,314	6,230	597	423	21,792

8. PROPERTY, PLANT AND EQUIPMENT ("PPE") (cont'd)

	Air conditioner RM'000	Computer and software RM'000	Electrical fittings RM'000	Forklift RM'000	Furniture and fittings RM'000	Leasehold buildings RM'000	Balance carried forward RM'000
2021							
At cost							
At 1 May 2020	1,915	2,174	5,786	157	9,389	139	19,560
Additions	96	139	1,006	-	1,286	-	2,527
Disposals	-	-	(1)	-	(13)	-	(14)
Written off	(271)	(23)	(444)	-	(57)	-	(795)
Reclassification	-	-	-	-	(2)	-	(2)
At 30 April 2021	1,740	2,290	6,347	157	10,603	139	21,276
Accumulated depreciation							
At 1 May 2020	1,079	1,131	1,069	125	3,755	43	7,202
Charge for the financial year	104	192	561	17	778	3	1,655
Disposals	-	-	-	-	(9)	-	(9)
Written off	(187)	(23)	(145)	-	(47)	-	(402)
At 30 April 2021	996	1,300	1,485	142	4,477	46	8,446
Net carrying amount							
At 30 April 2021	744	990	4,862	15	6,126	93	12,830

8. PROPERTY, PLANT AND EQUIPMENT ("PPE") (cont'd)

	Balance brought forward RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Signboard RM'000	Capital work-in-progress RM'000	Total RM'000
2021							
At cost							
At 1 May 2020	19,560	3,142	2,965	9,654	1,039	423	36,783
Additions	2,527	-	165	1,453	2	423	4,570
Disposals	(14)	-	(4)	(49)	-	(2)	(69)
Written off	(795)	-	(67)	(478)	(93)	(242)	(1,675)
Reclassification	(2)	-	2	-	3	(3)	-
At 30 April 2021	21,276	3,142	3,061	10,580	951	599	39,609
Accumulated depreciation							
At 1 May 2020	7,202	2,272	1,651	3,424	442	-	14,991
Charge for the financial year	1,655	302	178	712	189	-	3,036
Disposals	(9)	-	(2)	-	-	-	(11)
Written off	(402)	-	(37)	(188)	(74)	-	(701)
At 30 April 2021	8,446	2,574	1,790	3,948	557	-	17,315
Net carrying amount							
At 30 April 2021	12,830	568	1,271	6,632	394	599	22,294

8. PROPERTY, PLANT AND EQUIPMENT ("PPE") (cont'd)

	Air conditioner RM'000	Computer and software RM'000	Electrical fittings RM'000	Forklift RM'000	Furniture and fittings RM'000	Leasehold buildings RM'000	Balance carried forward RM'000
2022							
At cost							
At 1 May 2021	1,740	2,290	6,347	157	10,603	139	21,276
Additions	233	195	677	5	220	-	1,330
Disposals	(1)	(10)	-	-	(11)	-	(22)
Written off	(58)	(23)	(212)	-	(232)	-	(525)
Reclassification	-	105	-	-	-	-	105
Transfer from right-of-use assets (Note 9)	-	-	-	-	-	-	-
At 30 April 2022	1,914	2,557	6,812	162	10,580	139	22,164
Accumulated depreciation							
At 1 May 2021	996	1,300	1,485	142	4,477	46	8,446
Charge for the financial year	106	198	642	11	905	3	1,865
Disposals	-	(5)	-	-	(1)	-	(6)
Written off	(41)	(21)	(91)	-	(232)	-	(385)
Transfer from right-of-use assets (Note 9)	-	-	-	-	-	-	-
At 30 April 2022	1,061	1,472	2,036	153	5,149	49	9,920
Accumulated impairment loss							
At 1 May 2021	-	-	-	-	-	-	-
Additions	-	-	171	-	-	-	171
At 30 April 2022	-	-	171	-	-	-	171
Net carrying amount							
At 30 April 2022	853	1,085	4,605	9	5,431	90	12,073

8. PROPERTY, PLANT AND EQUIPMENT ("PPE") (cont'd)

	Balance brought forward RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Signboard RM'000	Capital work-in-progress RM'000	Total RM'000
2022							
At cost							
At 1 May 2021	21,276	3,142	3,061	10,580	951	599	39,609
Additions	1,330	-	123	880	311	1,265	3,909
Disposals	(22)	-	(8)	-	-	-	(30)
Written off	(525)	-	(91)	(337)	(33)	(3)	(989)
Reclassification	105	-	-	-	-	(105)	-
Transfer from right-of-use assets (Note 9)	-	352	-	-	-	-	352
At 30 April 2022	22,164	3,494	3,085	11,123	1,229	1,756	42,851
Accumulated depreciation							
At 1 May 2021	8,446	2,574	1,790	3,948	557	-	17,315
Charge for the financial year	1,865	270	192	845	213	-	3,385
Disposals	(6)	-	(6)	-	-	-	(12)
Written off	(385)	-	(65)	(291)	(32)	-	(773)
Transfer from right-of-use assets (Note 9)	-	137	-	-	-	-	137
At 30 April 2022	9,920	2,981	1,911	4,502	738	-	20,052
Accumulated impairment loss							
At 1 May 2021	-	-	-	-	-	-	-
Additions	171	-	-	205	11	-	387
At 30 April 2022	171	-	-	205	11	-	387
Net carrying amount							
At 30 April 2022	12,073	513	1,174	6,416	480	1,756	22,412

8. PROPERTY, PLANT AND EQUIPMENT ("PPE") (cont'd)

	Air conditioner RM'000	Computer and software RM'000	Electrical fittings RM'000	Forklift RM'000	Furniture and fittings RM'000	Leasehold buildings RM'000	Balance carried forward RM'000
2023							
At cost							
At 1 May 2022	1,914	2,557	6,812	162	10,580	139	22,164
Additions	161	336	393	922	1,299	-	3,111
Disposals	-	(31)	(15)	(36)	(83)	-	(165)
Written off	(194)	(184)	(552)	-	(346)	-	(1,276)
Reclassification	-	255	-	-	32	-	287
Transfer from right-of-use assets (Note 9)	-	-	-	-	-	-	-
At 30 April 2023	1,881	2,933	6,638	1,048	11,482	139	24,121
Accumulated depreciation							
At 1 May 2022	1,061	1,472	2,036	153	5,149	49	9,920
Charge for the financial year	124	211	653	83	972	3	2,046
Disposals	-	(14)	(1)	(35)	(4)	-	(54)
Written off	(134)	(176)	(303)	-	(295)	-	(908)
Transfer from right-of-use assets (Note 9)	-	-	-	-	-	-	-
At 30 April 2023	1,051	1,493	2,385	201	5,822	52	11,004
Accumulated impairment loss							
At 1 May 2022	-	-	171	-	-	-	171
Written off	-	-	(171)	-	-	-	(171)
At 30 April 2023	-	-	-	-	-	-	-
Net carrying amount							
At 30 April 2023	830	1,440	4,253	847	5,660	87	13,117

8. PROPERTY, PLANT AND EQUIPMENT ("PPE") (cont'd)

	Balance brought forward RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Signboard RM'000	Capital work-in-progress RM'000	Total RM'000
2023							
At cost							
At 1 May 2022	22,164	3,494	3,085	11,123	1,229	1,756	42,851
Additions	3,111	-	259	424	62	323	4,179
Disposals	(165)	(31)	(32)	(34)	-	-	(262)
Written off	(1,276)	-	(319)	(1,298)	(94)	-	(2,987)
Reclassification	287	-	-	-	-	(287)	-
Transfer from right-of-use assets (Note 9)	-	512	-	-	-	-	512
At 30 April 2023	24,121	3,975	2,993	10,215	1,197	1,792	44,293
Accumulated depreciation							
At 1 May 2022	9,920	2,981	1,911	4,502	738	-	20,052
Charge for the financial year	2,046	302	205	859	217	-	3,629
Disposals	(54)	(31)	(4)	(1)	-	-	(90)
Written off	(908)	-	(269)	(894)	(80)	-	(2,151)
Transfer from right-of-use assets (Note 9)	-	221	-	-	-	-	221
At 30 April 2023	11,004	3,473	1,843	4,466	875	-	21,661
Accumulated impairment loss							
At 1 May 2022	171	-	-	205	11	-	387
Written off	(171)	-	-	(205)	(11)	-	(387)
At 30 April 2023	-	-	-	-	-	-	-
Net carrying amount							
At 30 April 2023	13,117	502	1,150	5,749	322	1,792	22,632

8. PROPERTY, PLANT AND EQUIPMENT ("PPE") (cont'd)

(i) Purchase of property, plant and equipment with the following arrangements: -

	Audited			
	2020 **RM'000**	**2021** **RM'000**	**2022** **RM'000**	**2023** **RM'000**
Amount due to a related party	-	469	-	-
Cash purchase	13,716	4,101	3,909	4,179
Total purchase of property, plant and equipment	13,716	4,570	3,909	4,179

(ii) Impairment loss on property, plant and equipment

The Group is required to perform impairment review on the carrying amount of its property, plant and equipment at each reporting date to assess where there are any indications of impairment. The Directors had carried out an impairment review on its retail outlet's performance, where retail outlets that are underperformed would be closed as this indicates that the carrying amounts of the underlying assets may exceed their recoverable amounts. The Directors determined recoverable amounts of the respective cash-generating units ("CGUs") based on fair value less cost to sell. As such, an impairment loss of RM Nil (2022: RM387,000; 2021: RM Nil; 2020: RM Nil) is recognised within "general and administrative expenses" of the Group for the financial year ended 30 April 2022. During the financial year ended 30 April 2023, the accumulated impairment loss amounting to RM387,000 has been written off given that the impaired assets are no longer in use as a result of the closure of retail outlets.

9. RIGHT-OF-USE-ASSETS

	Motor vehicles RM'000	**Lease of warehouse, office and retail outlets RM'000**	**Lease of hostel premises RM'000**	**Total RM'000**
2020				
At cost				
At 1 May 2019	-	-	-	-
Effect of MFRS 16 adoption	161	3,125	100	3,386
Additions	703	3,751	-	4,454
At 30 April 2020	864	6,876	100	7,840
Accumulated depreciation				
At 1 May 2019	-	-	-	-
Effect of MFRS 16 adoption	8	-	-	8
Charge for the financial year	94	1,799	66	1,959
At 30 April 2020	102	1,799	66	1,967
Net carrying amount				
At 30 April 2020	762	5,077	34	5,873

9. RIGHT-OF-USE-ASSETS (cont'd)

	Motor vehicles RM'000	Lease of warehouse, office and retail outlets RM'000	Lease of hostel premises RM'000	Total RM'000
2021				
At cost				
At 1 May 2020	864	6,876	100	7,840
Additions	-	5,550	114	5,664
Lease termination	-	(1,282)	(25)	(1,307)
Lease expiration	-	-	(75)	(75)
At 30 April 2021	864	11,144	114	12,122
Accumulated depreciation				
At 1 May 2020	102	1,799	66	1,967
Charge for the financial year	130	4,221	54	4,405
Lease termination	-	(503)	(21)	(524)
Lease expiration	-	-	(75)	(75)
At 30 April 2021	232	5,517	24	5,773
Net carrying amount				
At 30 April 2021	632	5,627	90	6,349
2022				
At cost				
At 1 May 2021	864	11,144	114	12,122
Additions by way of:				
- New leases	-	7,516	-	7,516
- Provision for restoration costs (Note 19)	-	612	-	612
Lease modification	-	100	-	100
Lease terminations	-	(4,808)	-	(4,808)
Lease expiration	-	(4,039)	-	(4,039)
Transfer to PPE (Note 8)	(352)	-	-	(352)
At 30 April 2022	512	10,525	114	11,151
Accumulated depreciation				
At 1 May 2021	232	5,517	24	5,773
Charge for the financial year	107	4,934	43	5,084
Lease modification	-	48	-	48
Lease terminations	-	(3,071)	-	(3,071)
Lease expiration	-	(4,039)	-	(4,039)
Transfer to PPE (Note 8)	(137)	-	-	(137)
At 30 April 2022	202	3,389	67	3,658
Net carrying amount				
At 30 April 2022	310	7,136	47	7,493

9. RIGHT-OF-USE-ASSETS (cont'd)

	Motor vehicles RM'000	Lease of warehouse, office and retail outlets RM'000	Lease of hostel premises RM'000	Total RM'000
2023				
At cost				
At 1 May 2022	512	10,525	114	11,151
Additions by way of:				
- New leases	165	14,107	199	14,471
- Provision for restoration costs (Note 19)	-	411	-	411
Lease modification	-	(30)	-	(30)
Lease terminations	-	(528)	(313)	(841)
Lease expiration	-	(1,556)	-	(1,556)
Transfer to PPE (Note 8)	(512)	-	-	(512)
At 30 April 2023	165	22,929	-	23,094
Accumulated depreciation				
At 1 May 2022	202	3,389	67	3,658
Charge for the financial year	41	7,403	48	7,492
Lease modification	-	(13)	-	(13)
Lease terminations	-	(96)	(115)	(211)
Lease expiration	-	(1,556)	-	(1,556)
Transfer to PPE (Note 8)	(221)	-	-	(221)
At 30 April 2023	22	9,127	-	9,149
Net carrying amount				
At 30 April 2023	143	13,802	-	13,945

The expenses/(income) charged/(credited) to profit or loss during the financial years are as follows:

	Audited			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Covid-19 related rent concessions	(83)	(127)	(355)	(9)
Depreciation of right-of-use assets	1,959	4,405	5,084	7,492
Lease of low value assets	10	24	-	-
Short term leases	2,688	2,134	4,187	1,958
Variable lease expenses	6,137	10,422	7,869	10,223
Loss/(Gain) on lease modification	-	-	19	(15)
(Gain)/Loss on lease termination	-	(44)	(52)	70
Interest expense on lease liabilities	558	627	410	596

9. RIGHT-OF-USE-ASSETS (cont'd)

The Group has leases of retail outlets, warehouses and hostel premises that run 3 to 4 years. Certain leases of retail outlets, warehouses and hostel premises contain extension option exercisable by the Group ranging from 1 to 3 years before the end of non-cancellable contract period. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. Management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease.

10. INTANGIBLE ASSETS

	Audited			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Trademarks				
At cost				
At beginning of the financial year	30	34	24	26
Additions	6	6	2	9
Written off	(2)	(16)	-	(11)
At end of the financial year	34	24	26	24
Accumulated depreciation				
At beginning of the financial year	27	27	12	13
Charge for the financial year	2	1	1	4
Written off	(2)	(16)	-	(11)
At end of the financial year	27	12	13	6
Net carrying amount				
At end of the financial year	7	12	13	18

Intangible assets mainly consisted of several trademarks that were registered under one of the subsidiaries which are amortised for a period of 10 years (2022: 10 years; 2021: 10 years; 2020: 10 years).

11. OTHER INVESTMENT

	Audited			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Financial asset at FVTPL				
- Keyman insurance contract	-	-	-	214

Keyman insurance contract relates to a life insurance policy insured for a Director of the Group.

The keyman insurance contract represents the expected cash value from the life insurance policy which has been assigned to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 25.

12. DEFERRED TAX (ASSETS)/LIABILITIES

	Audited 2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
At beginning of the financial year	(607)	(1,094)	(845)	(3,372)
Recognised in profit or loss (Note 6)	(487)	249	(2,527)	646
At end of the financial year	(1,094)	(845)	(3,372)	(2,726)
Presented after appropriate offsetting:				
- Deferred tax assets	(1,488)	(1,778)	(4,103)	(3,899)
- Deferred tax liabilities	394	933	731	1,173
	(1,094)	(845)	(3,372)	(2,726)
Represented by:				
Deferred tax assets	(1,211)	(1,393)	(3,372)	(2,726)
Deferred tax liabilities	117	548	-	-
	(1,094)	(845)	(3,372)	(2,726)

12. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)

The components and movements of deferred tax (assets)/liabilities before offsetting are as follows:

	Property, plant and equipment RM'000	Right-of-use assets RM'000	Provision for slow moving inventories RM'000	Unabsorbed capital allowance RM'000	Other deductible temporary differences RM'000	Total RM'000
Deferred tax (assets)/liabilities						
At 1 May 2019	508	-	(167)	-	(948)	(607)
Recognised in profit or loss (Note 6)	173	(41)	(353)	(42)	(224)	(487)
At 30 April 2020	681	(41)	(520)	(42)	(1,172)	(1,094)
Recognised in profit or loss (Note 6)	252	(19)	153	42	(179)	249
At 30 April 2021	933	(60)	(367)	-	(1,351)	(845)
Recognised in profit or loss (Note 6)	(402)	260	(803)	-	(1,582)	(2,527)
At 30 April 2022	531	200	(1,170)	-	(2,933)	(3,372)
Recognised in profit or loss (Note 6)	543	(101)	(41)	-	245	646
At 30 April 2023	1,074	99	(1,211)	-	(2,688)	(2,726)

12. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unabsorbed capital allowances	332	-	-	-
Other deductible differences	1,415	1,759	-	-
	1,747	1,759	-	-

13. INVENTORIES

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost:				
Merchandised goods	61,177	67,356	78,391	64,880
Less: Provision for slow moving inventories	(3,318)	(3,306)	(4,874)	(5,045)
	57,859	64,050	73,517	59,835

The Group has recognised inventories as cost of sales amounted to RM78,813,000 (2022: RM69,583,000; 2021: RM87,342,000; 2020: RM56,156,000).

The Group has written off inventories of RM1,963,000 (2022: RM776,000; 2021: RM1,380,000; 2020: RM1,131,000) which was recognised as an expense in the line item "cost of sales". During the financial year, inventories written off amounting to RM920,000 (2022: RM Nil; 2021: RM Nil; 2020: RM Nil), RM119,000 (2022: RM Nil; 2021: RM Nil; 2020: RM Nil) and RM924,000 (2022: RM776,000; 2021: RM1,380,000; 2020: RM1,131,000) relate to a fire incident that happened at a retail outlet, a water leakage incident that happened at a warehouse and damaged inventories that no longer saleable respectively.

Movement of provision for slow moving inventories is as follows:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost:				
At beginning of the financial year	3,396	3,318	3,306	4,874
Additions	322	485	1,764	2,102
Reversal	(400)	(497)	(196)	(402)
Written off	-	-	-	(1,529)
At end of the financial year	3,318	3,306	4,874	5,045

13. INVENTORIES (cont'd)

The Group has made provision for slow moving inventories of RM2,102,000 (2022: RM1,764,000; 2021: RM485,000; 2020: RM322,000) and has made reversal of previously made slow moving inventories of RM402,000 (2022: RM196,000; 2021: RM497,000; 2020: RM400,000) as the Group sold the relevant goods during the year. The amount provided and reversed has been included in "cost of sales" in the profit or loss. The Group has written off obsolete inventories amounting to RM1,529,000 (2022: RM Nil, 2021: RM Nil, 2020: RM Nil) which have been provided as slow moving inventories in previous financial year.

14. TRADE RECEIVABLES

		Audited			
	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Third parties	(i)	40	14	10	322
A Director	(ii)	10	4	-	-
Collection in transit	(iii)	-	858	3,145	1,656
Related parties	(iv)	1,977	1,413	619	-
		2,027	2,289	3,774	1,978

(i) The normal credit terms granted to trade receivables of the Group are ranging from cash on delivery to 120 days (2022: cash on delivery to 120 days; 2021: cash on delivery to 120 days; 2020: cash on delivery to 120 days).

(ii) The amount due from a Director is subject to normal credit terms of Nil days (2022: Nil days; 2021: cash on delivery to 120 days; 2020: cash on delivery to 120 days).

(iii) Collection in transit represents credit card sales in transit from financial institutions.

(iv) The amounts due from related parties are subject to normal credit terms of Nil days (2022: 120 days; 2021: 120 days; 2020: 120 days).

15. OTHER RECEIVABLES

		Audited			
	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Other receivables	(i)	3,218	4,722	4,780	732
Deposits	(ii)	6,576	7,161	8,813	7,423
Prepayments	(iii)	142	219	226	2,360
		9,936	12,102	13,819	10,515
Less: Allowance for impairment loss on deposits		-	-	(171)	(171)
		9,936	12,102	13,648	10,344

15. OTHER RECEIVABLES (cont'd)

(i) Included in other receivables are advance payments made to suppliers for purchase of inventories amounted to RM186,000 (2022: RM636,000; 2021: RM930,000; 2020: RM103,000), proceeds amounted to RM Nil (2022: RM500,001; 2021: RM Nil; 2020: RM Nil) receivable from subsidiaries disposed on 1 September 2022 that are excluded from the listing structure as mentioned in Note 2 and dividends receivable prior to disposal of subsidiaries amounted to RM Nil (2022: RM2,600,000; 2021: RM2,600,000; 2020: RM2,600,000).

(ii) Deposits mainly consisted of refundable rental deposits that will be refunded upon the lapse of tenancy period and discontinuation of lease arrangement.

(iii) Included in the prepayments of RM2,025,000 (2022: RM Nil; 2021: RM Nil; 2020: RM Nil) is the prepaid listing expenses capitalised by the Group as at the reporting date.

Movement in provision for impairment loss on deposits is as follows:

	Audited			
	2020 **RM'000**	**2021** **RM'000**	**2022** **RM'000**	**2023** **RM'000**
At beginning of the financial year	-	-	-	171
Additions	-	-	171	-
At end of the financial year	-	-	171	171

16. SHORT TERM INVESTMENTS

This refers to investments in short to medium-term fixed income funds of which the funds will be invested in money market investments and short to medium-term fixed income instruments. The distribution income from these funds are tax exempted and is being treated as investment income by the Group.

17. FIXED DEPOSITS WITH LICENSED BANKS

The interest rates of the deposits with licensed banks are ranging from 1.25% to 3.60% (2022: 1.25% to 2.08%; 2021: 1.25% to 3.70%; 2020: 2.15% to 4.10%) per annum and have maturity periods between 30 to 365 days (2022: 30 to 365 days; 2021: 30 to 365 days; 2020: 30 to 365 days).

Fixed deposits with licensed banks amounting to RM Nil (2022: RM65,000; 2021: RM64,000; 2020: RM62,000) was pledged as security for bank guarantee facility.

18. TOTAL EQUITY

For the purpose of the combined financial statements, the retained earnings at the end of the respective financial years are the aggregate of the retained earnings of the combining entities.

The reorganisation deficit from SHG and retained earnings are arising from SHG, SSF, SSF Creative Life, SSF Home Furnishing, SSF Delanco and SSF Holdings held by the common control shareholders.

18. **TOTAL EQUITY** (cont'd)

Reorganisation deficit

On 21 October 2019, the Company completed the acquisition of 100% equity interests in SSF, SSF Creative Life, SSF Home Furnishing and SSF Holdings. Subsequently, on 30 April 2020, the Company completed the acquisition of 70% equity interest in SSF Delanco.

Upon completion of the acquisition, the above-mentioned companies became subsidiaries of the Group and are included in the preparation of the combined financial statements via common control method, given these entities are held by the common control shareholders.

Accordingly, the reorganisation deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of subsidiaries upon consolidation under the common control method.

As disclosed in Note 1(a), the amount of RM300,000 represents the reclassification to retained earnings of the Group as at 30 April 2022 upon the completion of the acquisition of additional 30% equity interest (representing 300,000 ordinary shares) in SSF Delanco acquired from non-controlling interests.

The movement of reorganisation deficit of the Group is as follows:-

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
At beginning of the financial year	-	69,736	69,736	70,036
Business combination through common control	69,736	-	-	-
Increase in stake in subsidiaries	-	-	300	-
At end of the financial year	69,736	69,736	70,036	70,036

Share capital

2020

On 21 October 2019, the Company has increased its issued ordinary shares from RM2 to RM72,198,542 by the issuance and allotment of 72,198,540 new ordinary shares at an issue price of RM1.00 per share for the purposes of acquisition of subsidiaries and as working capital.

Subsequently on 26 December 2019 and 22 April 2020, the Company has further increased its issued ordinary shares from RM72,198,542 to RM73,079,000 by the issuance and allotment of 29,775 and 850,683 new ordinary shares respectively at an issue price of RM1.00 per share for the purposes of acquisition of subsidiaries and as working capital.

2021

On 16 December 2020, the Company has increased its issued ordinary shares from RM73,079,000 to RM73,379,000 by the issuance and allotment of 300,000 new ordinary shares at an issue price of RM1.00 per share for the purpose of working capital.

18. TOTAL EQUITY (cont'd)

Share capital (cont'd)

2022

On 26 July 2021, the Company has increased its issued ordinary shares from RM73,379,000 to RM73,979,000 by way of allotment of 600,000 new ordinary shares at an issue price of RM1.00 per share for the purpose of additional investment in subsidiary, SSF Delanco.

On 15 February 2022, the Company has increased its issued ordinary shares from RM73,979,000 to RM74,219,000 by way of allotment of 240,000 new ordinary shares at an issue price of RM1.00 per share for the purpose of working capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

Summary of the share capital movements is as follows: -

	Audited							
	Number of ordinary shares				Amount			
	2020 Unit'000	2021 Unit'000	2022 Unit'000	2023 Unit'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
At beginning of the financial year	-	73,079	73,379	74,219	-	73,079	73,379	74,219
Issued during the financial year	73,079	300	840	-	73,079	300	840	-
At end of the financial year	73,079	73,379	74,219	74,219	73,079	73,379	74,219	74,219

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

19. PROVISION FOR RESTORATION COSTS

	Audited			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Represented by:				
Current liabilities	-	-	1,171	348
Non-current liabilities	-	-	612	735
	-	-	1,783	1,083

The Group estimates provision for restoration costs based on costs quoted by suppliers and historical cost incurred. The estimated provision for restoration costs is reviewed periodically and is updated if expectations differ from previous estimates due to changes in cost factors. Where expectations differ from the original estimates, the differences would impact the carrying amount of provision for restoration costs of the Group.

19. PROVISION FOR RESTORATION COSTS (cont'd)

The Group recognised the provision for restoration costs in respect of the obligation of the Group to restore leased retail outlets and warehouses to their original state upon the expiry of the tenancy agreements. If there is no longer probable the future outflow of economic benefits for restoration is required, the provision of restoration costs is reversed. Upon the expiry of tenancy agreements, the provision of restoration costs is utilised as and when the restoration work is completed.

Movement of provision for restoration costs is as follows:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of the financial year	-	-	-	1,783
Recognised in right-of-use assets (Note 9)	-	-	612	411
Recognised in profit or loss (Note 5)	-	-	1,171	-
Reversal	-	-	-	(540)
Utilisation	-	-	-	(571)
At end of the financial year	-	-	1,783	1,083

20. LEASE LIABILITIES

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Minimum lease payments:				
- not later than 1 year	3,319	4,271	2,897	7,415
- later than 1 year but not later than 4 years	3,018	2,242	4,340	6,519
	6,337	6,513	7,237	13,934
Less: Unexpired finance charges	(671)	(359)	(385)	(473)
	5,666	6,154	6,852	13,461
Present value of lease liabilities:				
- not later than 1 year	2,835	3,994	2,664	7,060
- later than 1 year but not later than 4 years	2,831	2,160	4,188	6,401
	5,666	6,154	6,852	13,461
Represented by:				
Current liabilities	2,835	3,994	2,664	7,060
Non-current liabilities	2,831	2,160	4,188	6,401
	5,666	6,154	6,852	13,461

The lease liabilities bear interest rates ranging from 2.22% to 6.85% (2022: 3.09% to 6.85%; 2021: 3.09% to 6.85%; 2020: 3.09% to 6.85%) per annum.

21. TRADE PAYABLES

The normal trade credit terms granted to the Group ranging from 30 to 120 days (2022: 30 to 120 days; 2021: 30 to 120 days; 2020: 30 to 120 days).

22. OTHER PAYABLES

	Audited			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Other payables	7,353	4,791	4,956	1,451
Deposits received	19	8	9	5
Accruals	2,238	4,614	2,241	3,071
	9,610	9,413	7,206	4,527

23. CONTRACT LIABILITIES

		Audited			
	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Deferred retail outlet voucher sales	(i)	535	201	223	175
Deferred annual membership subscriptions fee	(iii)	-	-	3,182	3,204
Deferred furniture sales	(ii)	129	-	-	-
		664	201	3,405	3,379

(i) Deferred retail outlet voucher sales

Relating to deferred income in respect of cash voucher sales received by the Group which will only be recognised as revenue when redemption of voucher is made.

(ii) Deffered furniture sales

Relating to sales of furniture where payments have been received from customers in advance but performance obligations have yet to be satisfied.

(iii) Deferred annual membership subscriptions fee

The annual membership fees are received from the customers for 12-month period membership tenure, which revenue is recognised over time over the period of membership on a straight line basis.

23. CONTRACT LIABILITIES (cont'd)

The movements of contract liabilities are as follows:

Deferred retail outlet voucher sales

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
At beginning of the financial year	44	535	201	223
Vouchers sold during the financial year	525	220	470	290
Redemption of vouchers during the financial year	(34)	(554)	(448)	(338)
At end of the financial year	535	201	223	175

Deferred annual membership subscriptions fee

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
At beginning of the financial year	-	-	-	3,182
Billed and collected during the financial year	3,511	6,941	5,526	7,047
Recognised as revenue during the financial year	(3,511)	(6,941)	(2,344)	(7,025)
At end of the financial year	-	-	3,182	3,204

Deferred furniture sales

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
At beginning of the financial year	-	129	-	-
Billed and collected during the financial year	129	-	-	-
Recognised as revenue during the financial year	-	(129)	-	-
At end of the financial year	129	-	-	-

24. AMOUNTS DUE TO RELATED PARTIES AND DIRECTORS

	Audited			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Amounts due to				
- Related parties	175	489	349	-
- Directors	1,330	1,184	500	-
	1,505	1,673	849	-

These amounts are non-trade in nature, unsecured and interest free advances which are repayable on demand.

25. BANK BORROWINGS

	Audited			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Bankers' acceptance	5,374	15,357	13,933	11,526

The bank borrowings of the Group are secured by the followings:

2020, 2021 and 2022

(i) Legal charge over a related party's properties;
(ii) Jointly and severally guaranteed by Directors of the Company in their personal capabilities; and
(iii) Corporate guarantee by the Company.

2023

(i) Legal charge over a related party's property;
(ii) Jointly and severally guaranteed by Directors of the Company in their personal capabilities;
(iii) Corporate guarantee by the Company; and
(iv) A keyman insurance contract pledged as disclosed in Note 11.

The Group has been granted with no objection to release or discharge the securities disclosed in Note (i) and (ii) above subject to the following conditions:

(a) The success of the listing;
(b) The Directors to remain as key senior management, to collectively remain as substantial shareholders and collectively hold not less than 51.0% direct or indirect shareholdings in the Company throughout the subsistence of the banking facilities granted to the Group by the financial institutions; and
(c) Replacement of the personal guarantees with corporate guarantees from the Company.

Under the covenant of bank borrowings, a consent is required from the bank for declaration of dividend exceeding 100% (2022: 50%; 2021: 50%, 2020: 50%) of current financial year profit after tax of the subsidiary. The subsidiary is in compliance with the covenant.

The effective interest rates per annum of the bankers' acceptance ranging are from 3.34% to 4.94% (2022: 3.09% to 3.27%; 2021: 2.62% to 3.32%; 2020: 3.36% to 4.60%).

26. DIVIDENDS

	Paid on	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
		Audited			
Recognised during the financial year					
Interim single tier dividend for the financial year ended 30 April 2020 of RM0.11 per ordinary share @ 73,079,000 ordinary shares	14 September 2020	7,600	-	-	-
Interim single tier tax exempt dividend for the financial year ended 30 April 2022 of:-					
- RM0.027 per ordinary share @ 73,379,000 ordinary shares	15 November 2021	-	-	2,000	-
- RM0.027 per ordinary share @ 73,379,000 ordinary shares	21 January 2022	-	-	2,000	-
- RM0.084 per ordinary share @ 73,379,000 ordinary shares	29 April 2022	-	-	6,200	-
Special single tier tax exempt dividend for the financial year ended 30 April 2022 of RM0.135 per ordinary share @ 74,219,000 ordinary shares	14 June 2022 and 3 August 2022	-	-	10,000	-
Single tier tax exempt interim dividend for the financial year ended 30 April 2022 of RM0.009 per ordinary share @ 74,219,000 ordinary shares	30 August 2022	-	-	-	700
		7,600	-	20,200	700

27. OPERATING SEGMENTS

The Group prepares the segment information in accordance with *MFRS 8 Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the Managing Director (the Chief Operating Decision Maker) for the purpose of making decisions about resource allocation and performance assessment.

The Group comprises the following main product segments:

Furniture	Home, office and bedding furniture available in assembled and non-assembled forms
Home décor	Various range of home decoration products available in various trends and styles
Home Living	Various range of home living products
Others	SSFHOME VIP Membership loyalty programme and product installation services.

Segment assets and segment liabilities are neither included in the internal management reports nor provided regularly to the Group's Chief Operating Decision Maker for regular review. Accordingly, there is no further disaggregation on assets and liabilities.

	Furniture RM'000	**Home décor RM'000**	**Home living RM'000**	**Others RM'000**	**Total RM'000**
2020					
Revenue	66,500	34,464	24,131	4,286	129,381
Cost of sales	(35,430)	(12,775)	(10,948)	(2)	(59,155)
Gross profit	31,070	21,689	13,183	4,284	70,226
Other income					2,416
General and administrative expenses					(57,600)
Selling and distribution expenses					(7,778)
Finance costs					(781)
Profit before tax					6,483
Tax expense					(2,375)
Profit for the financial year					4,108

27. OPERATING SEGMENTS (cont'd)

	Furniture RM'000	Home décor RM'000	Home living RM'000	Others RM'000	Total RM'000
2021					
Revenue	108,903	48,743	42,416	8,011	208,073
Cost of sales	(54,866)	(18,405)	(19,350)	-	(92,621)
Gross profit	54,037	30,338	23,066	8,011	115,452
Other income					4,056
General and administrative expenses					(67,215)
Selling and distribution expenses					(9,827)
Finance costs					(960)
Profit before tax					41,506
Tax expense					(10,294)
Profit for the financial year					31,212
2022					
Revenue	89,246	35,274	33,324	3,146	160,990
Cost of sales	(43,118)	(12,704)	(15,400)	(2)	(71,224)
Gross profit	46,128	22,570	17,924	3,144	89,766
Other income					3,952
General and administrative expenses					(64,189)
Selling and distribution expenses					(6,769)
Finance costs					(891)
Profit before tax					21,869
Tax expense					(5,111)
Profit for the financial year					16,758
2023					
Revenue	93,364	38,054	35,005	8,051	174,474
Cost of sales	(48,471)	(14,198)	(16,717)	-	(79,386)
Gross profit	44,893	23,856	18,288	8,051	95,088
Other income					3,077
General and administrative expenses					(67,763)
Selling and distribution expenses					(7,392)
Finance costs					(1,052)
Profit before tax					21,958
Tax expense					(5,927)
Profit for the financial year					16,031

28. RELATED PARTY DISCLOSURES

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationships with its Directors, related parties and key management personnel. Related partyies refer to companies in which certain Directors of the Group have substantial financial interests and/or are also Directors of the company. The related party balances are shown in Notes 14 and 24.

Related party transactions

Other than disclosed elsewhere in the financial statements, the significant related party transactions between the Group and its related parties during the financial years are as follows:

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Transactions with related parties:				
Seven Star Realty Sdn Bhd				
Short term lease of premises from	(1,392)	(1,392)	(1,392)	(232)
Lease payment (including interest)	(366)	(366)	(366)	(351)
Provision of management services to	-	-	120	-
Purchase of property, plant and equipment from	-	(469)	-	-
Advances from/(to)	11	16	(12)	(5)
Repayment (to)/from	(16)	(15)	3	18
Ruby Glaze Sdn Bhd				
Short term lease of premises from	-	(194)	(2,328)	(1,164)
Provision of management services to	-	-	24	-
Deposits paid to	-	(679)	-	-
CL Wong Realty Sdn Bhd				
Lease payment (including interest)	-	-	(540)	(540)
Provision of management services to	-	-	24	-
Deposits paid to	-	(123)	(35)	-
Living Market Sdn Bhd (Formerly known (as SSF Living Market Sdn Bhd)				
Sales to	38	303	128	65
Transportation costs charged to	2	14	9	6
Management fee charged to	-	-	24	8
Repayment from	-	-	23	1
Consideration paid for purchase of property, plant and equipment	-	(2)	-	(4)
Advances to	-	(23)	-	(1)

28. RELATED PARTY DISCLOSURES (cont'd)

Related party transactions (cont'd)

Other than disclosed elsewhere in the financial statements, the significant related party transactions between the Group and its related parties during the financial years are as follows: (cont'd)

	Audited			
	2020 RM'000	**2021 RM'000**	**2022 RM'000**	**2023 RM'000**
Transactions with related parties:				
SFair Factory Outlet Sdn Bhd (Formerly known as SSF Home Deco Sdn Bhd)				
Sales to/(Sales return from), net	4,692	3,745	(425)	(59)
Transportation costs charged to	220	211	33	4
Management fee charged to	1,297	496	384	128
Licensing fee charged to	21	18	5	1
Repayment from/(to)	18	(8)	1	87
Sales commmission	-	-	-	(51)
Consideration paid for purchase of property, plant and equipment	-	(15)	(229)	(126)
Advances from/(to)	10	4	6	(81)
Proceeds from disposal of property, plant and equipment	-	-	-	1
Industria Sdn Bhd				
Digital marketing services from	-	-	-	(588)
KL Brothers Ventures Sdn Bhd				
Business consultancy services from	-	-	(64)	(95)
Transactions with Directors:				
Wong Choong Loong				
Sales to	9	34	-	8
Sales of cash voucher	-	-	-	10
Advances from/(to) (non-trade)	790	49	-	(93)
Repayment to	(168)	(210)	(669)	(327)
Chin See Kew				
Sales to	-	-	-	3
Advances from/(to) (non-trade)	30	15	-	(12)
Repayment to	(48)	-	(15)	(68)
Wong Choong Lian				
Advances from	-	23	-	-
Repayment to	-	-	(23)	-
Lok Kok Khong				
Sales to	-	-	-	3

28. RELATED PARTY DISCLOSURES (cont'd)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Directors' remuneration during the financial year has been disclosed in Note 5(a). The remuneration paid to certain senior management personnel during the financial year which included in staff costs in Note 5(a) is as follows:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, allowances, incentives, bonuses and others	795	892	1,048	1,000
Contributions to defined contribution plan	97	102	123	102
Social security contributions	5	5	5	5
Contributions to employee insurance system	1	1	1	1
Benefits-in-kind	22	26	25	20
	920	1,026	1,202	1,128

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3(j) describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position by the class of the financial instruments to which they are assigned and therefore by the measurement basis:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Amortised cost				
Trade receivables	2,027	2,289	3,774	1,978
Other receivables, net of prepayments	9,794	11,883	13,422	7,984
Short term investments	685	8,507	2,867	12,531
Fixed deposits with licensed banks	3,092	4,515	3,583	9,853
Cash and bank balances	6,988	21,972	19,214	14,526
	22,586	49,166	42,860	46,872
FVTPL				
Other investment	-	-	-	214
	22,586	49,166	42,860	47,086

29. FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments (cont'd)

The following table analyses the financial assets and liabilities in the statement of financial position by the class of the financial instruments to which they are assigned and therefore by the measurement basis: (cont'd)

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial liabilities				
Amortised cost				
Lease liabilities	5,666	6,154	6,852	13,461
Trade payables	10,680	6,961	5,959	1,924
Other payables	9,610	9,413	7,206	4,527
Dividend payable	7,600	-	10,000	-
Amounts due to related parties	175	489	349	-
Amounts due to Directors	1,330	1,184	500	-
Bank borrowings	5,374	15,357	13,933	11,526
	40,435	39,558	44,799	31,438

Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, foreign currency risk, liquidity risk and interest rate risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables (which consist of trade receivables, other receivables and deposits). There are no significant changes as compared to prior years. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Trade receivables (inclusive of receivables from related parties)

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's associations to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

29. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables (inclusive of receivables from related parties) (cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables and financial assets is represented by the carrying amount in the combined statements of financial position.

Cash in transit from banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

None of the trade receivables are secured by any collateral or supported by any other credit enhancement.

Credit risk concentration profile

There is no concentration of credit risk arising from any of the customers of the Group.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Any receivables having significant balances past due more than 180 days, which are deemed to have higher credit risk, are monitored individually.

The Group assesses impairment of trade receivables on individual basis and the Group has reasonable and supportable information available to assess the impairment individually.

As at year end, there were no indications of impairment loss in respect of the trade receivables.

29. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables (inclusive of receivables from related parties) (cont'd)

Impairment losses

The following table provides information about the exposure to credit risk for trade receivables as at reporting date which are grouped together as they are expected to have similar risk nature.

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	2,025	1,943	3,187	1,974
Past due but not impaired:				
- Less than 30 days	-	143	65	4
- 31 days to 60 days	-	-	49	-
- 61 days to 90 days	2	11	244	-
- 91 days to 120 days	-	36	1	-
- 121 days to 150 days	-	95	50	-
- 151 days to 180 days	-	31	25	-
- More than 180 days	-	30	153	-
	2,027	2,289	3,774	1,978

Neither past due not impaired

Trade receivables that are neither past due nor impaired are creditworthy banks, financial institutions and debtors with good payment records and mostly are regular customers that have been transacting with the Group.

Past due but not impaired

The Group has not provided impairment for the trade receivables as there has been no significant change in their credit quality and the amounts are still considered recoverable which are not past due for more than 180 days. These relate to several regular customers for whom there is no recent history of default.

Other receivables and deposits

Other receivables and deposits are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. The deposits will subsequently be refunded to the Group upon the lapse of tenancy period and discontinuation of lease arrangement.

29. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Cash and cash equivalents

The cash and cash equivalents, including cash and bank balances, short term investments and fixed deposits with licensed banks, are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than functional currency of the Group. The currency that giving rise to this risk is primarily United States Dollar ("USD'').

Foreign exchange exposure in transactional currency other than functional currency of the Group is kept to an acceptable level.

Exposure to foreign currency risk

The Group's significant exposure to foreign currency (a currency which is other than functional currency of the Group) risk, based on carrying amounts as at end of the reporting period was:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Denominated in USD				
Trade payables	2,333	-	1,223	-

A 5% strengthening/weakening of the RM against the USD at the end of the reporting period would have immaterial impact on profit after tax. This assumes that all other variables remain constant.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatch of financial assets and liabilities.

The Group's liquidity risk management policy is to manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group maintains sufficient levels of cash and available banking facilities at a reasonable level to its overall debt position to meet their working capital requirement.

The Group practices prudent risk management by maintaining sufficient cash balances.

29. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

			← Contractual Cash Flows	→	
	Carrying amount RM'000	**Contractual cash flows RM'000**	**On demand or within 1 year RM'000**	**Between 1 to 2 years RM'000**	**Between 2 to 4 years RM'000**
2020					
Trade payables	10,680	10,680	10,680	-	-
Other payables	9,610	9,610	9,610	-	-
Dividends payable	7,600	7,600	7,600	-	-
Amount due to related parties	175	175	175	-	-
Amounts due to Directors	1,330	1,330	1,330	-	-
Lease liabilities	5,666	6,337	3,319	2,794	224
Bank borrowings	5,374	5,374	5,374	-	-
	40,435	41,106	38,088	2,794	224

29. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. (cont'd)

			Contractual Cash Flows		
	Carrying amount RM'000	Contractual cash flows RM'000	On demand or within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 4 years RM'000
2021					
Trade payables	6,961	6,961	6,961	-	-
Other payables	9,413	9,413	9,413	-	-
Amount due to related parties	489	489	489	-	-
Amounts due to Directors	1,184	1,184	1,184	-	-
Lease liabilities	6,154	6,513	4,271	2,234	8
Bank borrowings	15,357	15,357	15,357	-	-
	39,558	39,917	37,675	2,234	8

29. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. (cont'd)

			Contractual Cash Flows		
	Carrying amount RM'000	Contractual cash flows RM'000	On demand or within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 4 years RM'000
2022					
Trade payables	5,959	5,959	5,959	-	-
Other payables	7,206	7,206	7,206	-	-
Dividends payable	10,000	10,000	10,000	-	-
Amount due to related parties	349	349	349	-	-
Amounts due to Directors	500	500	500	-	-
Lease liabilities	6,852	7,237	2,897	2,633	1,707
Bank borrowings	13,933	13,933	13,933	-	-
	44,799	45,184	40,844	2,633	1,707

29. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. (cont'd)

			Contractual Cash Flows		
	Carrying amount RM'000	**Contractual cash flows RM'000**	**On demand or within 1 year RM'000**	**Between 1 to 2 years RM'000**	**Between 2 to 4 years RM'000**
2023					
Trade payables	1,924	1,924	1,924	-	-
Other payables	4,527	4,527	4,527	-	-
Lease liabilities	13,461	13,934	7,415	6,459	60
Bank borrowings	11,526	11,526	11,526	-	-
	31,438	31,911	25,392	6,459	60

29. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

(d) 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 interest-bearing financial assets and financial liabilities. The Group's policy is to obtain the most favourable interest rate available.

Exposure in interest risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting periods was:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Floating rate instruments:				
Financial assets				
- Fixed deposits with licensed banks	3,092	4,515	3,583	9,853
- Short term investments	685	8,507	2,867	12,531
Financial liabilities				
Bank borrowings	(5,374)	(15,357)	(13,933)	(11,526)
	(1,597)	(2,335)	(7,483)	10,858

The Group is exposed to interest rate risk through the impact of rate changes in fixed deposits with licensed banks, short term investments and bank borrowings. The interest rates of short term investments, fixed deposits with licensed banks and bank borrowings are disclosed in Notes 16, 17 and 25 respectively. The changes of 10 basis points in interest rates would not have material impact on the profit after tax/equity of the Group.

30. FAIR VALUE INFORMATION

Financial instrument at fair value

The following table shows the valuation techniques used in the determination of fair value of a financial asset within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial asset	**Description of valuation technique and inputes used**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Other Investment			
Keyman insurance contract	The fair value of keyman insurance contract is based on the cash surrender value in accordance with the insurance policy provided by the insurance company	Cash surrender value quoted by the insurance company	The estimated fair value would higher if the surrender value were high

30. FAIR VALUE INFORMATION (cont'd)

There was no material transfer between Level 1, Level 2, and Level 3 during the reporting periods.

Financial instruments other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

The carrying amounts of the financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments and insignificant impact of discounting. As permitted by MFRS 7, the fair value for lease liabilities is not disclosed.

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern. The Group monitors and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through use of standby credit facilities.

The Group monitors capital using net debt-to-equity ratio which is the net debt divided by total equity. Net debt includes bank borrowings and lease liabilities, less cash and cash equivalents.

The net debt-to-equity ratios at end of the reporting periods are as follows:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bank borrowings	5,374	15,357	13,933	11,526
Lease liabilities	5,666	6,154	6,852	13,461
Less: Cash and bank balances	(6,988)	(21,972)	(19,214)	(14,526)
Fixed deposits with licensed banks	(3,092)	(4,515)	(3,583)	(9,853)
Short term investments	(685)	(8,507)	(2,867)	(12,531)
Net debts/(cash)	275	(13,483)	(4,879)	(11,923)
Total equity attributable to the Owners of the Company	69,014	100,404	97,651	112,982
Debt-to-equity ratio (%)	0.40	*	*	*

** Not meaningful*

There were no changes in the Group's approach to capital management during the reporting periods.

The Group is not subject to any externally imposed capital requirements other than those disclosed in Note 25.

32. CAPITAL COMMITMENTS

The Group has committed to the following as at reporting date:

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Authorised and contracted for:				
Property, plant and equipment				
- Enterprise Resource Planning ("ERP") system	-	-	1,127	963
- Forklifts	-	-	498	-
- Integrated online and mobile delivery management system	-	-	-	239
	-	-	1,625	1,202

33. CORPORATE GUARANTEES

The table below summarised issued corporate guarantee contracts of the Group, which represent the maximum amounts of the guarantees, and are allocated to the earliest periods in which the guarantees could be called.

	Audited			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Corporate guarantees by the Group to licensed banks in respect of banking facilities held by related parties	35,418	61,920	59,292	-

33. CORPORATE GUARANTEES (cont'd)

As at 30 April 2023, all the corporate guarantees provided to related parties were fully discharged/settled. Details are as follows: -

Related parties	Licensed banks	Outstanding amounts as at 30 April 2022 RM'000	Date of discharge/ settlement
Ruby Glaze Sdn Bhd	Affin Islamic Bank Berhad	26,466	3 January 2023
CL Wong Realty Sdn Bhd	Public Bank Berhad	10,284	25 January 2023
CL Wong Realty Sdn Bhd	Public Bank Berhad	3,556	20 January 2023
Seven Star Realty Sdn Bhd	Public Bank Berhad #	874	13 January 2023
Seven Star Realty Sdn Bhd	Hong Leong Bank Berhad	18,112	23 December 2022
		59,292	

\# *On 13 January 2022, Seven Star Realty Sdn Bhd has settled the outstanding amount for the bank facility taken up with Public Bank Berhad and the said facility had been cancelled accordingly.*

34. SUBSEQUENT EVENTS

Admission to the Official List on Ace Market of Bursa Malaysia Securities Berhad

On 8 June 2023, the Company has obtained approval from Bursa Malaysia Securities Berhad for the admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of the Company comprising 800,000,000 shares on the ACE Market of Bursa Malaysia Securities Berhad.

Subdivision of share capital

On 18 July 2023, the Company completed the subdivision of share capital from 74,219,000 existing ordinary shares to a total of 600,000,000 ordinary shares.

SSF HOME GROUP BERHAD
(Formerly known as SSF Home Living Sdn Bhd)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the combined financial statements as set out on pages 4 to 86 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the combined financial position as at 30 April 2020, 30 April 2021, 30 April 2022 and 30 April 2023 and of their combined financial performance and combined cash flows for the financial years then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 18 August 2023.

WONG CHOONG LOONG

CHIN SEE KEW

MOORE

Moore Stephens Associates PLT
[201304000972 (LLP0000963-LCA)]
Chartered Accountants [AF002096]
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia

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www.moore.com.my

Date: 18 August 2023

The Board of Directors
SSF Home Group Berhad
(Formerly known as SSF Home Living Sdn Bhd)
Sunway Nexis
C-11-08 & C-11-09
1, Jalan PJU 5/1
Kota Damansara
47810 Petaling Jaya
Selangor

Dear Sirs,

SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ("PRO FORMA") AS AT 30 APRIL 2023 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of SHG and its subsidiaries as at 30 April 2023 ("Group") by the Directors. The pro forma consolidated statements of financial position as at 30 April 2023 together with the accompanying notes thereon, for which we have stamped for the purpose of identification only, have been prepared for inclusion in the Prospectus in connection with the admission to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of SHG on ACE Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Board of Directors have compiled the pro forma consolidated statements of financial position are described in notes of the pro forma consolidated statements of financial position and are prepared in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The pro forma consolidated statements of financial position has been compiled by the Board of Directors to illustrate the impact of the transactions as set out in the notes thereon to the pro forma consolidated statements of financial position as at 30 April 2023 had the transactions been effected as at 30 April 2023. As part of this process, information about the Group's consolidated financial position has been extracted by the Board of Directors from the audited consolidated financial statements of SHG and its subsidiaries for the financial year ended 30 April 2023, on which an auditors' report has been issued by us to its members without modification.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors of the Company are responsible for compiling the pro forma consolidated statements of financial position on the basis as set out in the notes thereon in accordance with the Prospectus Guidelines.

MOORE

SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ("PRO FORMA") AS AT 30 APRIL 2023 INCLUDED IN A PROSPECTUS (cont'd)

Reporting Accountants' Independence and Quality Management

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by 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 IESBA Code.

Our firm applies the International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Performs Audits or Reviews of Financial Statements, and Other Assurance or Related Services Engagements* adopted by the Malaysian Institute of Accountants and, accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma consolidated statements of financial position have been compiled, in all material respects, by the Directors on the basis set out in the notes thereon.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statements of financial position on the basis set out in the notes thereon in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of pro forma consolidated statements of financial position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted statements of financial position of the entities as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 April 2023, would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, on the basis as set out in the notes thereon involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflects the proper application of those adjustments to the unadjusted statements of financial position.

MOORE

SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ("PRO FORMA") AS AT 30 APRIL 2023 INCLUDED IN A PROSPECTUS (cont'd)

Reporting Accountants' Responsibilities (cont'd)

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

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

Opinion

In our opinion, the pro forma consolidated statements of financial position have been compiled, in all material respects by the Directors on the basis as set out in the notes thereon and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This report has been prepared solely for the purpose stated above, in connection with the admission to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of SHG 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.

Moore Stephens

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

STEPHEN WAN YENG LEONG
02963/07/2025 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 18 August 2023

SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

1.0 PRO FORMA GROUP AND BASIS OF PREPARATION

1.1 INTRODUCTION

The pro forma consolidated statements of financial position as at 30 April 2023 together with the notes thereon, for which the Directors of SHG are solely responsible, has been prepared for illustration purposes only, for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of SHG on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

1.2 BASIS OF PREPARATION

The applicable criteria on the basis of which the Board of Directors of the Company ("the Directors") have compiled the pro forma consolidated statements of financial position are as described below. The pro forma consolidated statements of financial position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysia Institute of Accountants.

The pro forma consolidated statements of financial position have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 April 2023, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the statement of financial position and the accounting policies adopted by the Group, and adjusted for the events and transactions detailed in Note 3.

The auditors' report dated 8 August 2023 on the audited consolidated financial statements of the Group for the financial year ended 30 April 2023 were reported by the auditors to the members without modification.

The pro forma consolidated statements of financial position is not necessarily indicative of the financial position that would have been attained had the Initial Public Offering ("IPO") actually occurred at the respective dates. The pro forma consolidated statements of financial position have been prepared for illustrative purposes only.

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Chartered Accountants (AF002096)
For Identification Purposes Only

SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

1.0 PRO FORMA GROUP AND BASIS OF PREPARATION (cont'd)

1.3 LISTING SCHEME

In conjunction with, and as an integral part of the Listing, SHG had proposed to undertake the following transactions:

1.3.1 Subdivision of Shares

Subdivision of shares totalling to 525,781,000 from 74,219,000 existing ordinary shares to 600,000,000 ordinary shares, of which the ordinary shares were allocated to the following Directors: -

	Current		After subdivision of shares	
	Number of ordinary shares (units)	**Percentage of shareholding (%)**	**Number of ordinary shares (units)**	**Percentage of shareholding (%)**
Wong Choong Loong	47,797,036	64.4%	386,400,000	64.4%
Lok Kok Khong	14,843,800	20.0%	120,000,000	20.0%
Chin See Kew	5,878,145	7.9%	47,520,002	7.9%
Wong Choong Lian	5,700,019	7.7%	46,079,998	7.7%
	74,219,000	100.0%	600,000,000	100.0%

1.3.2 Initial Public Offering ("IPO")

(a) Public Issue

Public issue totalling to 200,000,000 new SHG Shares ("Issue Shares") ("Public Issue"), representing 25.0% of the enlarged share capital are offered at an issue price of RM0.25 per Share. The Issue Shares shall be allocated in the following manner:

(i) Malaysian public

40,0000,000 Issue Shares, representing 5.0% of our enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process as follows:

(i) 20,000,000 Issue Shares made available to public investors; and
(ii) 20,000,000 Issue Shares made available to Bumiputera public investors.

(ii) Eligible Directors, employees and persons who have contributed to success of our Group

40,000,000 Issue Shares, representing 5.0% of our enlarged share capital, are reserved for our eligible Directors, employees and persons who have contributed to the success of our Group under the Pink Form Allocations.

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SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

1.0 PRO FORMA GROUP AND BASIS OF PREPARATION (cont'd)

1.3 LISTING SCHEME (cont'd)

1.3.2 Initial Public Offering ("IPO") (cont'd)

(a) Public Issue (cont'd)

(iii) Private placement to Bumiputera investors approved by the MITI

100,000,000 Issue Shares, representing 12.5% of our enlarged share capital are reserved for private placement to Bumiputera investors approved by the MITI.

(iv) Private placement to selected investors

20,000,000 Issue Shares, representing 2.5% of our enlarged share capital are reserved for private placement to selected investors.

(b) Offer for Sale

Selling Shareholders will undertake an offer for sale of 24,000,000 SHG Shares ("Offer Shares"), representing 3.0% of our enlarged share capital by way of private placement to selected investors to be identified.

(c) Listing

Upon completion of the IPO and before deducting the estimated listing expenses directly attributable to the issuance of new shares of RM1,166,000, SHG share capital will increase from RM74,219,000 comprising 600,000,000 Shares to RM124,219,000 comprising 800,000,000 Shares.

Upon completion of the IPO, the Company shall be admitted to the Official List of Bursa Malaysia Securities Berhad and the entire enlarged share capital of approximately RM123,053,000 (after deducting the estimated listing expenses directly attributable to the issuance of new shares of RM1,166,000) comprising 800,000,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

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Chartered Accountants (AF002096)
For Identification Purposes Only

SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

1.0 PRO FORMA GROUP AND BASIS OF PREPARATION (cont'd)

1.3 LISTING SCHEME (cont'd)

1.3.3 Utilisation of Proceeds from IPO

The total gross proceeds from the IPO of RM50,000,000 are expected to be used as per Prospectus in the following manner:

	RM'000	Percentage of gross proceeds %
Details of utilisation		
Set-up new retail outlets *		
- Capital expenditure	14,220	28.5%
- Set up costs	20,970	41.9%
Repayment on bank borrowings	5,000	10.0%
Marketing expenses *	1,500	3.0%
General working capital	4,010	8.0%
Estimated listing expenses ^	4,300	8.6%
	50,000	100.0%

Estimated listing expenses to be charged to/set-off against:

	RM'000
Share capital	1,166
Profit or loss	3,134
	4,300

* *Based on the latest practicable date of the Prospectus as at 10 August 2023, there are no supportable purchase orders, sale and purchase agreements or contractual binding agreements in relation to the utilisation of proceeds for setting up new retail outlets as well as marketing expenses. In view that the utilisation of proceeds for the purposes above are not factually supported, hence, such utilisation of proceeds will not be illustrated in this pro forma consolidated statements of financial position.*

^ *The estimated listing expenses totalling RM4,300,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses, of which RM2,025,000 had been capitalised in prepayment of the Company as at 30 April 2023. A total of RM1,166,000 is assumed to be directly attributable to the issuance of new shares and as such, will be debited against the share capital of the Company and the remaining expenses of RM3,134,000 are assumed to be attributable to the Listing and as such, will be expensed off to the statements of profit or loss.*

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SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2023

The pro forma consolidated statements of financial position of SHG and its subsidiaries as at 30 April 2023 has been prepared by the Directors for illustrative purposes only and after making such adjustments as considered necessary on the assumption that the listing of and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Securities had been effected on 30 April 2023.

	Note	As at 30.04.2023 RM'000	Pro Forma I After Subdivision of Shares RM'000	Pro Forma II After Pro Forma I and Public Issue RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds RM'000
ASSETS					
Non-current assets					
Property, plant and equipment		22,632	22,632	22,632	22,632
Right-of-use assets		13,945	13,945	13,945	13,945
Intangible assets		18	18	18	18
Other investment		214	214	214	214
Deferred tax assets		2,726	2,726	2,726	2,726
		39,535	39,535	39,535	39,535
Current assets					
Inventories		59,835	59,835	59,835	59,835
Trade receivables		1,978	1,978	1,978	1,978
Other receivables	3.1	10,344	10,344	10,344	8,319
Tax recoverable		280	280	280	280
Short term investments		12,531	12,531	12,531	12,531
Fixed deposits with licensed banks		9,853	9,853	9,853	9,853
Cash and bank balances	3.2	14,526	14,526	64,526	56,976
		109,347	109,347	159,347	149,772
TOTAL ASSETS		148,882	148,882	198,882	189,307
EQUITY AND LIABILITIES					
Equity					
Share capital	3.3	74,219	74,219	124,219	123,053
Reorganisation deficit		(70,036)	(70,036)	(70,036)	(70,036)
Retained earnings	3.4	108,799	108,799	108,799	105,665
TOTAL EQUITY		112,982	112,982	162,982	158,682

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2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2023 (cont'd)

	Note	As at 30.04.2023 RM'000	Pro Forma I After Subdivision of Shares RM'000	Pro Forma II After Pro Forma I and Public Issue RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds RM'000
Non-current liabilities					
Provision for restoration costs		735	735	735	735
Lease liabilities		6,401	6,401	6,401	6,401
		7,136	7,136	7,136	7,136
Current liabilities					
Trade payables		1,924	1,924	1,924	1,924
Other payables	3.5	4,527	4,527	4,527	4,252
Provision for restoration costs		348	348	348	348
Contract liabilities		3,379	3,379	3,379	3,379
Lease liabilities		7,060	7,060	7,060	7,060
Bank borrowings	3.6	11,526	11,526	11,526	6,526
		28,764	28,764	28,764	23,489
TOTAL LIABILITIES		35,900	35,900	35,900	30,625
TOTAL EQUITY AND LIABILITIES		148,882	148,882	198,882	189,307
Number of ordinary shares assumed in issue ('000 units)		74,219	600,000	800,000	800,000
Net assets per share (RM)		1.52	0.19	0.20	0.20
Borrowings and lease liabilities (RM'000)		24,987	24,987	24,987	19,987
Gearing (Times) #		0.22	0.22	0.15	0.13

\# *Computed based on bank borrowings and lease liabilities of the Group over total equity.*

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2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2023 (cont'd)

2.1 Pro Forma I

Pro Forma I incorporates the effects of the subdivision of shares of 525,781,000 ordinary shares as disclosed in Note 1.3.1.

Upon completion of the subdivision of shares, the ordinary shares of SHG will increase from 74,219,000 SHG Shares to 600,000,000 SHG Shares.

2.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the Public Issue.

Upon completion of the Public Issue, the issued share capital of SHG will increase from RM74,219,000 comprising 600,000,000 SHG Shares to RM124,219,000 comprising 800,000,000 SHG Shares.

2.3 Pro Forma III

Pro Forma III incorporates the effect of Pro Forma I, Pro Forma II and after the Listing and the utilisation of proceeds from the Public Issue.

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SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

3.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.1 Other receivables

	RM'000
As at 30 April 2023/As per Pro Forma I to II	10,344
Pursuant to Utilisation of Proceeds	
- Prepaid listing expenses charged to profit or loss	(2,025)
As per Pro Forma III	8,319

3.2 Cash and bank balances

	RM'000
As at 30 April 2023/As per Pro Forma I	14,526
Pursuant to Public Issue	50,000
As per Pro Forma II	64,526
Pursuant to Utilisation of Proceeds	
- Payment of the balance of estimated listing expenses *	(2,550)
- Repayment of bank borrowings	(5,000)
As per Pro Forma III	56,976

* Including payment of listing expenses payable as at 30 April 2023 amounting to RM275,000.

3.3 Share capital

	RM'000
As at 30 April 2023/As per Pro Forma I	74,219
Pursuant to Public Issue	50,000
As per Pro Forma II	124,219
Pursuant to Utilisation of Proceeds	
- Estimated listing expenses	(1,166)
As per Pro Forma III	123,053

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3.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

3.4 Retained earnings

	RM'000
As at 30 April 2023/As per Pro Forma I to II	108,799
Pursuant to Utilisation of Proceeds	
- Estimated listing expenses	(3,134)
As per Pro Forma III	105,665

3.5 Other payables

	RM'000
As at 30 April 2023/As per Pro Forma I to II	4,527
Pursuant to Utilisation of Proceeds	
- Payment of listing expenses	(275)
As per Pro Forma III	4,252

3.6 Bank borrowings

	RM'000
As at 30 April 2023/As per Pro Forma I to II	11,526
Pursuant to Utilisation of Proceeds	
- Repayment of bank borrowings	(5,000)
As per Pro Forma III	6,526

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SSF HOME GROUP BERHAD (FORMERLY KNOWN AS SSF HOME LIVING SDN BHD) ("COMPANY" OR "SHG") AND ITS SUBSIDIARIES ("GROUP")

APPROVAL ON BEHALF OF THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of SHG in accordance with a resolution dated 18 August 2023.

Signed on behalf of the Board of Directors,

WONG CHOONG LOONG

CHIN SEE KEW

15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

(a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.

(b) Save for the Pink Form Allocations as disclosed in Section 4.3.3:

(i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and

(ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(c) Save as disclosed in Sections 4.3.1, 6.1 and 6.2 respectively, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.

(d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(e) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our issued share capital are set out in Section 6.1. Details of the issued share capital of our subsidiaries are set out below.

15.2.1 SSF

SSF's issued share capital as at LPD is RM1,200,000 comprising 1,200,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
20 March 1996	5	RM5.00/ Cash	5.00
13 November 1996	99,995	RM99,995.00/ Cash	100,000.00
31 March 1997	280,000	RM280,000.00/ Cash	380,000.00
26 May 2000	305,000	RM305,000.00/ Cash	685,000.00
20 August 2001	515,000	RM515,000.00/ Cash	1,200,000.00

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SSF. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.2 SSF Creative Life

SSF Creative Life's issued share capital as at LPD is RM200,000 comprising 200,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
16 January 2008	2	RM2.00/ Cash	2.00
24 December 2009	199,998	RM199,998.00/ Cash and otherwise than cash	200,000.00

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SSF Creative Life. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.3 SSF Delanco

SSF Delanco's issued share capital as at LPD is RM1,000,000 comprising 1,000,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
28 December 2017	2	RM2.00/ Cash	2.00
18 December 2018	999,998	RM999,998.00/ Cash	1,000,000.00

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SSF Delanco. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.4 SSF Holdings

SSF Holdings' issued share capital as at LPD is RM100,000 comprising 100,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
3 April 2008	2	RM2.00/ Cash	2.00
14 October 2014	99,998	RM99,998.00/ Cash	100,000.00

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SSF Holdings. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.5 SSF Home Furnishing

SSF Home Furnishing's issued share capital as at LPD is RM400,000 comprising 400,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
16 August 2002	2	RM2.00/ Cash	2.00
20 September 2002	99,998	RM99,998.00/ Cash	100,000.00
1 December 2004	300,000	RM300,000.00/ Cash	400,000.00

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SSF Home Furnishing. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined herein or the context otherwise requires.

15.3.1 Changes in share capital and variation of class rights

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

Clause 9 – Sanction of ordinary resolution to increase share capital

Clause 9.1

The Company may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Section 10 – Pre-emptive rights to new shares to be offered to members before issue

Clause 10.1

Subject to 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. 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. 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.

Clause 11 – Sanction of ordinary resolution to alter share capital

Clause 11.1

The Company may with the sanction of ordinary resolution in general meeting:

Clause 11.1.1

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;

Clause 11.1.2

subdivide its shares or any of the shares, whatever is in the subdivision, the proportions 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 shares is derived; or

Clause 11.1.3

subject to the provisions of this Constitution and the Act, convert and/or re-classify any class of shares into any other class of shares;

Clause 11.1.4

cancel any shares which, at the date of the passing of the resolution, have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Clause 12 – Sanction of special resolution to reduce share capital

Clause 12.1

The Company may by special resolution reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

Clause 13 – Power to issue and allot shares

Clause 13.1

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject to the Applicable Laws, and to the conditions, restrictions and limitations expressed in this Constitution, the Directors shall have the power to issue and allot shares, grant options over shares, grant rights to subscribe for shares or otherwise dispose of the unissued shares of the Company to such persons, at such time on such terms and conditions, with such preferred or deferred or other special rights, as they may deem proper, PROVIDED ALWAYS that:

Clause 13.1.1

no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the members in general meeting;

Clause 13.1.2

in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution or in a resolution of the Company expressing the same;

Clause 13.1.3

every issue of shares or options to be granted to employees and/or Directors shall be subject to the prior approval of the members in general meeting. However, no Director shall participate in any issue of shares or option to be granted unless the members in general meeting shall have approved the specific amount of shares to be issued or the amount of shares which are the subject of the option to be granted to such Director and the terms of such issue or option;

Clause 13.1.4

a director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or a public issue.

Clause 14 – Issuance of preference shares

Clause 14.1

Subject to the Applicable Laws, preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed on such terms and in such manner as shall be provided in this Constitution at the time such preference shares are issued.

Clause 14.2

The Company shall have the power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

<u>Clause 15 – Repayment of preference capital and modification of rights of preference shareholders</u>

Clause 15.1

The repayment of preference share capital other than redeemable preference capital or any other alteration of preference shareholder's rights, may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from not less than 75% of the total voting rights of the preference shareholders within 2 months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

<u>Clause 16 - Issuance of securities, and crediting securities after Exchange filing</u>

Clause 16.1

The Company must ensure that all new issues of securities for which listing is sought are made by way of crediting the securities accounts of the allottees with such securities save and except where they are specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event they shall so similarly be exempted from compliance with this provision. For this purpose, the Company must notify the Bursa Depository of the names of the allottees and all such particulars required by the Bursa Depository, to enable the Bursa Depository to make the appropriate entries in the securities accounts of such allottees. The Company must not cause or authorise its share registrar(s) to cause the securities accounts of the allottees to be credited with the additional securities until after the Company has filed with the Exchange an application for listing of such additional securities and has been notified by the Exchange that they have been authorised for listing.

<u>Clause 17 – Commission (includes brokerage) on subscription of shares</u>

Clause 17.1

The Company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscription, whether absolute or conditional, for any shares in the Company provided that the rate percent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Applicable Laws shall not exceed 10% of the price at which such shares are issued, or an amount equivalent to such percentage and that the requirements of Section 80 of the Act shall be observed. Subject to the provisions of Section 78 of the Act, such commission may be satisfied by the payment of cash or the allotment of fully paid shares or partly paid shares or by a combination of any of the aforesaid methods of payment. The Company may also on any issue of shares pay such brokerage as may be lawful.

Clause 18 – Interest on share capital during construction

Clause 18.1

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up for the period subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to share capital as part of the cost of construction of the works or buildings or the provision of the plant.

Clause 19 – Trust not to be recognised

Clause 19.1

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or unit of share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share except in an absolute right to the entirety thereof in the registered holder.

Clause 20 – Modification of class rights

Clause 20.1

Subject to the Applicable Laws, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a separate meeting of the shareholders of that class. Where necessary majority of such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than 75% of the total voting rights of the shareholders of that class within 2 months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least 2 persons who are shareholders present in person or represented by proxy holding at least 1/3 of the number of issued shares of the class, excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll. For adjourned meeting, quorum is one person present holding shares of such class. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.

Clause 21 – Alteration of class rights by issuance of new shares

Clause 21.1

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith.

Clause 22 - Conversion to be at general meeting

Clause 22.1

The Company may by ordinary resolution passed at a general meeting convert any paid-up shares into stock or re-convert any stock into paid-up shares of any denomination.

Clause 23 – Transfer of stock

Clause 23.1

The stockholders may transfer the same or any part thereof in the same manner and subject to the same in this Constitution as the transfer of shares from which the stock arose might, before the conversion have been transferred or be transferred in the closest manner as the circumstances allow; but the Board may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum.

Clause 24 – Participation of stockholders

Clause 24.1

The stockholders shall, according to the amount of the stock held by them, have the same rights, privileges and advantages with regard to dividends, voting at general meetings of the Company and other matters as if they held the shares from which the stock arose, but no such right, privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding-up) shall be conferred by any such aliquot part of stock which would not, if existing in shares, have conferred that right, privilege or advantage.

Clause 25 – Provisions applicable to shares shall apply to stock

Clause 25.1

All such provisions of this Constitution as applicable to paid-up shares shall apply to stock and in all such provisions, the words "share" shall include "stock" and the words "shareholder" and "member" shall include "stockholder".

15.3.2 Borrowing and voting powers of Directors

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:

Clause 95 – Directors' borrowing powers

Clause 95.1

Subject to the Applicable Laws, the Directors may from time to time at their discretion raise or borrow for the purpose of the Company such sums of money as they think proper and may also raise or secure the payment of such money in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of debentures or debenture stock of the Company, charged upon all or any part of the property of the Company (both present and future) including uncalled capital, or by means of charges, mortgages, bonds and dispositions in security or bonds or cash deposit, with or without power of sale, and upon such other terms and conditions as the Directors shall think fit.

Clause 110 – Disclosures of interest and restriction on discussion and voting

Clause 110.1

Every Director shall comply with the provisions of the Applicable Laws in connection with the disclosure of his interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property and in connection with the disclosure of his interest in the shareholdings and other securities of the Company, whereby whether directly or indirectly, the duties or interests might be in conflict with his duties or interests as Director of the Company. A Director shall not participate in the deliberations and voting in respect of any contract or proposed contract or arrangement in which he is directly or indirectly interested (and if he shall do so his vote shall not be counted).

Clause 110.2

Subject to the Applicable Laws and this Constitution, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, an interest (and if he shall do so his vote shall not be counted) nor shall his vote be counted for the purpose of any resolution regarding the same.

Clause 110.3

A Director may vote in respect of any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by a deposit of a security.

Clause 110.4

A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement which he is in any way interested provided always that he has complied with Section 221 and all other relevant provisions of the Act and this Constitution.

15.3.3 Remuneration of Directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

Clause 93 - Directors' remuneration and reimbursement of expenses

Clause 93.1

Subject to the Applicable Laws, the fees of the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting, and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled to rank in such division for a proportion of the fees related to the period during which the Director has held office PROVIDED ALWAYS that:

Clause 93.1.1

salaries payable to executive Director(s) may not include a commission on or percentage of turnover;

Clause 93.1.2

fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;

Clause 93.1.3

fees of directors, and any benefits payable to directors shall be subject to annual shareholders' approval at a general meeting; and

Clause 93.1.4

any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 93.2

The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Board or of any committee of the Directors or meetings of members or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

Clause 93.3

If by arrangement with the Directors, any Director shall perform or render any special duties or service's outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

15.3.4 Transfer of Shares

The provisions in our Constitution dealing with transfer of Shares are as follows:

Clause 51 – Transfer of deposited securities

Clause 51.1

The transfer of any deposited securities (as defined in the Central Depositories Act) or class of deposited securities of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 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.

Clause 52 – Depository's right to refuse transfer

Clause 52.1

The Depository may, in its absolute discretion, refuse to register any transfers of deposited securities that do not comply with the Central Depositories Act and the Rules.

Clause 53 - Company and Directors not liable if transfer of securities inoperative due to fraud

Clause 53.1

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of deposited securities although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the deposited securities proposed or professed to be transferred, and although the transfer may, as between the transferor and the transferee, be liable to be set aside. In every such case, the person registered as transferee, his executors, administrators and assignees, subject to compliance with the Applicable Laws, alone shall be entitled to be recognised as the holder of such deposited securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Clause 54 – Suspension of registration of transfers

Clause 54.1

Subject to the Applicable Laws, registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine but no part of the register of members shall be closed for more than 30 days in the aggregate in any calendar year.

Clause 55 – Transfer of non-deposited securities

Clause 55.1

The transfer of non-deposited securities (as defined in the Central Depositories Act) shall be in accordance with the Act.

15.4 GENERAL INFORMATION

(a) Save for the dividends paid to our shareholders as disclosed in Sections 2.11 and 12.16, the Directors' remuneration as disclosed in Section 5.2.4, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoters, Directors or substantial shareholders.

(b) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders has any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 16.

(d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.5 CONSENTS

(a) The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;

(b) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and

(c) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

15.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

(a) Constitution;

(b) Audited financial statements of SHG for FYE 2020 to 2023;

(c) Accountants' Report as set out in Section 13;

(d) Reporting Accountants' Report relating to our pro forma combined financial information as set out in Section 14;

(e) IMR Report as set out in Section 8;

(f) Material contracts as set out in Section 6.5; and

(g) Letters of consent as set out in Section 15.5.

15.7 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities 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.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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 PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE 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 PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 8 September 2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 27 September 2023

In the event of any changes to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia, and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application must accord with our 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 our eligible Directors, employees and persons who have contributed to the success of our Group	Pink Application Form only
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

16.2.2 Placement

Types of Application	Application Method
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
Applications by Bumiputera investors approved by 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 the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic 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 100 IPO SHARES OR MULTIPLES OF 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 Application by Malaysian Public

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

(a) You must be one of the following:

  (i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(ii) 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

(iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(c) You must submit Applications by using only one of the following methods:

(i) White Application Form; or

(ii) Electronic Share Application; or

(iii) Internet Share Application.

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

16.4 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 RM0.25 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 747"** 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 of the following methods:

(a) 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
8, Jalan Kerinchi
59200 Kuala Lumpur

(b) **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 27 September 2023 or by such other time and date specified in any change to the date or time for closing.

We, together with the 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 Form to the Issuing House.

16.5 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 (at selected branches only). 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 Electronic Participating Financial Institutions.

16.6 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, 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 THE ISSUING HOUSE

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

(a) reject Applications which:

(i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

(ii) are illegible, incomplete or inaccurate; or

(iii) are accompanied by an improperly drawn up or improper form of remittance; or

(b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(c) 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 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the 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 shares and the balloting results in connection therewith will be furnished by our Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website at https://tiih.online within one market day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's enlarged 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 the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all 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, any of the abovementioned IPO Shares not applied for will then be subscribed by the Sole 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

(a) 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.

(b) 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.

(c) 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 the Issuing House as per items (a) and (b) above (as the case may be).

(d) The 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 ordinary/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 (b) above (as the case may be).

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

(a) 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 Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(b) You may check your account on the 5th Market Day from the balloting date.

(c) 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 the 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 Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

(a) Our IPO Shares allotted to you will be credited into your CDS Account.

(b) 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.

(c) In accordance with Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO 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 Central Depositories Act and Depository Rules.

(d) In accordance with Section 29 of the Central Depositories Act, all dealings in our 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 Telephone at 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 Market Day** after the balloting date.

You may also check the status of your Application at the above website, **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 Prospectus on the website of Bursa Securities.

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