

## 11. FINANCIAL INFORMATION

### 11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia on 11 November 2020 under the Act as a private limited company. Our Company was subsequently converted to a public limited company on 15 December 2020. Our historical financial information throughout FYE 2018 to 2020, as well as FPE 2021 has been prepared in accordance with MFRS and IFRS.

Our audited combined financial statements for FYE 2018 to 2020 and FPE 2021 under review were not subject to any audit qualifications. Additionally, the unaudited combined financial statements for FPE 2020 have been prepared for comparison purpose only. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results or cash flows.

#### 11.1.1 Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for FYE 2018 to 2020 and FPE 2020 to 2021. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

	Audited			Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FPE	FPE
	RM'000	RM'000	RM'000	2020	2021
			RM'000	RM'000	
Revenue	9,670	24,141	42,398	19,801	19,919
Cost of sales	(7,363)	(17,379)	(29,544)	(13,312)	(13,240)
GP	2,307	6,762	12,854	6,489	6,679
Other income	1	214	518	347	192
Selling and distribution expenses	(548)	(878)	(1,575)	(785)	(536)
Administrative expenses	(1,284)	(2,369)	(4,474)	(1,944)	(1,758)
Other expenses	(34)	(66)	(246)	(106)	(101)
<b>Profit from operations</b>	<b>442</b>	<b>3,663</b>	<b>7,077</b>	<b>4,001</b>	<b>4,476</b>
Finance costs	(25)	(129)	(435)	(195)	(163)
PBT	<b>417</b>	<b>3,534</b>	<b>6,642</b>	<b>3,806</b>	<b>4,313</b>
Tax expense	(213)	(193)	(815)	(517)	(461)
<b>PAT</b>	<b>204</b>	<b>3,341</b>	<b>5,827</b>	<b>3,289</b>	<b>3,852</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	<b>204</b>	<b>3,341</b>	<b>5,827</b>	<b>3,289</b>	<b>3,852</b>
EBIT <sup>(1)</sup>	441	3,656	6,985	3,910	4,432
EBITDA <sup>(1)</sup>	884	4,298	8,319	4,611	5,123
GP margin (%)	23.9	28.0	30.3	32.8	33.5
PBT margin (%)	4.3	14.6	15.7	19.2	21.7
PAT margin (%)	2.1	13.8	13.7	16.6	19.3
Effective tax rate (%)	51.1	5.5	12.3	13.6	10.7
EPS (sen) <sup>(2)</sup>	0.07	1.11	1.94	1.09	1.28
Diluted EPS (sen) <sup>(3)</sup>	0.06	0.95	1.66	0.94	1.10

**11. FINANCIAL INFORMATION (Cont'd)****Notes:**

(1) EBIT and EBITDA are calculated as follows:

	Audited			Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FPE 2020	FPE 2021
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	204	3,341	5,827	3,289	3,852
Less:					
Interest income	(1)	(7)	(92)	(31)	(44)
Unrealised gain on forex exchange	-	-	-	(60)	-
Add:					
Finance costs	25	129	435	195	163
Taxation	213	193	815	517	461
<b>EBIT</b>	<b>441</b>	<b>3,656</b>	<b>6,985</b>	<b>3,910</b>	<b>4,432</b>
Add:					
Depreciation and amortisation	425	589	1,132	607	645
Fair value loss/(gain) on derivative	-	-	134	94	(46)
Unrealised loss on forex exchange	18	53	68	-	92
<b>EBITDA</b>	<b>884</b>	<b>4,298</b>	<b>8,319</b>	<b>4,611</b>	<b>5,123</b>

(2) Calculated based on our PAT divided by the share capital of 301,000,000 Shares upon Acquisition.

(3) Calculated based on our PAT divided by the enlarged share capital of 350,000,000 Shares after our IPO.

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**11. FINANCIAL INFORMATION (Cont'd)****11.1.2 Historical combined statements of financial position**

The following table sets out our combined statements of financial position as at 28/29 February 2018, 2019, 2020 as well as 31 August 2020 and 2021. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

We have adopted MFRS 16 Leases and applied this standard retrospectively in FYE 2018. Right-of-use assets and lease liabilities are recognised in the combined statements of financial position as at 28 February 2018 upon adoption of MFRS 16.

	Audited			Unaudited	Audited
	As at 28/29 February			As at 31 August	
	2018	2019	2020	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	1,346	2,447	4,031	3,538	4,959
Prepaid lease payment	-	-	5,096	-	6,037
Right-of-use assets	483	2,705	4,009	3,827	4,574
<b>Total non-current assets</b>	<b>1,829</b>	<b>5,152</b>	<b>13,136</b>	<b>7,365</b>	<b>15,570</b>
<b>Current assets</b>					
Inventories	2,047	3,729	4,176	5,435	5,800
Trade receivables	954	1,940	1,392	846	2,225
Other receivables, deposits and prepayments	271	411	881	2,554	773
Current tax assets	-	58	-	-	56
Fixed deposit with licensed banks	-	1,300	2,335	1,000	1,341
Cash and bank balances	260	2,540	5,795	5,273	7,534
<b>Total current assets</b>	<b>3,532</b>	<b>9,978</b>	<b>14,579</b>	<b>15,108</b>	<b>17,729</b>
<b>TOTAL ASSETS</b>	<b>5,361</b>	<b>15,130</b>	<b>27,715</b>	<b>22,473</b>	<b>33,299</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital	400	700	1,500	1,500	3,926
Share application money	-	-	2,188	-	-
(Accumulated losses) / Retained earnings	(386)	1,555	4,782	4,844	5,396
<b>TOTAL EQUITY</b>	<b>14</b>	<b>2,255</b>	<b>8,470</b>	<b>6,344</b>	<b>9,322</b>
<b>Non-current liabilities</b>					
Bank borrowings	-	1,165	4,023	1,022	5,269
Lease liabilities	347	1,799	2,326	2,563	2,579
Deferred tax liabilities	-	166	503	433	707
<b>Total non-current liabilities</b>	<b>347</b>	<b>3,130</b>	<b>6,852</b>	<b>4,018</b>	<b>8,555</b>

## 11. FINANCIAL INFORMATION (Cont'd)

	Audited			Unaudited	Audited
	As at 28/29 February			As at 31 August	
	2018	2019	2020	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Current liabilities</b>					
Trade payables	1,604	3,134	4,043	4,417	5,793
Other payables and accruals	811	1,501	2,651	2,111	4,441
Amount owing to directors <sup>(1)</sup>	2,443	1,683	2,024	2,224	2,004
Bank borrowings	-	1,274	2,504	2,245	1,807
Dividend payables	-	1,400	-	-	-
Derivative liabilities	-	-	134	-	88
Lease liabilities	142	753	1,027	1,005	1,289
Current tax liabilities	-	-	10	109	-
<b>Total current liabilities</b>	<b>5,000</b>	<b>9,745</b>	<b>12,393</b>	<b>12,111</b>	<b>15,422</b>
<b>TOTAL LIABILITIES</b>	<b>5,347</b>	<b>12,875</b>	<b>19,245</b>	<b>16,129</b>	<b>23,977</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,361</b>	<b>15,130</b>	<b>27,715</b>	<b>22,473</b>	<b>33,299</b>

**Note:**

<sup>(1)</sup> The amount owing to directors was fully repaid after FPE 2021.

### 11.1.3 Historical combined statements of cash flows

The following table sets out our combined statements of cash flows for FYE 2018 to 2020 and FPE 2020 to 2021. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

	Audited			Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FPE 2020	FPE 2021
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cash Flow from Operating Activities</b>					
PBT	417	3,534	6,642	3,806	4,313
Adjustments for:					
Bad debt written off	-	-	24	-	-
Depreciation of property, plant and equipment	164	217	425	173	227
Depreciation of right-of-use asset	261	372	707	434	418
Fair value loss/ (gain) on derivative	-	-	134	94	(46)
Gain on reassessment and modification of leases	-	(1)	-	-	-
Property, plant and equipment written off	-	-	1	-	-
Unrealised loss/(gain) on foreign exchange	18	53	68	(60)	92
Interests on lease liabilities	25	82	179	82	73
Interest expense	-	47	256	113	90
Interest income	(1)	(7)	(92)	(31)	(44)

**11. FINANCIAL INFORMATION (Cont'd)**

	Audited			Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FPE	FPE
	RM'000	RM'000	RM'000	2020	2021
			RM'000	RM'000	
<b>Operating profit before working capital changes</b>	884	4,297	8,344	4,611	5,123
Inventories	(1,231)	(1,682)	(447)	(1,706)	(1,624)
Trade receivables	(423)	(986)	524	1,094	(833)
Other receivables, deposits and prepayments	(124)	(140)	(470)	(2,143)	108
Trade payables	1,051	1,530	909	1,283	1,750
Other payables and accruals	565	690	798	516	1,790
Amount owing to directors	(158)	(760)	341	541	(20)
<b>Cash from operations</b>	564	2,949	9,999	4,196	6,294
Interest paid	(25)	(129)	(435)	(195)	(163)
Interest received	1	7	92	31	44
Tax paid	-	(85)	(472)	(83)	(323)
Tax refund	-	-	62	-	-
<b>Net cash from operating activities</b>	540	2,742	9,246	3,949	5,852
<b>Cash Flow for Investing Activities</b>					
Addition of right-of-use assets	(6)	(127)	(227)	(109)	-
Additions to prepaid lease payments	-	-	(4,744)	-	(941)
Purchase of property, plant and equipment	(83)	(1,318)	(2,010)	(1,264)	(1,155)
<b>Net cash for investing activities</b>	(89)	(1,445)	(6,981)	(1,373)	(2,096)
<b>Cash Flow from/(for) Financing Activities</b>					
Proceeds from issuance of new ordinary shares	-	300	800	800	-
Proceeds from shares application money	-	-	2,188	-	-
Dividends paid	-	-	(4,000)	(1,400)	(3,000)
Drawdown of term loans	-	1,500	3,163	-	1,353
Net (increase)/decrease in fixed deposits pledged	-	(1,300)	265	300	-
(Placement)/withdrawal of fixed deposits with tenure of more than 3 months	-	-	(1,300)	-	994
Net movement in bankers' acceptances	-	1,012	1,188	955	(702)
Repayment of lease liabilities	(248)	(403)	(983)	(431)	(468)
Repayment of term loans	-	(73)	(263)	(127)	(102)
<b>Net cash from/(for) financing activities</b>	(248)	1,036	1,058	97	(1,925)

**11. FINANCIAL INFORMATION (Cont'd)**

	Audited			Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FPE	FPE
	RM'000	RM'000	RM'000	2020	2021
			RM'000	RM'000	
<b>Net increase in cash and cash equivalents</b>	203	2,333	3,323	2,673	1,831
Effect of foreign exchange translation	(18)	(53)	(68)	60	(92)
Cash and cash equivalents at the beginning of the financial year	75	260	2,540	2,540	5,795
<b>Cash and cash equivalents at the end of the financial year</b>	260	2,540	5,795	5,273	7,534
<b>Cash and cash equivalents consist of:</b>					
Fixed deposit with licensed banks	-	1,300	2,335	1,000	1,341
Cash and bank balance	260	2,540	5,795	5,273	7,534
	260	3,840	8,130	6,273	8,875
Less : fixed deposit pledged with licensed bank	-	(1,300)	(1,035)	(1,000)	(1,035)
Less: fixed deposit with tenure of more than 3 months	-	-	(1,300)	-	(306)
	260	2,540	5,795	5,273	7,534

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**11. FINANCIAL INFORMATION (Cont'd)****11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and segmental analysis of our combined financial information for FYE 2018 to FYE 2020 and FPE 2021 should be read in conjunction with the Accountant's Report as set out in Section 12.

**11.2.1 Overview of our operations**

Our Group is principally involved in the manufacturing of ready-to-assemble furniture products, where we undertake the design and development, production as well as marketing and sales of living room furniture, bedroom furniture as well as other types of furniture.

Our Group's revenue is derived from sales of ready-to-assemble furniture products which consist of:

- (a) living room furniture such as console tables, coffee tables, multi-function cabinets, shoe cabinets, side tables and television cabinets;
- (b) bedroom furniture such as bed frames, book shelves, dressing tables, drawer chests, night stands, wardrobes and writing tables; and
- (c) other furniture such as bar and wine cabinets, dining tables and kitchen cabinets.

Our revenue is generated from local and overseas sales, and the currencies used in invoicing are RM and USD. Approximately 54.9%, 24.0%, 15.4%, 16.5% and 17.1% of our revenues were denominated in RM for FYE 2018 to 2020 and FPE 2020 to 2021 respectively, with the remainder denominated in USD.

The significant factors affecting our business include the following:

**(a) Fluctuation of foreign exchange rate**

Our revenue is denominated in RM and USD. All our exports are denominated in USD except for sales to a Singapore customer are denominated in RM. Our export market comprises among others, countries in Europe, Asia, North America, Australasia, Africa and South America. On the other hand, most of our domestic sales are denominated in RM except for sales to several domestic customers who are exporters.

Any significant change in foreign exchange rates may affect our Group's financial results. For FYE 2018 to 2020 and FPE 2020 to 2021, approximately 45.1%, 76.0%, 84.6%, 83.5% and 82.9% of our revenues were denominated in USD.

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue										
• in RM	5,306	54.9	5,790	24.0	6,510	15.4	3,260	16.5	3,407	17.1
• in USD	4,364	45.1	18,351	76.0	35,888	84.6	16,541	83.5	16,512	82.9
	9,670	100.0	24,141	100.0	42,398	100.0	19,801	100.0	19,919	100.0

**11. FINANCIAL INFORMATION (Cont'd)**

Any appreciation or depreciation of the USD against RM will affect our revenue. The weighted average exchange rate ("WAFEX") for USD:RM over FYE 2018 to 2019, FPE 2020 and FPE 2021, is as follows:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2020</b>	<b>FPE 2021</b>
WAFEX (USD:RM)	4.13	4.01	4.10	4.09	4.23

We maintain foreign currency accounts to receive sales proceeds in USD. We also enter into foreign currency forward exchange contracts with banking institutions to sell our USD proceeds at agreed exchange rates for fixed periods of time to reduce the exposure of our receivables. In addition, we also mitigate foreign exchange risk through natural hedging of our foreign currency accounts where we use our USD proceeds to pay for our USD purchases of boards.

Notwithstanding the above, there is no assurance that any fluctuation in foreign exchange rates would not have an impact on our financial performance.

**(b) Dependency on foreign production workers**

As a result of the shortage of local workers in Malaysia, we are dependent on foreign workers from Bangladesh and Myanmar. As at LPD, we have 68 foreign workers, representing approximately 50.7% of our employees. We are therefore vulnerable to changes in the availability and costs of employing foreign workers.

We have obtained 1-year working permits for our foreign workers, which are renewable annually. As at LPD, we have not experienced any shortage in foreign workers which has resulted in major disruption to our production.

**(c) Fluctuation in the prices of raw materials**

Our main raw materials are particle boards and MDF. The prices of these raw materials may fluctuate due to demand and supply conditions. As such, any shortage or disruption in the supply of raw materials which results in price fluctuation may adversely affect both our Group's operations and financial performance.

Nonetheless, most of our raw material purchases are only made upon receipt of confirmed orders from our customers, and this minimises the impact of any adverse price fluctuations in our main raw materials. Our suppliers regularly keep us abreast of the supply conditions and price trends of our main raw materials so we may be prepared for any price increase.

**(d) Competition risk**

Our Group faces competition from both existing and new players locally and from foreign countries with lower cost of production particularly labour cost, such as Indonesia, Vietnam, Thailand and China. Intense competition from these countries may result in loss of customers or erosion of our profit margins.

We believe that our Group would be able to stay competitive due to our strengths as outlined in Section 6.8. In addition, we are committed to continuously improve the quality of our furniture products. As part of our business strategies, we will continue to focus on our design and development efforts to develop new furniture product designs.



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**11. FINANCIAL INFORMATION (Cont'd)**

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**(e) We do not have long term agreements with our major customers**

We have not entered into any long term agreements with our customers as we produce our furniture products based on purchase orders. Thus, we place emphasis in developing long term business relationships with our customers as we believe this will ensure our business continuity and growth.

As at LPD, we have established business relationships of approximately 3 years with Birlea Furniture Ltd and Noble House Home Furnishings LLC who are our major customers.

There is no assurance that the absence of long term agreements with our major customers will not affect our business and financial performance.

**(f) Interruptions in our operations**

Our production could be disrupted or delayed due to unforeseeable circumstances. Risks which are inherent in the furniture industry include, amongst others, fire hazards and power shortage.

Any disruption at our production facilities will result in longer lead time to produce our furniture products. Consequently, this may lead to a delay in delivery to our customers. Such failure to meet delivery deadlines may result in the loss of business or claims against us, thereby affecting our financial performance and reputation.

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.2.2 Revenue

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods and customer acceptance, if any, when the significant risks and rewards of ownership of the goods have been transferred to the buyer, net of sales and service tax, returns, rebates and discounts.

#### (a) Revenue by product category

	Audited						Unaudited		Audited	
	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Living room furniture	6,739	69.7	15,222	63.1	29,420	69.4	14,212	71.8	14,970	75.1
Bedroom furniture	2,426	25.1	7,832	32.4	10,911	25.7	4,825	24.4	3,857	19.4
Other furniture	505	5.2	1,087	4.5	2,067	4.9	764	3.8	1,092	5.5
	9,670	100.0	24,141	100.0	42,398	100.0	19,801	100.0	19,919	100.0

#### (b) Sales volume by units

	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	'000	%	'000	%	'000	%	'000	%	'000	%
Living room furniture	47	70.1	102	63.7	211	73.3	101	77.1	118	81.4
Bedroom furniture	14	20.9	40	25.0	52	18.0	25	19.1	19	13.1
Other furniture	6	9.0	18	11.3	25	8.7	5	3.8	8	5.5
	67	100.0	160	100.0	288	100.0	131	100.0	145	100.0

**11. FINANCIAL INFORMATION (Cont'd)**

**(c) Revenue by countries/region**

Country/ Region <sup>(1)</sup>	Audited						Unaudited		Audited	
	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	5,037	52.1	5,620	23.3	6,406	15.1	3,157	15.9	3,406	17.1
<b>Foreign sales:</b>										
Asia, excluding Malaysia	1,121	11.6	5,650	23.4	19,178	45.2	9,383	47.4	7,422	37.2
Europe	2,410	24.9	10,233	42.4	10,302	24.3	4,953	25.0	2,914	14.6
North America	598	6.2	1,681	7.0	4,692	11.1	1,792	9.1	3,705	18.6
Australasia	372	3.8	285	1.2	1,126	2.7	253	1.3	1,744	8.8
Africa	132	1.4	401	1.7	475	1.1	263	1.3	728	3.7
South America	-	-	271	1.0	219	0.5	-	-	-	-
	9,670	100.0	24,141	100.0	42,398	100.0	19,801	100.0	19,919	100.0

**Note:**

(1) Categorised as follows:

Region	Countries
Asia, excluding Malaysia	Bahrain, Brunei Darussalam, Cyprus, India, Philippines, Saudi Arabia, Singapore, Republic of China (Taiwan), United Arab Emirates and Vietnam
Europe	Belgium, Germany, Greece, Spain and United Kingdom
North America	Canada, Mexico and USA
Australasia	Australia and New Zealand
Africa	Cameroon, Democratic Republic of the Congo, Ivory Coast, Kenya, Mali, Senegal, South Africa and Zambia
South America	Argentina and Chile

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**11. FINANCIAL INFORMATION (Cont'd)**

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**(d) Commentary on revenue**

Living room furniture was our largest contributor followed by bedroom furniture in terms of revenue and sales volume from FYE 2018 to 2020 and FPE 2021. Collectively, they accounted between 94.5% and 95.5% in terms of revenue and 88.7% and 94.5% in terms of sales volume for FYE 2018 to 2020 and FPE 2021.

**Comparison between FYE 2018 and FYE 2019**

Our revenue recorded an increase of RM14.5 million or 149.6% from RM9.7 million in FYE 2018 to RM24.1 million in FYE 2019. Total sales volume for the financial year increased by 93,000 units or 138.8%. Living room furniture and bedroom furniture contributed an aggregate of 95.5% of our Group's revenue for FYE 2019.

In terms of volume, living room furniture and bedroom furniture contributed an aggregate of 88.7% of total sales volume for FYE 2019. Sales volume for:

- (i) living room furniture increased by 55,000 units or 117.0% from 47,000 units in FYE 2018 to 102,000 units in FYE 2019; and
- (ii) bedroom furniture increased by 26,000 units or 185.7% from 14,000 units in FYE 2018 to 40,000 units in FYE 2019.

In FYE 2019, our revenue growth was a result of increase in sales mainly to 4 existing customers of RM6.5 million (from Europe and North America regions) as well as sales contribution from 3 new customers of RM4.3 million (from Europe and Asia (excluding Malaysia) regions).

**Comparison between FYE 2019 and FYE 2020**

Our revenue recorded an increase of RM18.3 million or 75.6% from RM24.1 million in FYE 2019 to RM42.4 million in FYE 2020. Total sales volume for the financial year increased by 128,000 units or 80.0%. Living room furniture and bedroom furniture contributed an aggregate of 95.1% of our Group's revenue for FYE 2020.

In terms of volume, living room furniture and bedroom furniture contributed an aggregate of 91.3% of total sales volume for FYE 2020 whereby sales volume for:

- (i) living room furniture increased by 109,000 units or 106.9% from 102,000 units in FYE 2019 to 211,000 units in FYE 2020;
- (ii) bedroom furniture increased by 12,000 units or 30.0% from 40,000 units in FYE 2019 to 52,000 units in FYE 2020; and

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**11. FINANCIAL INFORMATION (Cont'd)**

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(iii) other furniture increased by 7,000 units or 38.9% from 18,000 units in FYE 2019 to 25,000 units in FYE 2020.

In FYE 2020, our revenue growth was a result of increase in sales mainly to 4 existing major customers which contributed RM12.9 million (2 from Asia (excluding Malaysia), and 1 each from North America and Europe regions). We also secured 3 new customers in Middle East region and 1 from Malaysia which contributed an aggregate of RM3.4 million.

**Comparison between FPE 2020 and FPE 2021**

Our revenue recorded an increase of RM0.1 million or 0.6% from RM19.8 million in FPE 2020 to RM19.9 million in FPE 2021 despite temporary disruption to our production and shipping due to the COVID-19 pandemic. Living room furniture and bedroom furniture contributed an aggregate of 94.5% of our Group's revenue for FPE 2021.

In terms of volume, living room furniture and bedroom furniture contributed an aggregate of 94.5% of total sales volume for FPE 2021 whereby sales volume for:

- (i) living room furniture increased by 17,000 units or 16.8% from 101,000 units in FPE 2020 to 118,000 units in FPE 2021;
- (ii) bedroom furniture decreased by 6,000 units or 24.0% from 25,000 units in FPE 2020 to 19,000 units in FPE 2021; and
- (iii) other furniture increased by 3,000 units or 60.0% from 5,000 units in FPE 2020 to 8,000 units in FPE 2021.

Overall, our total sales volume for the financial period increased by 14,000 units or 10.7%. Despite such increase in sales volume, we recorded lower incremental percentage in revenue as compared to sales volume mainly due to higher sales of furniture of the lower price range.

In FPE 2021, we experienced highest sales growth in North America mainly from existing customers by RM1.7 million as sales grew from RM1.7 million to RM3.4 million. On the other hand, revenue from Asia (excluding Malaysia) as well as Europe recorded a decrease from RM14.3 million in FPE 2020 to RM10.3 million in FPE 2021 mainly due to lower sales orders and delay in the delivery of furniture products to customers who are located in countries where their borders or logistics hubs were closed or restricted due to the COVID-19 pandemic.

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**11. FINANCIAL INFORMATION (Cont'd)****11.2.3 Cost of sales, GP and GP margin****(a) Analysis of cost of sales by cost items**

The components of our cost of sales are as follows:

	Audited						Unaudited		Audited	
	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct materials	5,389	73.2	13,178	75.8	22,096	74.8	9,839	73.9	9,833	74.3
Production labour	1,366	18.5	3,045	17.5	5,397	18.3	2,575	19.3	2,452	18.5
Production overheads	608	8.3	1,156	6.7	2,051	6.9	898	6.8	955	7.2
	7,363	100.0	17,379	100.0	29,544	100.0	13,312	100.0	13,240	100.0

**(i) Direct materials**

Direct materials mainly consist of boards (particle boards and MDF), metal components (screws, nuts, metal parts and mounting brackets), PVC edges as well as packaging materials (corrugated cartons, polyfoam and packing tapes).

Direct materials were the largest component of our cost of sales, representing between 73.2% to 75.8% of our total cost of sales.

The increase in direct material costs from FYE 2018 to 2020 and FPE 2021 was in line with the increase in total revenue for the corresponding FYE/FPE; where the change in our sales volume was in tandem with the change in our direct material requirements, mainly particle boards and MDF.

**(ii) Production labour**

Production labour consists mainly of production related labour costs, which includes payroll, other related expenses such as transport allowance and staff welfare as well as subcontractor fees.

Our production labour represented between 17.5% to 19.3% of our total cost of sales from FYE 2018 to 2020 and FPE 2021. The change in our production labour costs was in tandem with the change in production headcount as well as increase in subcontracting costs, which were in line with the change in our sales volume.

**11. FINANCIAL INFORMATION (Cont'd)****(iii) Production overheads**

Our production overheads consist mainly of depreciation of production lines, water and electricity charges, rental of factory as well as repair and maintenance of machineries and factory.

Production overheads represented between 6.7% and 8.3% of our total cost of sales from FYE 2018 to 2020 and FPE 2021. Throughout FYE 2018 to FYE 2020, we recorded a year-on-year increase in our production overheads which was in line with the increase in sales volume. In FYE 2020, we recorded higher production overheads of RM2.1 million due to the increased production capacity in Factory A which resulted in higher machinery depreciation expenses and electricity usage.

**(b) Analysis of GP and GP margin by product category**

Our GP and GP margin from FYE 2018 to 2020 and FPE 2021 by product category is set out below:

	<b>Audited</b>						<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2018</b>		<b>FYE 2019</b>		<b>FYE 2020</b>		<b>FPE 2020</b>		<b>FPE 2021</b>	
	<b>GP</b>	<b>GP margin</b>	<b>GP</b>	<b>GP margin</b>	<b>GP</b>	<b>GP margin</b>	<b>GP</b>	<b>GP margin</b>	<b>GP</b>	<b>GP margin</b>
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Living room furniture	1,563	23.2	4,165	27.4	8,770	29.8	4,613	32.5	4,955	33.1
Bedroom furniture	616	25.4	2,280	29.1	3,473	31.8	1,596	33.1	1,310	34.0
Other furniture	128	25.5	317	29.2	611	29.6	280	36.6	414	37.8
	<b>2,307</b>	<b>23.9</b>	<b>6,762</b>	<b>28.0</b>	<b>12,854</b>	<b>30.3</b>	<b>6,489</b>	<b>32.8</b>	<b>6,679</b>	<b>33.5</b>

**(c) Commentary on cost of sales, GP and GP margin****Comparison between FYE 2018 and FYE 2019**

Our cost of sales increased by RM10.0 million or 136.0% from RM7.4 million in FYE 2018 to RM17.4 million in FYE 2019, in tandem with the increase in our total revenue of 149.6%.

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**11. FINANCIAL INFORMATION (Cont'd)**

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During the year, we recorded an increase in GP margin for all product categories due to economies of scale and lower cost of raw materials. In view of our higher volume requirements, we were able to source directly from board manufacturers as opposed to traders in FYE 2018 and this resulted in lower prices of raw materials due to higher purchase volume. Our overall GP margin improved from 23.9% in FYE 2018 to 28.0% in FYE 2019.

**Comparison between FYE 2019 and FYE 2020**

Our cost of sales increased by RM12.2 million or 70.0% from RM17.4 million in FYE 2019 to RM29.5 million in FYE 2020, in tandem with the increase in our total revenue of 75.6% in FYE 2020.

Our overall GP margin increased from 28.0% in FYE 2019 to 30.3% in FYE 2020 as we enjoyed favourable WAFEX of USD:RM at 4.10 compared to 4.01 in FYE 2019 as well as lower purchase price of board due to higher purchase volume.

**Comparison between FPE 2020 and FPE 2021**

Our cost of sales decreased by RM0.1 million or 0.5% from RM13.3 million in FPE 2020 to RM13.2 million in FPE 2021 even though our revenue increased by 0.6% in FPE 2021 due to favourable WAFEX of USD:RM at 4.23 compared to 4.09 in FPE 2020. As a result, we achieved slight improvement in our GP margin, which rose to 33.5% in FPE 2021 (32.8% in FPE 2020).

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**11. FINANCIAL INFORMATION (Cont'd)****11.2.4 Other income**

The breakdown of our other income is as follows:

	Audited						Unaudited		Audited	
	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Wage subsidy <sup>(1)</sup>	-	-	-	-	-	-	-	-	82	42.7
Net fair value gain on derivative	-	-	-	-	-	-	-	-	46	24.0
Interest income	1	100.0	7	3.3	92	17.8	31	8.9	44	22.9
Realised gain on foreign exchange	-	-	200	93.4	370	71.4	223	64.3	1	0.5
Unrealised gain on foreign exchange	-	-	-	-	-	-	60	17.3	-	-
Gain on reassessment & modification of lease	-	-	-	-	-	-	-	-	1	0.5
Product sample fee	-	-	7	3.3	25	4.8	5	1.4	1	0.5
Sundry income <sup>(1)</sup>	-	-	-	-	31	6.0	28	8.1	17	8.9
	1	100.0	214	100.0	518	100.0	347	100.0	192	100.0

**Notes:**

\* Negligible.

<sup>(1)</sup> PRIHATIN Perusahaan Kecil & Sederhana and wage subsidy of RM82,400 from the Government in FPE 2021.

<sup>(2)</sup> Sundry income includes compensation from a supplier of RM27,015 in FYE 2020/ FPE 2020 for rejection of laminated boards supplied; exhibition grant from MATRADE (CIFF 2019) of RM15,000 in FPE 2021. .

## 11. FINANCIAL INFORMATION (Cont'd)

### Comparison between FYE 2018 and FYE 2019

In FYE 2018, other income comprised interest income of approximately RM1,000.

For FYE 2019, other income mainly comprised gain on foreign exchange of RM0.2 million.

### Comparison between FYE 2019 and FYE 2020

Our other income recorded an increase of RM0.3 million or 142.1% from RM0.2 million in FYE 2019 to RM0.5 million in FYE 2020, mainly due to realised gain on foreign exchange of RM0.2 million and interest income of RM0.1 million.

The WAFEX rose by approximately 2.2% from USD1:RM4.01 in FYE 2019 to USD1:RM4.10 in FYE 2020.

### Comparison between FPE 2020 and FPE 2021

Our other income decreased by RM0.1 million or 44.7% from RM0.3 million in FPE 2020 to RM0.2 million in FPE 2021, mainly due to the lower gain on foreign exchange (decrease of RM0.2 million) which was offset by the increase in sundry income (increase of RM71,000).

#### 11.2.5 Selling and distribution expenses

The breakdown of our selling and distribution expenses is as follows:

	Audited						Unaudited		Audited	
	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Forwarding and handling charges	199	36.3	521	59.4	1,118	71.0	470	59.9	474	88.4
Exhibition expenses	314	57.3	224	25.5	284	18.0	194	24.7	35	6.5
Sales commission	29	5.3	49	5.6	57	3.6	35	4.5	-	-
Travelling and accommodation	4	0.7	82	9.3	111	7.1	84	10.7	24	4.5
Fumigation fee	2	0.4	2	0.2	5	0.3	2	0.2	3	0.6
	548	100.0	878	100.0	1,575	100.0	785	100.0	536	100.0

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**11. FINANCIAL INFORMATION (Cont'd)**

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**Comparison between FYE 2018 and FYE 2019**

Selling and distribution expenses increased by RM0.3 million or 60.2% as compared to FYE 2018. The increase was mainly attributable to the following:

- (a) higher forwarding and handling charges of RM0.3 million due to higher sales volume; and
- (b) higher travelling and accommodation expenses to attend CIFF 2018 in Shanghai, China, and MIFF 2018 in Kuala Lumpur as well as visits to our major customers in Europe.

**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, the selling and distribution expenses increased by RM0.7 million or 79.4% as compared to FYE 2019. The increase was mainly due to:

- (a) higher forwarding and handling charges of RM0.6 million, which was 114.6% higher due to the increase in sales volume; and
- (b) higher exhibition expenses of RM60,000 where we took up larger booth sizes with higher booth rental rates in the CIFF 2019 in Shanghai, China, and MIFF 2019 in Kuala Lumpur.

**Comparison between FPE 2020 and FPE 2021**

Selling and distribution expenses decreased by RM0.3 million or 31.7% from RM0.8 million in FPE 2020 to RM0.5 million in FPE 2021, mainly due to:

- (a) lower exhibition expenses of RM0.2 million, which was 82.0% lower due to the cancellation of physical trade exhibitions and travel restrictions imposed during the COVID-19 pandemic;
- (b) lower travelling and accommodation expenses of RM60,000, which was 71.4% lower as compared to FPE 2020, also due to the cancellation of physical trade exhibitions and travel restrictions imposed during the COVID-19 pandemic; and
- (c) absence of sales commission in FPE 2021 (compared to RM35,000 incurred in FPE 2020), which was replaced with sales performance incentives paid to our marketing and sales employees and accounted for under staff cost.

## 11. FINANCIAL INFORMATION (Cont'd)

### 11.2.6 Administrative expenses

The breakdown of our administrative expenses is as follows:

	Audited						Unaudited		Audited	
	FYE 2018		FYE 2019		FYE 2020		FPE 2020		FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	1,054	82.1	1,819	76.8	3,379	75.5	1,298	66.8	1,308	74.4
Depreciation	73	5.7	136	5.7	167	3.8	180	9.3	132	7.5
Utilities	39	3.0	32	1.3	84	1.9	36	1.8	37	2.1
Bank charges	10	0.8	68	2.9	108	2.4	30	1.5	30	1.7
Printing and stationery	21	1.6	48	2.0	82	1.8	38	2.0	29	1.7
Travelling and accommodation	13	1.0	30	1.3	33	0.7	16	0.8	11	0.6
Professional fees	11	0.9	35	1.5	130	2.9	97	5.0	10	0.6
Upkeep and maintenance	6	0.5	17	0.7	69	1.5	11	0.6	9	0.5
Insurance	5	0.4	81	3.4	85	1.9	60	3.1	66	3.7
Others <sup>(1)</sup>	52	4.0	103	4.4	337	7.6	178	9.1	126	7.2
	1,284	100.0	2,369	100.0	4,474	100.0	1,944	100.0	1,758	100.0

#### Note:

<sup>(1)</sup> Others include general expenses, advertisement, entertainment, stamp duty, valuation fee and license fee.

#### Comparison between FYE 2018 and FYE 2019

For FYE 2019, administrative expenses increased by RM1.1 million or 84.5%, from RM1.3 million in FYE 2018 to RM2.4 million in FYE 2019. This was mainly attributable to higher staff costs, general expenses, insurances and depreciation.

Staff costs increased by RM0.8 million or 72.6%, mainly due to the addition of 7 employees as well as higher directors' remuneration to commensurate with our business growth.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, our administrative expenses increased by RM2.1 million or 88.9%, from RM2.4 million in FYE 2019 to RM4.5 million in FYE 2020. This was mainly attributable to higher staff costs as well as upkeep and maintenance.

Staff costs increased by RM1.6 million or 85.8% due to the addition of 11 employees, bonus payout and higher directors' remuneration to commensurate with our business growth. In addition, during FYE 2020, higher rewards and commission were also paid to employees who secured sales orders/ contracts and exhibited better working performance.

Included in other expenses for FYE 2020 and FPE 2020 were the stamp duty of RM0.07 million as well as property valuation fee of RM6,000 incurred in relation to the facility agreements and MFP SPAs.

**Comparison between FPE 2020 and FPE 2021**

For FPE 2021, our administrative expenses decreased by RM0.2 million or 9.6% from RM2.0 million in FPE 2020 to RM1.8 million in FPE 2021. The decrease was mainly attributable to lower professional fees, depreciation and others.

Other expenses also decreased by RM0.1 million or 29.2%, mainly attributable to the lower stamp duty (RM2,960 in FPE 2021 compared to RM67,640 in FPE 2020). During FPE 2021, we incurred lower fees for security charges as compared to FPE 2020, representing a decrease of RM17,000.

Professional expenses reduced by RM0.1 million or 89.7% due to lower legal and professional fees incurred in FPE 2021. The higher legal and professional fees in FPE 2020 were due to the MFP SPAs.

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**11. FINANCIAL INFORMATION (Cont'd)****11.2.7 Other expenses**

The breakdown of our other expenses is as follows:

	FYE 2018		Audited FYE 2019		FYE 2020		Unaudited FPE 2020		Audited FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Unrealised loss on foreign exchange	18	52.9	53	80.3	68	27.6	-	-	92
Realised loss on foreign exchange	5	14.8	-	-	-	-	-	-	-	-
Gift and donation	10	29.4	12	18.2	19	7.7	12	11.3	7	6.9
Penalty	1	2.9	1	1.5	1	0.4	-	-	2	2.0
Bad debt	-	-	-	-	24	9.8	-	-	-	-
Net fair value loss on derivative financial instrument	-	-	-	-	134	54.5	94	88.7	-	-
	34	100.0	66	100.0	246	100.0	106	100.0	101	100.0

For FYE 2018, our other expenses mainly comprised unrealised loss on foreign exchange of approximately RM18,000, gift and donation of approximately RM10,000 and realised loss on foreign exchange of approximately RM5,000, respectively.

In FYE 2019, other expenses increased slightly mainly due to unrealised foreign exchange loss.

For FYE 2020, other expenses increased by RM0.2 million or 272.7%, mainly attributable to net loss on fair value of derivative financial instrument of RM0.1 million. The derivative financial instruments comprised foreign currency forward contracts entered with banking institutions to sell our USD sales proceeds. Further details are set out in Section 11.10.1.

For FPE 2021, other expenses decreased by RM5,000 or 4.7% from RM106,000 in FPE 2020 to RM101,000 in FPE 2021, due to the lower gift and donation as well as the absence of net fair value loss on derivative financial instrument. The decrease is offset by the higher unrealised loss on foreign exchange of RM0.1 million.

**11. FINANCIAL INFORMATION (Cont'd)****11.2.8 Finance costs**

Our finance costs consist of interest on bankers' acceptances, lease liabilities and term loans. Bankers' acceptances are used to finance purchases of raw materials while term loans are used to finance the purchase of leasehold land and working capital. Lease liabilities are used to finance the purchase of plant, machineries and motor vehicles, and includes rental obligations for the rental of properties.

The breakdown of our finance costs is as follows:

	FYE 2018		Audited FYE 2019		FYE 2020		Unaudited FPE 2020		Audited FPE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Bankers' acceptances interest	-	-	7	5.4	87	20.0	49	25.1	32
Lease liabilities	25	100.0	82	63.6	179	41.1	82	41.6	73	44.8
Term loans	-	-	40	31.0	169	38.9	64	33.3	58	35.6
	25	100.0	129	100.0	435	100.0	195	100.0	163	100.0

**Comparison between FYE 2018 and FYE 2019**

Finance costs recorded an increase of RM0.1 million or 416.0% to RM0.1 million in FYE 2019 due to higher interest on lease liabilities and term loans. During FYE 2019, we secured term loans totalling RM1.5 million for our working capital as well as purchase of motor vehicle and machineries. The increase in lease liabilities was due to our rental obligations for the rental of properties under lease arrangements amounting to RM1.8 million.

**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, finance cost recorded an increase of RM0.3 million or 237.2% from RM0.1 million in FYE 2019 to RM0.4 million in FYE 2020. The increase in finance cost was mainly due to higher interest in bankers' acceptances, lease liabilities and term loans. During FYE 2020, we drew down a term loan of RM3.2 million for the purchase of 4 parcels of leasehold lands in Muar Furniture Park, finance insurance premium scheme for entrepreneur term loan assurance and working capital. We also secured new finance leases of RM1.8 million for the purchase of motor vehicle, plant and machineries. Included in lease liabilities were also our rental obligations for the rental of properties.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**Comparison between FPE 2020 and FPE 2021**

For FPE 2021, our finance cost decreased by approximately RM32,000 or 16.4%, mainly due to lower interest on bankers' acceptances, owing to lower utilisation of this facility.

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.2.9 Tax expense, PBT and PAT

The following tables sets out the comparison between the statutory tax rates and our effective tax rates from FYE 2018 to 2020 and FPE 2021:

	Audited			Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FPE 2020	FPE 2021
Taxation (RM'000)	213	193	815	517	461
Statutory tax rate <sup>(1)</sup>	18% / 24%	17% / 24%	17% / 24%	17% / 24%	17% / 24%
Effective tax rate	51.1%	5.5%	12.3%	13.6%	10.7%

**Note:**

- <sup>(1)</sup> We qualified for lower statutory tax rates of 18%, 17%, 17%, 17% and 17% on the first chargeable income of RM500,000 for FYE 2018, 2019, 2020 and FPE 2020 and 2021 respectively.

The following tables sets out our PBT, PBT margin, PAT and PAT margin from FYE 2018 to 2020 and FPE 2020 to 2021:

	Audited			Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FPE 2020	FPE 2021
PBT (RM'000)	417	3,534	6,642	3,806	4,313
PBT margin (%)	4.3	14.6	15.7	19.2	21.7
PAT (RM'000)	204	3,341	5,827	3,289	3,852
PAT margin (%)	2.1	13.8	13.7	16.6	19.3

#### Comparison between FYE 2018 and FYE 2019

Our PBT increased by RM0.4 million for FYE 2018 to RM3.5 million for FYE 2019, mainly due to higher gross profit. Our PBT margin increased from 4.3% for FYE 2018 to 14.6% for FYE 2019, mainly attributed to higher gross profit margin. Correspondingly, our PAT margin increased from 2.1% in FYE 2018 to 13.8% in FYE 2019, while our PAT increased from RM0.2 million in FYE 2018 to RM3.3 million in FYE 2019.

The effective tax rate for FYE 2018 of 51.1% was significantly higher than the statutory tax rate due to deferred tax liabilities of RM0.2 million recognised during the financial year.

For FYE 2019, the effective tax rate decreased to 5.5% due to the savings of RM0.5 million from tax incentives for increase in exports.

#### Comparison between FYE 2019 and FYE 2020

Our PBT increased from RM3.5 million for FYE 2019 to RM6.6 million for FYE 2020, mainly due to higher gross profit. Our PBT margin increased from 14.6% for FYE 2019 to 15.7% for FYE 2020, mainly attributed to higher gross profit margin. However, our PAT margin recorded a slight decrease from 13.8% in FYE 2019 to 13.7% in FYE 2020 mainly due to higher tax expenses, while our PAT increased from RM3.3 million in FYE 2019 to RM5.8 million in FYE 2020.

**11. FINANCIAL INFORMATION (Cont'd)**

For FYE 2020, the effective tax rate increased to 12.3% due to higher non-deductible expenses and deferred tax liabilities.

**Comparison between FPE 2020 and FPE 2021**

Our PBT increased from RM3.8 million for FPE 2020 to RM4.3 million for FPE 2021, mainly due to higher gross profit as well as lower administrative expenses and selling and distribution expenses in FPE 2021. Our PBT margin increased from 19.2% for FPE 2020 to 21.7% for FPE 2021, mainly attributed to higher gross profit margin. Our PAT margin increased from 16.6% in FPE 2020 to 19.3% in FPE 2021 due to the lower administrative expenses in FPE 2021.

For FPE 2021, the effective tax rate decreased to 10.7% from 13.6% in FPE 2020 due to higher non-deductible expenses incurred in FPE 2020.

**11.2.10 Review of financial position****(a) Assets**

Our assets as at FYE 2018 to 2020 and FPE 2021 are as follows:

	<b>Audited</b>			<b>As at 31 August</b>
	<b>As at 28/29 February</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,346	2,447	4,031	4,959
Prepaid lease payment	-	-	5,096	6,037
Right-of-use assets	483	2,705	4,009	4,574
<b>Total non-current assets</b>	<b>1,829</b>	<b>5,152</b>	<b>13,136</b>	<b>15,570</b>
<b>Current assets</b>				
Inventories	2,047	3,729	4,176	5,800
Trade receivables	954	1,940	1,392	2,225
Other receivables, deposits and prepayments	271	411	881	773
Current tax assets	-	58	-	56
Fixed deposit with licensed banks	-	1,300	2,335	1,341
Cash and bank balance	260	2,540	5,795	7,534
<b>Total current assets</b>	<b>3,532</b>	<b>9,978</b>	<b>14,579</b>	<b>17,729</b>
<b>TOTAL ASSETS</b>	<b>5,361</b>	<b>15,130</b>	<b>27,715</b>	<b>33,299</b>

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**11. FINANCIAL INFORMATION (Cont'd)**

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**FYE 2019****Non-current assets**

Our non-current assets increased by RM3.3 million mainly due to:

- (i) acquisition of 2 additional production lines (RM1.1 million) mainly comprising 2 units of panel saw machines (RM0.3 million) for Factory A and Factory B respectively; as well as 2 units of automatic edge banding machines (RM0.1 million), 1 unit of CNC woodworking machine (RM0.3 million) and 1 unit of point-to-point work centre (RM0.2 million) for Factory A;
- (ii) purchase of office equipment, renovation, furniture and fittings amounting to RM0.2 million for Factory B;
- (iii) increase in right-of-use assets of 3 units of motor vehicles for RM1.2 million;
- (iv) increase in right-of-use assets comprising 1 unit of CNC boring machine (RM0.3 million) in Factory A; 1 unit of point-to-point work centre (RM0.2 million) and 2 units of automatic edge banding machines (RM0.1 million) for Factory B; and
- (v) increase in right-of-use assets relating to the leasing of Factory A and Factory B (RM0.8 million).

The increase in non-current assets was offset by the following:

- (i) decrease in property, plant and equipment of RM0.2 million resulting from depreciation charges during the year; and
- (ii) decrease in right-of-use assets of RM0.3 million resulting from depreciation charges during the year.

**Current assets**

Our current assets increased by RM6.4 million mainly due to:

- (i) increase of RM1.7 million for raw materials and finished goods inventories;
- (ii) increase of RM1.0 million in trade receivables due to higher revenue;
- (iii) increase of RM1.3 million in fixed deposits with licensed banks mainly due to new placements of pledged fixed deposits for new bank facilities; and
- (iv) increase of RM2.3 million in cash and bank balances due to higher internally generated funds contributed by higher sales in FYE 2019.

**11. FINANCIAL INFORMATION (Cont'd)****FYE 2020****Non-current assets**

Our non-current assets increased by RM8.0 million mainly due to:

- (i) acquisition of 1 unit of panel saw machine (RM0.2 million) in Factory A;
- (ii) upgrading of new machinery, involving the acquisition of 1 unit of automatic curved edge banding machine (RM0.2 million) to enhance our existing production line in Factory A, as well as 1 unit of 6-sided boring machine (RM0.1 million) to enhance our existing production line in Factory B;
- (iii) acquisition of 1 unit of drilling machine (RM0.1 million) and 1 unit of point-to-point work centre (RM0.2 million) for Factory A;
- (iv) increase in right-of-use assets of 2 units of drilling machines (RM0.2 million) in Factory A;
- (v) upgrading of new machinery, involving the increase in right-of-use of 1 unit of double-sided edge banding machine (RM0.2 million) to enhance our existing production line in Factory A;
- (vi) increase in right-of-use of 3 units of point-to-point work centres and 3 units of automatic edge banding machines (RM0.9 million collectively) for Factory A;
- (vii) acquisition of 2 units of automatic screw packing machines (RM0.3 million);
- (viii) payment of RM5.1 million for 4 parcels of leasehold lands in Muar Furniture Park acquired in FYE 2020 for our future expansion purposes; and
- (ix) increase in right-of-use assets of 2 units of motor vehicles of RM0.5 million.

The increase in non-current assets was offset by the following:

- (i) decrease in property, plant and equipment of RM0.4 million resulting from depreciation charges during the year; and
- (ii) decrease in right-of-use assets of RM0.7 million resulting from depreciation charges during the year.

**Current assets**

Our current assets increased by RM4.6 million due to:

- (i) increase of RM0.4 million in inventories to cater for increasing orders;
- (ii) increase of RM0.5 million in other receivables mainly due to insurance payments for directors, plant and machinery as well as levy incurred for foreign worker permits; and
- (iii) increase of RM4.2 million in fixed deposits, cash and bank balances due to higher internally generated funds contributed by higher sales,

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**11. FINANCIAL INFORMATION (Cont'd)**

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which were offset by the decrease in trade receivables of RM0.5 million due to lower trade receivable turnover days of 14 days recorded in FYE 2020 (compared to 22 days recorded in FYE 2019).

**FPE 2021****Non-current assets**

Our non-current assets increased by RM2.4 million as compared to the RM13.1 million in FYE 2020 mainly due to:

- (i) additional plant and machinery of RM1.1 million, mainly comprising the upgrade of 1 unit of panel saw machine (RM0.2 million) and 1 unit of drilling machine (RM0.1 million) for Factory A; 3 units of edge banding machines (RM0.2 million), 1 unit of point-to-point work centre (RM0.2 million) and 1 unit of drilling machine (RM0.1 million) for Factory B;
- (ii) progress payment of RM0.9 million relating to the 4 parcels of leasehold lands in Muar Furniture Park; and
- (iii) increase in right-of-use assets of Factory A and hostel of RM1.0 million.

The increase in non-current assets was offset by the following:

- (i) decrease in property, plant and equipment of RM0.2 million resulting from depreciation charges during the year; and
- (ii) decrease in right-of-use assets of RM0.4 million resulting from depreciation charges during the year.

**Current assets**

Our current assets increased by RM3.1 million as compared to the RM14.6 million as at FYE 2020 due to:

- (i) the increase of RM1.6 million in inventories to cater for increasing orders;
- (ii) the increase in trade receivables of RM0.8 million mainly due to higher turnover; and
- (iii) the increase of fixed deposits, cash and bank balances amounting to RM0.7 million.

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**11. FINANCIAL INFORMATION (Cont'd)****(b) Liabilities**

Our liabilities as at FYE 2018 to 2020 and FPE 2021 are as follows:

	<b>Audited</b>			<b>As at 31 August</b>
	<b>As at 28/29 February</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>				
Bank borrowings	-	1,165	4,023	5,269
Lease liabilities	347	1,799	2,326	2,579
Deferred tax liabilities	-	166	503	707
<b>Total non-current liabilities</b>	<b>347</b>	<b>3,130</b>	<b>6,852</b>	<b>8,555</b>
<b>Current liabilities</b>				
Trade payables	1,604	3,134	4,043	5,793
Other payables and accruals	811	1,501	2,651	4,441
Amount owing to directors	2,443	1,683	2,024	2,004
Bank borrowings	-	1,274	2,504	1,807
Dividend payables	-	1,400	-	-
Derivative liabilities	-	-	134	88
Lease liabilities	142	753	1,027	1,289
Current tax liabilities	-	-	10	-
<b>Total current liabilities</b>	<b>5,000</b>	<b>9,745</b>	<b>12,393</b>	<b>15,422</b>
<b>TOTAL LIABILITIES</b>	<b>5,347</b>	<b>12,875</b>	<b>19,245</b>	<b>23,977</b>

**FYE 2019****Non-current liabilities**

Our non-current liabilities increased by RM2.7 million due to increase in borrowings of RM1.2 million and lease liabilities of RM1.5 million as our Group drew down on new term loans and lease liabilities in FYE 2019. During FYE 2019, we secured term loans amounting to RM1.5 million for the purpose of working capital. We also secured lease liabilities amounting to RM2.5 million for the purchase of motor vehicles, production line and rental of properties.

**Current liabilities**

Our current liabilities increased by RM4.7 million due to:

- (i) increase of RM1.5 million in trade payables due to higher purchase of raw materials and supplies to support our increase in sales;
- (ii) increase of RM0.7 million in other payables due to higher customer deposits of RM0.7 million for placement of future orders;
- (iii) accrual of RM1.4 million in dividend payable; and
- (iv) increase of RM1.9 million in lease liabilities and bank borrowing for less than 12 months due to higher drawdowns on term loans and lease liabilities.

**11. FINANCIAL INFORMATION (Cont'd)**

The increase was offset by a decrease in amount owing to directors of RM0.8 million due to repayment made to directors in FYE 2019.

**FYE 2020****Non-current liabilities**

Our non-current liabilities increased by RM3.7 million due to increase in borrowings of RM3.0 million and lease liabilities of RM0.5 million as our Group drew down on new term loans and lease liabilities in FYE 2020. Additionally, our deferred tax liabilities increased by RM0.3 million. During FYE 2020, we drew down on term loans of RM3.2 million for the purchase of 4 parcels of leasehold lands in Muar Furniture Park, and to purchase pre-requisite insurance on directors arising from new bank facilities taken up during the year. We further secured new lease liabilities of RM1.8 million for the purchase of motor vehicles, production line and rental of properties.

**Current liabilities**

Our current liabilities increased by RM2.6 million due to:

- (i) increase of RM0.9 million in trade payables due to increase in purchases;
- (ii) increase of RM1.2 million in other payables due to higher customer deposits and sundry payables;
- (iii) increase of RM0.3 million in amount owing to directors due to higher advances from directors during the year, mainly to partially finance the acquisition of the abovementioned 4 parcels of leasehold land in Muar Furniture Park;
- (iv) increase of RM1.5 million in short term lease liabilities and bank borrowings mainly due to higher drawdowns; and
- (v) increase in derivative financial instruments of RM0.1 million as we recorded net loss in our foreign currency forward contracts.

The increase in current liabilities was reduced by the absence of RM1.4 million in dividend payable.

**FPE 2021****Non-current liabilities**

Our non-current liabilities increased by RM1.7 million due to increase in borrowings of RM1.2 million and lease liabilities of RM0.3 million. Additionally, our deferred tax liabilities increased by RM0.2 million. During FPE 2021, we drew down on new term loans of RM1.3 million for the purchase of 4 parcels of leasehold land in Muar Furniture Park and working capital. We also rented 2 properties for workers' quarters (RM0.3 million) and renewed our tenancy of Factory A (RM0.7 million).

**Current liabilities**

Our current liabilities increased by RM3.0 million from the RM12.4 million as at FYE 2020 mainly due to:

## **11. FINANCIAL INFORMATION (Cont'd)**

- (i) increase of RM1.7 million in trade payables due to higher purchase of raw materials and supplies to support our increase in sales; and
- (ii) increase of RM1.8 million in other payables due to higher customer deposits and sundry payables.

The increase in current liabilities was partially offset by the decrease in borrowing of RM0.7 million due to lower outstanding bankers' acceptances.

### **11.2.11 Recent developments**

Other than the Acquisition of Ecomate, declaration and payment of interim dividend of RM2.0 million in respect of FYE 2021 on 12 October 2020 and repayment of RM2.0 million being amount owing to directors on 1 January 2021, there were no significant events subsequent to our Group's audited combined financial statements for FPE 2021.

## **11.3 LIQUIDITY AND CAPITAL RESOURCES**

### **11.3.1 Working capital**

We have been financing our operations through existing cash and bank balances, cash generated from our operations, credit extended by our supplies and external sources of funds. Our external sources of funds comprise term loans and trade facilities such as bankers' acceptances as well as finance lease. The principal use of our borrowings is for our acquisition of property, plant and equipment and working capital.

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 inflow and outflow, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

After taking into consideration the following, our Board is confident that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus:

- (a) Our deposit, cash and bank balances as at 31 August 2020 of approximately RM8.9 million (excluding RM1.0 million which is pledged as security for our banking facilities);
- (b) Our banking facilities (excluding lease liabilities) of up to a limit of RM22.3 million as at 31 August 2020, of which RM7.4 million has been utilised;
- (c) Our expected future cash flows from operations; and
- (d) Our pro forma NA position and gearing level as at 31 August 2020 after the Acquisition of Ecomate and Public Issue (and utilisation of proceeds) of RM[•] million and [•] times respectively.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance personnel work closely with our marketing and sales staff for the collection of outstanding balances on a monthly basis. This measure has proven to be effective while allowing us to maintain cordial relationship with our customers.



**11. FINANCIAL INFORMATION (Cont'd)****11.3.2 Review of cash flows****(a) Cash flow summary**

The table below sets out the summary of our combined statements of cash flows for FYE 2018 to 2020 and FPE 2021.

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	540	2,742	9,246	5,852
Net cash for investing activities	(89)	(1,445)	(6,981)	(2,096)
Net cash (for)/from financing activities	(248)	1,036	1,058	(1,925)
Net increase in cash and cash equivalents	203	2,333	3,323	1,831
Cash and cash equivalents at beginning of the financial years	75	260	2,540	5,795
<b>Net increase in cash and cash equivalents at the end of the financial year</b>	<b>260</b>	<b>2,540</b>	<b>5,795</b>	<b>7,534</b>

**(b) Commentary of cash flows****FYE 2018****Net cash from operating activities**

In FYE 2018, we recorded net cash from operating activities of RM0.5 million. We collected approximately RM9.1 million from our customers which was offset by cash payments of RM8.6 million. Such cash payments were due to:

- (i) payment to our suppliers for the purchase of raw materials of RM5.6 million;
- (ii) payment for production labour, production overheads, operating expenses and salaries of RM3.0 million; and
- (iii) payment of interest expenses of RM25,000.

**Net cash for investing activities**

We recorded a net cash outflow of RM0.1 million from our investing activities in FYE 2018, mainly due to office renovation.

**Net cash for financing activities**

In FYE 2018, we recorded a net cash outflow from our financing activities of RM0.2 million due to repayment of lease liabilities of RM0.2 million.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**FYE 2019**

**Net cash from operating activities**

In FYE 2019, we recorded net cash from operating activities of RM2.7 million. We collected approximately RM23.2 million from our customers which was offset by cash payments of RM20.5 million. Such cash payments were due to:

- (i) payment to our suppliers for purchase of raw materials of RM13.3 million;
- (ii) payment for production labour, production overheads, operating expenses and salaries of RM7.0 million; and
- (iii) payment of interest expenses (RM0.1 million) and income tax (RM0.1 million).

**Net cash for investing activities**

We recorded a net cash outflow of RM1.4 million from our investing activities in FYE 2019, due to:

- (i) purchase of plant and machineries for RM1.1 million, refer to Section 11.2.10;
- (ii) purchase of office equipment, renovation, furniture and fittings of RM0.2 million; and
- (iii) addition of right-of-use assets of RM0.1 million.

**Net cash from financing activities**

In FYE 2019, we recorded a net cash inflow of RM1.0 million from our financing activities, due to:

- (i) proceeds from increase in share capital of RM0.3 million; and
- (iii) drawdowns of term loans and movement in bankers' acceptances (RM2.5 million).

The abovementioned increase was partially offset by an increase in fixed deposits pledged (RM1.3 million) and repayment of lease liabilities and term loans (RM0.5 million).

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**11. FINANCIAL INFORMATION (Cont'd)****FYE 2020****Net cash from operating activities**

In FYE 2020, we recorded net cash from operating activities of RM9.2 million. We collected RM43.0 million from our customers and RM0.1 million from interest income which was offset by cash payments of RM33.9 million. Such cash payments were due to:

- (i) payment to our suppliers for purchases of raw materials of RM21.9 million;
- (ii) payment for production labour, production overheads, operating expenses and salaries of RM11.1 million; and
- (iii) payment of interest expenses (RM0.4 million) and income tax (RM0.5 million).

**Net cash for investing activities**

In FYE 2020, we recorded a net cash outflow of RM7.0 million from our investing activities, due to:

- (i) purchase of plant and machineries for RM1.8 million, refer to Section 11.2.10;
- (ii) purchase of office equipment, renovation, furniture and fittings and computer hardware and software of RM0.2 million;
- (iii) addition of right-of-use assets of RM0.2 million; and
- (vi) addition of prepaid lease payments of RM4.8 million.

**Net cash from financing activities**

In FYE 2020, we recorded a net cash inflow of RM1.1 million from our financing activities, due to:

- (i) proceeds from increase in share capital of RM0.8 million and share application money of RM2.2 million;
- (ii) drawdowns of term loans and movement in bankers' acceptances of RM4.4 million.

The abovementioned increase was partially offset by an increase in the repayment of borrowings (RM1.2 million) and dividend payment (RM4.0 million) and increase in placement in fixed deposits with tenures exceeding 3 months of RM1.3 million.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**FPE 2021****Net cash from operating activities**

In FPE 2021, we recorded net cash from operating activities of RM5.8 million. We collected RM19.3 million from our customers which was offset by cash payments of RM13.5 million. Such cash payments were due to:

- (i) payment to our suppliers for purchase of raw materials of RM9.5 million;
- (ii) payment for production labour, production overheads, operating expenses and salaries of RM3.5 million; and
- (iii) payment of interest expenses (RM0.2 million) and income tax (RM0.3 million).

**Net cash for investing activities**

In FPE 2021, we recorded a net cash outflow of RM2.1 million from our investing activities, due to:

- (i) purchase of plant and machineries for RM1.1 million, refer to Section 11.2.10; and
- (ii) addition of prepaid lease payments of RM1.0 million.

**Net cash for financing activities**

In FPE 2021, we recorded a net cash outflow of RM1.9 million in our financing activities due to:

- (i) decrease in bankers' acceptance (RM0.7 million);
- (ii) dividend payment (RM3.0 million); and
- (iii) repayment of borrowings (RM0.6 million).

The outflow was offset by drawdown of term loans amounting to RM1.4 million and withdrawal of fixed deposit of RM1.0 million.

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**11. FINANCIAL INFORMATION (Cont'd)****11.4 BORROWINGS AND INDEBTEDNESS**

We utilise credit facilities such as bankers' acceptances to finance purchases of raw materials while term loans are used to finance the acquisition of leasehold lands and working capital. Lease liabilities are used to finance the purchase of production line and motor vehicles and includes our rental obligations for our factories and hostels.

Our total outstanding borrowings as at 31 August 2020 stood at RM10.9 million, details of which are set out below. All our borrowings are interest-bearing and denominated in RM.

	<b>Purpose</b>	<b>Interest rate</b>	<b>As at 31 August 2020</b>
		<b>% per annum</b>	<b>RM'000</b>
<b>Current</b>			
Secured bankers' acceptances	Financing the purchase of goods, products, materials locally/overseas	2.1 – 3.4	1,498
Secured lease liabilities	Purchase of production line and motor vehicles and includes our rental obligations for our factories and hostels	3.0 – 7.3	1,289
Secured term loans	<ul style="list-style-type: none"> <li>• Insurance premium scheme for Entrepreneur Term Loan Assurance</li> <li>• Working capital</li> <li>• Acquisition of 4 parcels of leasehold land in Muar Furniture Park</li> </ul>	3.5 – 7.5	309
	<b>Total current borrowings</b>		<b>3,096</b>
<b>Non-current</b>			
Secured lease liabilities	Purchase of production line and motor vehicles and includes our rental obligations for our factories and hostels	3.0 – 7.3	2,579
Secured term loans	<ul style="list-style-type: none"> <li>• Insurance premium scheme for Entrepreneur Term Loan Assurance</li> <li>• Working capital</li> <li>• Acquisition of 4 parcels of leasehold land in Muar Furniture Park</li> </ul>	3.5 – 7.5	5,269
	<b>Total non-current borrowings</b>		<b>7,848</b>
	<b>Total borrowings</b>		<b>10,944</b>
<b>Pro forma gearing (times)</b>			
	After Acquisition of Ecomate but before the Public Issue <sup>(1)</sup>		1.5
	After Acquisition of Ecomate, Public Issue and utilisation of proceeds <sup>(2)</sup>		[•]

**Notes:**

- (1) Computed based on our pro forma shareholders' funds of RM7.3 million in the pro forma combined statements of financial position after the Acquisition of Ecomate but before the Public Issue.

**11. FINANCIAL INFORMATION (Cont'd)**

(2) Computed based on our pro forma shareholders' funds of RM[•] million in the pro forma combined statements of financial position after the Acquisition of Ecomate, Public Issue and utilisation of proceeds.

Our pro forma gearing ratio is expected to decrease from 1.5 times (before the Public Issue) to [•] times (after the Public Issue and utilisation of proceeds) due to the repayment of borrowings and increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue.

Our interest-bearing borrowings carry the following interest rates for FYE 2018 to 2020 and FPE 2021:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
	<b>% per annum</b>			
Lease liabilities	3.0 – 7.3	3.0 – 7.3	3.0 – 7.3	3.0 – 7.3
Bankers' acceptances	-	4.9 – 5.3	3.2 – 5.1	2.1 – 3.4
Term loans	-	6.0 – 8.0	6.0 – 7.5	3.5 – 7.5

The following table sets out the maturities of our borrowings as at 31 August 2020:

	<b>As at 31 August 2020 RM'000</b>
<b>Borrowings</b>	
Within the next 12 months	3,096
Later than 1 year but not later than 5 years	7,650
More than 5 years	198
<b>Total borrowings</b>	<b>10,944</b>

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 borrowings throughout FYE 2018 to 2020 and FPE 2021 as well as the subsequent financial period up to LPD.

As at LPD, neither our Group nor our subsidiary is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYE 2018 to 2020 and FPE 2021, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

**11. FINANCIAL INFORMATION (Cont'd)****11.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

As at LPD, save for our borrowings as disclosed in Section 11.4 and the USD denominated forward contracts that we have entered into as disclosed in Section 11.10.1(b), we do not utilise any other financial instruments. We receive proceeds in USD in respect of our foreign sales and pay for purchases denominated in USD with our foreign currency accounts.

We finance our operations mainly through cash generated from our operations, credit extended by trade payables as well as external sources of funds which mainly comprise borrowings. Save for finance leases and bankers' acceptances which carry fixed interest rates, all other borrowings bear variable interest rates based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities.

The usages of these banking facilities are for working capital as well as acquisition of property, plant and equipment.

**11.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY****11.6.1 Material capital commitments**

Save as disclosed below, and as at LPD, our Group does not have any material capital commitment:

	<u>RM'000</u>
Authorised and contracted for: Leasehold vacant industrial land <sup>(1)</sup>	1,725

**Notes:**

<sup>(1)</sup> Being the acquisition of 4 parcels of leasehold lands in Muar Furniture Park at a total consideration price of approximately RM8.6 million. As at LPD, RM6.9 million has been paid. As such, the remaining purchase sum payable of RM1.7 million has been recorded as a material commitment as at LPD.

**11.6.2 Material litigation and contingent liability**

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

There are no contingent liabilities incurred by us or our subsidiary, which upon becoming enforceable, may have a material effect on our financial position or our subsidiary as at LPD.

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**11. FINANCIAL INFORMATION (Cont'd)****11.7 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for FYE 2018 to 2020 and FPE 2021 are as follows:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
Trade receivable turnover (days) <sup>(1)</sup>	28	22	14	17
Trade payable turnover (days) <sup>(2)</sup>	53	50	44	68
Inventory turnover (days) <sup>(3)</sup>	71	61	49	69
Current ratio (times) <sup>(4)</sup>	0.7	1.0	1.2	1.1
Gearing ratio (times) <sup>(5)</sup>	34.9	2.2	1.2	1.2
Net gearing ratio (times) <sup>(6)</sup>	16.4	1.1	0.3	0.3

**Notes:**

- (1) Computed based on the average trade receivables by multiplying 365 days for FYE 2018 to 2020 and 184 days for FPE 2021:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade receivables	532	954	1,940	1,392
Closing trade receivables	954	1,940	1,392	2,225
Revenue	9,670	24,141	42,398	19,919
Average trade receivable turnover period (days)	28	22	14	17

- (2) Computed based on the average trade payables by multiplying 365 days for FYE 2018 to 2020 and 184 days for FPE 2021:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade payables	554	1,604	3,134	4,043
Closing trade payables	1,604	3,134	4,043	5,793
Cost of sales	7,363	17,379	29,544	13,240
Average trade payable turnover period (days)	53	50	44	68

- (3) Computed based on the average inventories by multiplying 365 days for FYE 2018 to 2020 and 184 days for FPE 2021:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening inventory	816	2,047	3,729	4,176
Closing inventory	2,047	3,729	4,176	5,800
Cost of sales	7,363	17,379	29,544	13,240
Inventory turnover period (days)	71	61	49	69

- (4) Computed based on current assets over current liabilities as at year end for each of FYE 2018 to 2020 and FPE 2021.



**11. FINANCIAL INFORMATION (Cont'd)**

- (5) Computed based on the total borrowings over total equity as at year end for each of FYE 2018 to 2020 and FPE 2021.
- (6) Computed based on the net borrowings (total borrowings net of cash and bank balances) over total equity as at FYE 2018 to 2020 and FPE 2021.

**11.7.1 Trade receivable turnover**

The ageing analysis of our trade receivables as at 31 August 2020 is as follows:

	Within credit period	Exceeding credit period but not impaired				Total
		1 to 30 days	31 to 60 days	61 - 90 days	More than 90 days	
Trade receivables (RM'000)	1,540	662	21	2	-	2,225
% of total trade receivables	69.2	29.8	0.9	0.1	-	100.0
Subsequent collections up to LPD (RM'000)	1,540	662	21	2	-	2,225
Trade receivables net of subsequent collections (RM'000)	-	-	-	-	-	-
% of total trade receivables (net of subsequent collections)	-	-	-	-	-	-
Turnover period (days)						17

As at LPD, all outstanding trade receivables as at 31 August 2020 have been collected.

Our normal trade terms are cash term and credit terms of up to 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness and quantum of amount owing. We use ageing analysis to monitor the credit quality of our trade receivables.

Our average trade receivable turnover periods for FYE 2018, FYE 2019, FYE 2020 and FPE 2021 were 28 days, 22 days, 14 days and 17 days respectively, which is within our credit period.

Our Group has not encountered any major disputes with our debtors. No allowance for impairment was provided as there were no doubtful receivables outstanding for FYE 2018, FYE 2019, FYE 2020 and FPE 2021.

## 11. FINANCIAL INFORMATION (Cont'd)

### 11.7.2 Trade payable turnover

The ageing analysis of our trade payables as at 31 August 2020 is as follows:

	Within credit term	Exceeding credit period			Total
		1 to 30 days	31 to 60 days	61 to 90 days	
Trade payables (RM'000)	2,795	2,322	676	-	5,793
% of total trade payables	48.2	40.1	11.7	-	100.0
Subsequent payments up to LPD (RM'000)	2,795	2,322	676	-	5,793
Trade payables net of subsequent payments (RM'000)	-	-	-	-	-
% of total trade payables (net of subsequent payments)	-	-	-	-	-
Turnover period (days)					68

The normal trade terms granted to our Group by our suppliers are cash term and credit terms of up to 60 days.

Our average trade payable turnover period for FYE 2018, FYE 2019 and FYE 2020, were 53 days, 50 days and 44 days respectively, which is within the credit period given. For FPE 2021, the trade payable turnover period was 68 days which is slightly higher than normal credit period due to higher volume purchased to meet outstanding sales orders towards the end of FPE 2021.

As at LPD, all the outstanding trade payables as at 31 August 2020 have been paid.

### 11.7.3 Inventory turnover

Our inventories consist of raw materials, packaging materials, work-in-progress and finished goods.

Our inventory turnover for FYE 2018, FYE 2019, FYE 2020, and FPE 2021 is as follows:

	<u>FYE 2018</u>	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FPE 2021</u>
Inventory turnover (days)	71	61	49	69

Our inventory turnover period from FYE 2018 to 2020 and FPE 2021 approximates an average of 2.0 months. We keep our inventories low as we manufacture on a 'made-to-order' basis.

Our inventory turnover days vary year to year according to our sales orders. The inventory turnover for FYE 2020 of 49 days was lower due to higher sales orders received which outstripped our production speed. The inventory turnover days for FPE 2021 of 69 days were higher due to higher volume of raw materials purchased to meet outstanding sales orders towards the end of FPE 2021.

**11. FINANCIAL INFORMATION (Cont'd)**

As at 31 August 2020, the inventories of our Group amounted to RM5.8 million and can be analysed as follows:

	<b>1 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>91 days and above</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Raw materials (including packaging materials)	1,535	338	48 <sup>(1)</sup>	<sup>(1)</sup> 329	2,250
Work-in-progress	650	-	-	-	650
Finished goods	2,608	119	6 <sup>(2)</sup>	<sup>(2)</sup> 167	2,900
	<u>4,793</u>	<u>457</u>	<u>54</u>	<u>496</u>	<u>5,800</u>
Turnover period (days)					69

**Notes:**

- (1) Residual odd-sized boards useable for production, metal components and PVC edging. These raw materials are not subject to obsolescence and as such no impairment was made.
- (2) Ready stocks of furniture intended for sales during CIFF 2020 and MIFF 2020 which were postponed. As at LPD, these ready stocks have been fully sold.

We conduct monthly management meeting to review our inventory level and inventory ageing. Approval is required from authorised personnel at management level for replenishment of stocks and impairment on slow moving stocks.

Our Group practices first-in-first-out basis in computing the cost of inventories, work-in-progress, and finished goods. The costs of raw materials include invoiced value of goods purchased and expenditure incurred in acquiring inventories. The cost of finished goods and work-in-progress comprises raw materials, production labour and an appropriate proportion of production overheads.

**11.7.4 Current ratio**

Our current ratio for FYE 2018, FYE 2019, FYE 2020, and FPE 2021 is as follows:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
Current ratio (times)	0.7	1.0	1.2	1.1

Our current ratio was 0.7 times in FYE 2018. With our improving financial performance and position over the years, our current ratio rose to 1.0 time and above from FYE 2019 thereby indicating that our Group is capable of meeting our current obligations as our current assets such as inventory and trade receivables, which can be readily converted to cash, together with our cash in the bank are enough to meet immediate current liabilities.

Kindly also refer to Section 11.2.10 for further details on our current assets and current liabilities.

**11. FINANCIAL INFORMATION (Cont'd)****11.7.5 Gearing ratio**

Our gearing and net gearing ratios for FYE 2018, FYE 2019, FYE 2020, and FPE 2021 is as follows:

	<u>FYE 2018</u>	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FPE 2021</u>
Gearing ratio (times)	34.9	2.2	1.2	1.2
Net gearing ratio (times)	16.4	0.5	0.3	0.3

During FYE 2018, we entered into finance leases to acquire production lines. This led to a high gearing ratio of 34.9 times owing to low shareholders' fund and high borrowings in the form of finance lease. With our improving financial performance and position over the years, our gearing ratio improved to 2.2 times in FYE 2019 and subsequently further improved to 1.2 times in FYE 2020 and FPE 2021 respectively, despite additional borrowings drawn down during FYE 2019 and FYE 2020 respectively. The net gearing ratios, illustrate our availability of cash and bank balances to repay our borrowings.

**11.8 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance from FYE 2018 to 2020 and FPE 2021 except for MCO imposed as detailed in Section 6.7.1.

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 adversely and materially affect our operations are set out in Section 8.

**11.9 IMPACT OF INFLATION**

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation. However, any significant increase in future inflation may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers through increase in selling prices.

**11.10 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES****11.10.1 Impact of foreign exchange rates**

We are exposed to transactional currency exposure as approximately 45.1%, 76.0%, 84.6%, and 82.9% of our revenues were denominated in USD for FYE 2018, 2019 and 2020 and FPE 2021 respectively. Our Group's GP margin is therefore directly affected by fluctuations in RM and USD currency exchange rates.

An appreciation of the RM against the USD may adversely affect our financial performance and GP margin.

**11. FINANCIAL INFORMATION (Cont'd)****(a) Gain/(loss) on foreign exchange**

For FYE 2018 to 2020 and FPE 2021, our gain and loss from foreign exchange fluctuations are as follows:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Realised (loss)/gain on foreign exchange	(5)	200	370	1
Unrealised loss on foreign exchange	(18)	(53)	(68)	(92)
<b>Net gain/(loss)</b>	<b>(23)</b>	<b>147</b>	<b>302</b>	<b>(91)</b>

Realised (loss)/gain on foreign exchange represents the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange rate when the payment for the invoice is received.

If the foreign exchange rate as at the date of our invoice is higher as compared to the rate when the payment for the invoice is received, we will record a realised loss on foreign exchange. Conversely, if the foreign exchange rate as at the date of our invoice is lower as compared to the rate when the payment for the invoice is received, we will record a realised gain on foreign exchange.

Unrealised loss on foreign exchange represents the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange spot rates as at the end of each financial year/period.

**(b) Foreign currency forward contracts**

We enter into foreign currency forward contracts with banking institutions to sell the USD received from our customers at agreed exchange rates for fixed periods of time to reduce the exposure of our receivables. The table below summarises our USD denominated forward contracts as at 28/29 February 2018, 2019 and 2020 as well as 31 August 2020:

	<b>As at 28/29 February</b>						<b>As at 31 August 2020</b>	
	<b>2018</b>		<b>2019</b>		<b>2020</b>		<b>USD'000</b>	<b>RM'000</b>
	<b>USD'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>RM'000</b>
USD denominated forward contracts	-	-	-	-	2,294	9,557	1,044	4,446

During FYE 2018 to 2020 and FPE 2021, our gains and losses arising from the fluctuations in foreign exchange from the forward contracts that we entered into, are as follows:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net fair value gain/(loss) on derivative financial instrument	-	-	(134)	46

## 11. FINANCIAL INFORMATION (Cont'd)

We will record a net fair value gain if the agreed exchange rate is higher than the rates as at the end of the respective financial year/period. Conversely, we will record a net fair value loss if the agreed exchange rate is lower than the rates as at the end of the respective financial year/period.

Resulting from the usage of foreign currency forward contracts, the net effect to the impact of foreign exchange rate fluctuations are as follows:

	<b>Audited</b>			
	<b>FYE</b>	<b>FYE</b>	<b>FYE</b>	<b>FPE</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (loss)/gain on foreign exchange	(23)	147	302	(91)
Net fair value (loss)/gain on derivative financial instrument	-	-	(134)	46
<b>Gain/(loss) on foreign exchange</b>	<b>(23)</b>	<b>147</b>	<b>168</b>	<b>(45)</b>

For FYE 2018, the impact of loss on foreign exchange was minimal at RM23,000. For FYE 2019, our net gain on foreign exchange was RM0.1 million due to the appreciation of the USD against RM.

We were able to reduce the losses of net foreign exchange recorded in FYE 2020 of RM0.2 million as we had recorded a net gain on fair value (RM0.3 million) and net loss on fair value (RM0.1 million) via the use of foreign currency forward contracts.

For FPE 2021, we recorded net loss on foreign exchange (RM0.1 million) and net gain on fair value (RM0.1 million) via usage of foreign currency forward contracts. The overall impact was a loss on foreign exchange of less than RM0.1 million for FPE 2021.

Kindly refer to Section 8.1.2 for the details on risk relating to fluctuations in foreign exchange rates.

### 11.10.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratio from FYE 2018 to 2020 and FPE 2021 is as follows:

	<b>Audited</b>			
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
Interest coverage ratio (times) <sup>(1)</sup>	17.6	28.3	16.1	27.2

**Note:**

<sup>(1)</sup> Computed based on EBIT over finance costs for FYE 2018 to 2020 and FPE 2021.

Our interest coverage ratio of between 16.1 times to 28.3 times for FYE 2018 to 2020 and FPE 2021 indicates that our Group has been able to generate sufficient EBIT to meet our interest serving obligations.

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**11. FINANCIAL INFORMATION (Cont'd)**

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Our Group's financial results from FYE 2018 to 2020 and FPE 2021 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.

**11.10.3 Impact of commodity prices**

The raw materials that we use in our production process are not commodities.

**11.11 ORDER BOOK**

Due to the nature of our business, we do not maintain an order book. We generate our revenue as and when we deliver our furniture products based on purchase orders received.

**11.12 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 the growth outlook of the furniture industry as set out in the IMR Report;
- (b) our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for us to carry out our future plans as stated in Section 6.19;
- (c) our financial resources will strengthen, taking into account the amount to be raised from the IPO as well as internally generated funds. We may consider debt funding for our business expansion should the need arise.

There are no known circumstances which would result in a significant decline in our revenue and GP margin, and likely to have a material impact on our liquidity, revenue or profitability.

**11.13 TREND INFORMATION**

Based on our track record for the financial years and period under review, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (a) Revenue contribution from living room furniture has been on an uptrend from 69.7% in FYE 2018 to 75.1% in FPE 2021. We expect the living room furniture segment to continue contributing significantly to our revenue in the future;
- (b) For FYE 2019 to 2020 and FPE 2021, our revenue is primarily derived from export sales. We expect this trend to continue in the future;
- (c) For FYE 2018 to 2020 and FPE 2021, sales to Asia (excluding Malaysia), Europe and North America have contributed between 42.7% to 80.6% of our revenue. We expect sales to these regions to continue contributing significantly to our revenue in the future; and

**11. FINANCIAL INFORMATION (Cont'd)**

- (d) For FYE 2018 to 2020 and FPE 2021, the main component of our cost of sales is raw materials, which constituted more than 73.2% of total cost of sales. We expect this trend to continue.

Save as disclosed in Section 11.2, there are no other factors which are likely to have a material effect on our financial condition and results of operations or cause our Group's historical financial statements to be not necessarily indicative of our future financial performance.

In 2020, due to the outbreak of COVID-19, the Government imposed an MCO which impacted most of the economic sectors and activities, especially those operating in non-essential services. During the initial MCO period from 18 March 2020 to 30 April 2020, our Group's procurement and production operations were affected. The pandemic also affected our foreign sales as we have a large export base of customers, and resulted in delayed delivery of furniture products to customers who are located in selected countries where their borders or logistics hubs were closed or restricted due to the COVID-19 pandemic.

Despite the impact of the COVID-19 pandemic, we did not experience any cancellation in sales orders from our customers. We also did not experience any claims arising from delayed delivery during this period. Thus, our Board is optimistic about the future prospects of our Group given the positive outlook of the furniture industry in Malaysia and globally as set out in the IMR Report in Section 7, our Group's competitive strengths as set out in Section 6.8 and our Group's business strategies and prospects as set out in Section 6.19.

**11.14 DIVIDENDS**

Our Company does not have any formal dividend policy. As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiary, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from our financiers as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Generally, consent from the financier is required if any payment or declaration of such dividend exceeds or will exceed the PAT or a specific PAT threshold as prescribed in the respective facility agreements. Moving forward, the payment of dividends or other distributions by our subsidiary will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their board of directors deem relevant.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group.

Dividends declared by our subsidiary from FYE 2018 to 2020 and FPE 2021 were as follows:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FPE 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividends declared	-	1,400	2,600	3,000

Subsequent to FPE 2021, our subsidiary declared an interim dividend of RM2.0 million in respect of FYE 2021. The dividend was paid on 12 October 2020.



**11. FINANCIAL INFORMATION (Cont'd)****11.15 CAPITALISATION, BORROWINGS AND INDEBTEDNESS**

The table below summarises our capitalisation, borrowings and indebtedness as at 30 November 2020 and after Public Issue, including the utilisation of proceeds from the Public Issue.

	<b>Ecomate Holdings</b>	<b>I</b>	<b>II</b>
	<b>As at 30 November 2020 (1)</b>	<b>After Public Issue</b>	<b>After I and utilisation of proceeds</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Capitalisation</b>			
Shareholders' equity	11,235	[•]	[•]
<b>Total capitalisation</b>	11,235	[•]	[•]
<b>Indebtedness</b>			
<b>Non-current</b>			
Borrowings	6,799	6,799	6,799
Lease liabilities	2,589	2,589	2,589
<b>Current</b>			
Borrowings	2,879	2,879	2,879
Lease liabilities	1,279	1,279	1,279
<b>Total indebtedness</b>	13,546	13,546	13,546
<b>Gearing ratio<sup>(2)</sup>(times)</b>			
	<b>1.2</b>	[•]	[•]

**Notes:**

(1) On the assumption that the Acquisition of Ecomate has been completed.

(2) Calculated based on the total indebtedness divided by total capitalisation