

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED
31 MARCH 2022**
**PART B – EXPLNATORY NOTES PERSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**
B1 Group Performance Review
(a) Results for current quarter and financial year-to-date

	<u>Individual Quarter</u>				<u>Cumulative Quarter</u>			
	Unaudited Current Year Quarter 31.03.2022 RM'000	Unaudited Preceding Year Corresponding Quarter 31.03.2021 RM'000	Changes		Unaudited Current Year To Date 31.03.2022 RM'000	Unaudited Preceding Year Corresponding Year To Date 31.03.2021 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	25,701	25,926	(225)	(0.87)	25,701	25,926	(225)	(0.87)
Profit before tax	4,881	3,739	1,142	30.54	4,881	3,739	1,142	30.54

The Group's revenue for the current financial quarter ended 31 March 2022 decreased slightly by approximately RM0.23 million or 0.87% to approximately RM25.70 million as compared to RM25.93 million in the preceding year corresponding quarter ended 31 March 2021. The decrease was mainly due to lower revenue contribution from America.

The Group's profit before tax for the current financial quarter ended 31 March 2022 increased by approximately RM1.14 million or 30.54% from RM3.74 million in the preceding financial corresponding quarter ended 31 March 2021 to RM4.88 million. The increase in profit before tax was mainly attributable to the reduction of listing expenses from approximately RM0.81 million in the preceding year corresponding quarter ended 31 March 2021 to approximately RM0.08 million in the current year quarter ended 31 March 2022 as well as strengthening of the USD against the RM whereby a majority of the Group's sales are denominated in USD.

B2 Comparison with Immediate Preceding Quarter Results

	<u>Individual Quarter</u>		<u>Changes</u>	
	Unaudited Current Quarter 31.03.2022 RM'000	Unaudited Preceding Quarter 31.12.2021 RM'000	RM'000	%
Revenue	25,701	28,137	(2,436)	(8.66)
Profit before tax	4,881	5,251	(370)	(7.05)

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The Group's revenue for the current financial quarter ended 31 March 2022 decreased by approximately RM2.44 million or 8.66% to approximately RM25.70 million as compared to RM28.14 million in the preceding financial quarter ended 31 December 2021. The decrease was mainly due to lower revenue contribution from Malaysia.

The Group's profit before tax for the current financial quarter ended 31 March 2022 decreased by approximately RM0.37 million or 7.05% to RM4.88 million as compared to RM5.25 million in the preceding financial quarter ended 31 December 2021. The reduction in profit before tax was mainly attributable to the lower 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. As such, the Group is exposed to risks such as disruptions to supply chains and unfavorable foreign exchange fluctuations arising from various factors including the COVID-19 pandemic and the global inflation issues and these risks 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.

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.

Taking the above into consideration, 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.

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B5 Tax Expense

	Individual Quarter		Cumulative Quarter	
	Unaudited 31.03.2022 RM'000	Unaudited 31.03.2021 RM'000	Unaudited 31.03.2022 RM'000	Unaudited 31.03.2021 RM'000
Current tax expense:				
Current financial period	1,098	833	1,098	833
(Over)/Under provision in previous financial year	-	-	-	-
	<u>1,098</u>	<u>833</u>	<u>1,098</u>	<u>833</u>
Deferred tax expense:				
Origination of temporary differences	-	-	-	-
Under provision in previous financial year	300	-	300	-
Total tax expense	<u>1,398</u>	<u>833</u>	<u>1,398</u>	<u>833</u>
Effective tax rate ⁽¹⁾	28.64%	22.28%	28.64%	22.28%

Note:

- (1) The Group's effective tax rate for the current financial quarter and financial year-to-date are higher than the statutory tax rate of 24% primarily due to under provision of deferred tax expenses in previous financial year.

B6 Status of Corporate Proposals

On 18 March 2022, the Company had entered into a conditional Sales of Shares Agreement with Tay Ah Hwa, Samin Bin Laham and Tay Khee Siah for the acquisition of the entire equity interest of H & S Usaha Jati Sdn. Bhd. for a total cash consideration of RM9.25 million. The proposed acquisition will enable the Group to secure a piece of freehold land held under GRN 90003, Lot 1145, Mukim Parit Bakar, Muar, Johor measuring approximately 4.4894 hectares which is located within 0.7km from the Group's existing manufacturing plant in Muar, Johor. As at the date of this report, the proposed acquisition has not yet been completed and is expected to be completed by the third quarter of year 2022.

Save as disclosed above, there is no other corporate proposal announced but not implemented as at the date of this report.