

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021

PART B – EXPLNATORY NOTES PERSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Performance Review

(a) Results for current quarter

	Individual Quarter		Changes	
	Unaudited Current Year Quarter 31.12.2021 RM'000	Unaudited Preceding Year Corresponding Quarter 31.12.2020 RM'000	RM'000	%
Revenue	28,137	24,712	3,425	13.86
Profit before tax	5,251	3,192	2,059	64.51

The Group's revenue for the current financial quarter ended 31 December 2021 increased by approximately RM3.43 million or 13.86% to approximately RM28.14 million as compared to RM24.71 million in the preceding year corresponding quarter ended 31 December 2020. The increase was mainly due to higher sales revenue from Asia and Malaysia.

The Group's profit before tax for the current financial quarter ended 31 December 2021 increased by approximately RM2.06 million or 64.51% from RM3.19 million in the preceding financial corresponding quarter ended 31 December 2020 to RM5.25 million. The increase in profit before tax was mainly attributable to higher sales volume and strengthening of the USD against the RM whereby a majority of the Group's sales are denominated in USD.

(b) Results for financial year-to-date

	Cumulative Quarter		Changes	
	Unaudited Current Year To Date 31.12.2021 RM'000	Audited Preceding Year Corresponding Year To Date 31.12.2020 RM'000	RM'000	%
Revenue	70,115	76,404	(6,289)	(8.23)
Profit before tax	10,001	9,656	345	3.57

The Group's revenue for the financial year ended 31 December 2021 decreased by approximately RM6.29 million or 8.23% to approximately RM70.12 million as compared to RM76.40 million in the preceding corresponding financial year ended 31 December 2020. The lower revenue was mainly due to the implementation of Full Movement Control Order ("FMCO") effective from 1 June 2021 and subsequently the Phase One of Movement Control under the National Recovery Plan ("Phase One of NRP"). During this period, the Group's manufacturing activities were temporarily suspended from 1 June 2021 and was

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only been able to operate at full capacity from 20 September 2021, after fulfilment of the vaccination requirement.

The Group's profit before tax for the financial year ended 31 December 2021 increased by approximately RM0.35 million or 3.57% from RM9.66 million in the preceding corresponding financial year ended 31 December 2020 to RM10.00 million. The improvement in profit before tax was mainly due to strengthening of the USD against the RM during the financial year ended 31 December 2021 which contributed to the increase in realised gain in foreign exchange as well as reduction of listing expenses from approximately RM1.11 million in the previous year to approximately RM0.81 million in the current financial year.

B2 Comparison with Immediate Preceding Quarter Results

	Individual Quarter		Changes	
	Unaudited Current Quarter 31.12.2021 RM'000	Unaudited Preceding Quarter 30.09.2021 RM'000	RM'000	%
Revenue	28,137	1,315	26,822	2,039.70
Profit/(Loss) before tax	5,251	(1,155)	6,406	554.63

The Group's revenue for the current financial quarter ended 31 December 2021 increased by approximately RM26.82 million to approximately RM28.14 million as compared to RM1.32 million in the preceding financial quarter ended 30 September 2021. With the resumption of full operational capacity on 20 September 2021 followed by the Group's key focus on structuring an optimized and efficient production environment, the Group managed to achieve higher revenue of RM28.14 million in the current financial quarter.

The Group recorded a profit before tax of approximately RM5.25 million for the current financial quarter ended 31 December 2021 as compared to a loss before tax of approximately RM1.16 million in the preceding financial quarter ended 30 September 2021. The improvement in profit before tax was mainly attributable to the higher revenue contribution in the current financial quarter under review.

B3 Prospect for the Current Financial Year

The Group operates within the furniture manufacturing industry in Malaysia and derives more than half of its revenue overseas. With the ongoing Covid-19 pandemic, the Group is exposed to risks such as disruptions to supply chains and unfavorable foreign exchange fluctuations which may impact the Group's revenue and production costs.

In view of the above, the Group will continue to place efforts on monitoring its business and financial performance closely. Operationally, the Group will endeavor to maintain a stable supply chain as well ensuring the safety and health of its employees so as to ensure smooth manufacturing operations.

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The Group will also continue its marketing efforts to expand customer base and export markets, design and development efforts to expand range of home furniture. The Group has also commenced the construction of its factory Block B and C (Phase 2) which are expected to increase the Group's production capacity as well as construction of office and showroom (Phase 1B) to set up showroom and designed D&D centre upon completion. The Group has also placed orders for new machineries which are expected to support business growth and expansion in the long term.

As various countries start to reopen their borders and the global economy is expected to gradually pick up in 2022, the Board is cautiously optimistic of its prospects for the financial year ending 31 December 2022.

B4 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast or profit guarantee in the current financial quarter under review.

B5 Tax Expense

	Individual Quarter		Cumulative Quarter	
	Unaudited 31.12.2021 RM'000	Unaudited 31.12.2020 RM'000	Unaudited 31.12.2021 RM'000	Audited 31.12.2020 RM'000
Current tax expense:				
Current financial period/ year	664	419	1,821	819
(Overprovision) in prior year	-	-	(78)	(290)
	<u>664</u>	<u>419</u>	<u>1,743</u>	<u>529</u>
Deferred tax expense:				
Origination of temporary differences	223	(126)	223	491
(Overprovision) in prior year	-	-	-	(19)
Total tax expense	<u>887</u>	<u>293</u>	<u>1,966</u>	<u>1,001</u>
Effective tax rate ⁽¹⁾	16.89%	9.18%	19.66%	10.37%

Note:

(1) The Group's effective tax rate for the current financial quarter and financial year-to-date are lower than the statutory tax rate of 24% primarily due to utilisation of reinvestment allowance.

B6 Status of Corporate Proposals

There is no other corporate proposal announced but not implemented as at the date of this report.