8. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESMENT DECISION.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 Our business and operations are exposed to sudden disruptions caused by outbreak of pandemics such as the Covid-19 virus

Our business and operations are subject to sudden disruptions caused by disease outbreaks in Malaysia and the countries we transact with. Disease outbreaks may lead to government authorities implementing precautionary measures to curb the spread of the diseases, including temporarily halting business activities.

On 11 March 2020, the Covid-19 virus, also known as the novel coronavirus, was declared a worldwide pandemic by the World Health Organisation. Our business and operations were impacted by precautionary measures taken by governments around the world and by our customers to prevent the spread of the Covid-19 virus.

Our business and operations in Malaysia were affected by the MCO imposed by the Government of Malaysia where our manufacturing activities came to a halt between 18 March 2020 and 4 April 2020 and partially operated between 4 April 2020 and 29 April 2020. Additionally, our suppliers and subcontractors were unable to operate during the MCO which disrupted the supply of our materials and subcontractor services were halted. Consequently, this had led to production backlogs which resulted in delays in fulfilling 49 sales orders during the MCO and conditional MCO period. The shipment destinations of these 49 delayed orders are USA, Taiwan, Saudi Arabia, Spain, Singapore, Malaysia, Japan, UK and India. Most of the supplies of our materials from our suppliers and subcontractors have resumed and normalised whereby there are no backlog orders due to us during that period except for cushions, where we faced 1 month delay from our cushion subcontractors. As at the LPD, there are no backlog orders from our suppliers and subcontractors including our cushion subcontractors. As payments for all of the 49 delayed orders have been collected in FYE 2020, there is no impact of the 49 delayed orders to our revenue and cash flow for the FYE 2020.

Moreover, the Covid-19 pandemic had also affected our business transactions overseas. Many governments of these countries have taken precautionary measures such as closure of transportation hubs to curb the spread of the Covid-19 virus, which may lead to further delays or interruptions to the delivery of our products to these countries. During the MCO and conditional MCO period, we received requests from customers to delay delivery of 21 orders (not part of the 49 orders delayed due to disruption to our manufacturing activities and supply of materials and subcontractor services), comprising 14 overseas orders and 7 local orders, which has subsequently led to higher level of finished goods in our factory. All the 21 delayed orders have been completed with the last order being shipped to our customers by December 2020. As payments for all of the 21 delayed orders have been collected in FYE 2020, there is no impact of the 21 delayed orders to our revenue and cash flow for the FYE 2020. Further, during the same period, we also received requests from local customers to cancel 2 orders of approximately USD172,596.

Following the imposition of the second MCO, there has been no impact to our current operations, supply of raw materials and subcontracted services as well as sales and marketing activities. Further, our Group does not foresee any impact on the above matters if the second MCO is extended further, given that the restrictions imposed remain. As such, our Group does not expect any impact to our financial performance for the FYE 2021 arising from the imposition of the second MCO. Nevertheless, should the restrictions under the second MCO further tighten which result in mandatory closure of our operations and/or the operations of our suppliers and subcontractors, our business and operations may be adversely impacted as it may lead to delays in fulfilling our orders, which will consequently affect our financial performance.

Prolonged disruption to our business and operations will materially affect our order fulfilment which will subsequently adversely affect our revenue recognition and financial performance. Please refer to Section 6.9 of this Prospectus for further details on the interruptions to our business and operations caused by Covid-19 pandemic.

Further, our sales and marketing activities were also affected by the Covid-19 pandemic as furniture fairs and exhibitions being our key sales and marketing activities, have been postponed or cancelled entirely. This may affect our outreach to potential new customers to grow our customer base in the near term and would temporary slowdown our expansion and growth rate. However, our Group's revenue and PAT for the FYE 2020 is expected to be similar with FYE 2019 and higher than FYE 2017 and FYE 2018.

The economic impact of the Covid-19 virus in our local and export markets due to mandatory social distancing/quarantines, may result in loss of business and decrease in consumer spending, which may consequently impact the demand for furniture. If our customers suffer a loss in business due to the decreased demand for furniture, they may delay, reduce or halt further purchases from our Group, thereby, adversely affecting our sales performance.

Any such future pandemic outbreaks, as well as epidemic outbreaks affecting a significantly large but more localised population, may result in similar interruptions to our Group's business and operations, which may subsequently have a material adverse impact on our financial performance.

8.1.2 We are exposed to foreign exchange fluctuation risks which may impact our revenue and costs of raw materials

Since the commencement of our business, we have exported to multiple countries in North America, South America, Asia, Europe, Middle East, North Africa and Australasia. The revenue generated from overseas countries are denominated in USD. In addition, most of our sales from local customers are also denominated in USD, whereby some of our local customers are quoted and invoiced in USD while payments to us are made in the equivalent RM based on the prevailing exchange rates. We prepare quotations and invoices for some of our local customers in USD based on request from our customers as the furniture sold to them are mostly for exports where USD is used as the main transaction currency.

Approximately 86.06%, 90.92%, 95.99% and 94.80% of our Group's total revenue were denominated in USD in the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, respectively. As our revenue is largely denominated in USD, any fluctuations in the USD would have an impact on our revenue. In circumstances where the USD significantly appreciates or depreciates against the RM, we will record higher or lower revenue, respectively, as our sales are reported in RM. The exchange rate between USD against RM had weakened throughout the FYE 2017 which had negatively impacted our revenue for the FYE 2017. In the FYE 2018, WAFEX of USD against RM weakened from USD1.00:RM4.27 in FYE 2017 to USD1.00:RM4.02 which negatively impacted our revenue. In FYE 2019, the WAFEX of USD against RM strengthened from USD1.00:RM4.02 in FYE 2018 to USD1.00:RM4.11 which had a positive effect on our revenue for the FYE 2019. In the FYE 2020, the WAFEX of USD against RM strengthened from USD1.00:RM4.11 in FYE 2019 to USD1.00:RM4.15 which had a positive effect on our revenue for the FYE 2020. Moving forward, if the WAFEX of USD against RM is higher or lower than the preceding FYE, it would positively or negatively impact our revenue, respectively.

For illustrative purposes, if the exchange rate between RM against the USD increased or decreased by 5%, this would result in our Group's revenue in the FYE 2019 to decrease or increase by approximately RM3.63 million.

We maintain foreign currency accounts to receive proceeds of our sales and payment for imports in USD. For the FYE Under Review and FPE 2020, our gains and losses from foreign exchange fluctuations are as follows:

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Realised gain on foreign exchange	77	470	489	472
Realised (loss) on foreign exchange	-	(24)	(11)	-
Unrealised (loss) on foreign exchange	(176)	(96)	(6)	(83)
Net gain/ (loss)	(99)	350	472	389

To a certain extent, we also enter into foreign exchange forward contracts with banking institutions to sell the USD received from our customers. For the FYE Under Review and FPE 2020, the derivative gains or losses arising from foreign exchange forward contracts were not material and were offset against realised gains or losses on foreign exchange account.

Please refer to Section 12.9 (i) of the Prospectus for details on measures taken to hedge against foreign exchange fluctuations.

8.1.3 We are, and will continue to be exposed to existing business risks, in particular, without recurring revenue from long term contracts, arising from the increased production capacity and the expansion of our manufacturing plant

In March 2020, we completed the move of our entire manufacturing activities to our current manufacturing plant (Phase 1A). In April 2020, we commissioned 2 new units of conveyor system in Phase 1A which have increased our annual production capacity from 270,298 sets of chairs and 97,524 sets of tables to 951,762 sets of chairs and 467,152 sets of tables.

As part of our business expansion plan, our Group intends to further expand our current manufacturing plant to support our long term business growth. The construction of Phase 1B had commenced in July 2020 and Phase 2 are targeted to commence in May 2021. The expansion of our manufacturing plant will increase our production space for woodworking manufacturing and allow for more automated machinery to be placed in our new factory buildings (Phase 2) for the production of cushions used in our upholstered furniture, in order to support the annual production capacity in Phase 1A, as well as to house a showroom to showcase our range of home furniture, a designated D&D centre and also spaces for other administrative functions. Additional information on our business strategies and prospects is set out in Section 6.19 of this Prospectus.

Following the commissioning of the 2 new units of conveyor system in Phase 1A which has increased our production capacity, we continue to be exposed to existing business risks such as uncertainty in sales due to the nature of our business of not having long-term contracts, unexpected interruptions in our operations due to sudden and unexpected equipment failures or accidents, shortage of raw materials, disruption in supply and/or other unforeseen risks. In addition, we are expected to continue to be exposed to the aforementioned business risks, in particular, the uncertainty in sales due to the nature of our business of not having long-term contracts as we expand our manufacturing plant, particularly upon completion of construction and commencement of our operations in Phase 1B and Phase 2. As there are no long-term contracts or written purchase obligations with any of our customers as all sales are carried out on purchase order basis, our Group's performance may be adversely affected if we are unable to secure sufficient sales to cover for the increase in costs arising from the expansion of our manufacturing plant. Any occurrence of such risks and/or other unforeseen circumstances may have a material adverse impact effect on our Group's operations and financial performance if we are unable to supply the products to our customers in a timely manner. In addition, if our sales are lower than expected, this may leave some of our machines idle.

In view of the Covid-19 pandemic, current global economy situation, and the lack of long-term contracts, our business expansion plan, which includes the expansion of our manufacturing plant and purchase of new machinery, involves a number of cost-related risks, including but not limited to, increased depreciation charges, machinery maintenance costs and staff costs. The increase in such expenditures will consequently increase our Group's overall operational cost, including overhead costs and cost of goods sold, which may adversely affect our financial performance, in terms of margin, profitability as well as our cash flow management and our ability to make timely repayments of term loans and borrowings, if we are unable to secure sufficient sales to cover for such increase in costs.

Our gearing ratio had increased significantly from 0.49 times as at 31 December 2017 to 0.95 times as at 31 December 2019 and to 1.09 as at 31 August 2020 mainly due to additional term loans secured for construction of factory building, and for purchase of new machineries. Notwithstanding our IPO proceeds, our gearing ratio is only expected to drop to 0.64 times after our Public Issue and utilisation of proceeds as most of the IPO proceeds will be utilised for the expansion of our manufacturing plant in Phase 1B and 2 rather than to pare down our loans and borrowings. Only RM1.80 million from the IPO proceeds will be utilised to pare down our loans and borrowings.

8.1.4 We are dependent on our Managing Director, Executive Director and Key Senior Management for continued success of our business

The continued success of our Group largely relies on the contributions and involvement of our Managing Director, Executive Director and Key Senior Management in our business. With their experience in their respective fields and in-depth knowledge of the furniture industry and our business, they play a pivotal role in our daily business operations as well as formulating and implementing strategies to drive the growth and expansion of our Group. Our Managing Director, Executive Director and many of our Key Senior Management are involved in project planning, operational coordination and execution of growth strategies, as well as procuring new suppliers and customers, and maintaining relationships with all our suppliers and customers. Particularly, we are dependent on our Executive Director, Quek Wee Seong's experience in wood materials related business as our established relationships with major suppliers are partly attributed to him through his business network of raw materials suppliers, which benefits our Group where we are able to purchase materials at competitive prices with reduced risk of substandard materials.

We recognise that our Group's continuing success and future growth and expansion depend significantly on the capabilities and continuing efforts of our Managing Director, Executive Director and Key Senior Management. As such, the resignation or loss of any of these personnel without a timely replacement may negatively affect our business operations and performance.

8.1.5 We are dependent on two largest major customers

For the FYE 2017, FYE 2018 and FYE 2019, our largest major customer was Ivorie, with revenue contribution of 29.91%, 29.66% and 27.23% respectively. For the FPE 2020, Ivorie became our second largest major customer, with revenue contribution of 18.72% and Lima Trading, LLC (successor of Vig Furniture, Inc., a retailer in the USA which has been our Group's 2nd largest major customer for the FYE 2018 and 2019) had its revenue contribution increased from 8.84% in the FYE 2018 to 20.55% in the FPE 2020, ranking first for the FPE 2020. Our Group expects that moving forward, both Ivorie and Lima Trading, LLC. will continue to contribute significantly to our Group's revenue and hence, we are dependent on both Ivorie and Lima Trading, LLC. However, in view of the Covid-19 pandemic in Malaysia and exporting countries of Ivorie, our revenue contribution from Ivorie in FYE 2020 is lower than the revenue contribution from Ivorie in FYE 2017 (please refer to Section 6.16 of the Prospectus for further details). As the uncertainty arising from the Covid-19 pandemic persists, our Group foresees declining sales to Ivorie in the near term, until the impact of the Covid-19 pandemic in Malaysia and the exporting countries of Ivorie subsides.

Ivorie is our marketing agent which markets, promotes and sells our products exclusively to their local and overseas customers, as stipulated in the Marketing Agreement. Despite having 11 years of business relationship with Ivorie since the commencement of our business in 2010 to the LPD, there is no assurance that Ivorie will continue to purchase from us, or continue to purchase a significant amount from us as there is no long-term contract or written purchase obligations with Ivorie as all sales are carried out on purchase order basis. Pursuant to the Marketing Agreement, a written notice has to be provided 6 months ahead if either party would like to terminate the Marketing Agreement. If Ivorie stops purchasing furniture from us by not issuing purchase orders to us and/or terminating the Marketing Agreement with us after serving the 6 months' notice, we will need to increase sales from other existing customers or secure new customers within 6 months to replace the loss of sales from Ivorie. If we are unable to do so in a timely manner, we will experience a decline in sales which may negatively affect our financial performance. Currently, we have not been approached by any parties expressing interest to act as our marketing agent.

8.1.6 Our business is exposed to sudden and unexpected equipment failures, accidents and fires or floods, which may lead to interruptions in our operations

We rely on a range of machinery and equipment for our manufacturing activities. These machinery and equipment may, on occasion, be out of service due to accidents, unanticipated failures or damages sustained during operations. Further, our manufacturing plant is also subject to catastrophic loss due to natural disasters such as fire and floods. As we are involved in the production of wood-based home furniture, one of the main inputs to our manufacturing activities is wood. Therefore, we are subject to higher inherent risks of fires as wood is a flammable material. In addition, as our manufacturing activities are dependent on continuous supply of electricity, any major disruptions to the supply of electricity may result in interruptions in our operations.

In the FYE Under Review, FPE 2020 and up to the LPD, we have not experienced any incidents of unanticipated machinery and equipment failures sustained during operations or catastrophic damages as a result of fires or floods, which led to major interruptions in our operations.

The occurrence of these unexpected events that are beyond our control may cause damage or destruction of all or part of our factory and/or result in interruptions in, or prolonged suspension of, all or any part of our manufacturing activities. Any prolonged interruption in our business operations will prolong manufacturing lead time, which will in turn cause delivery delays of products to our customers. This could eventually adversely impact our relationships with customers, financial performance and industry reputation.

8.1.7 Our business may be affected by evolving market trends and consumer preferences on furniture designs

Furniture is a consumer product and in some countries are suscceptible to changing market trends and consumer preferences. As a result of these evolving market trends and consumer preferences, we face the risk that our D&D team may not be able to respond to these changes and provide innovative designs in a timely manner. Further, we export to many countries, thus, it is crucial that we have a wide variety of designs, and we are able to respond to a broad range of changes in market trends and consumer preferences, to suit the unique requirements of the consumers from different countries.

There is no assurance that our furniture designs will be well accepted by our customers at all times. Any failure to keep up with market demands and launch innovative designs may result in a loss of customers, which may consequently lead to an adverse effect on our business and financial performance.

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

While our Group has quality control procedures in place at every crucial stage of manufacturing workflow to ensure the quality of our furniture is being upkept, there is no guarantee that there will not be any defects in our furniture. Our Group does not have warranty policies against defects for all our products. In cases where our customers notify us about any defects such as scratches or broken parts, we will first investigate the cause(s) of the defects and decide the next cause of action. As a general practice, our Group may consider, at our sole discretion, replacing the goods or parts of the goods that are defective as a result of our manufacturing process, provided that we are notified within 90 days from the date our customers receive the products. Further details on warranty are set out in Section 6.2.3 of this Prospectus. Save for a the claims for manufacturing defects of approximately 0.14% of our revenue in the FYE 2019 and approximately 0.11% of our revenue in FPE 2020 there were no other material claims in the FYE Under Review and FPE 2020.

If we choose to replace the goods or parts of the goods, we have to bear the costs of replacement. Any significant amount of such replacements may cause an increase in our cost of sales and affect our profitability. Further, if the product defect complaints are not resolved in a timely and satisfactory manner and such incidences occur repeatedly, our reputation in the market may be negatively impacted and lead to potential loss of sales.

8.1.9 The lack of long-term contracts may result in the fluctuation of our Group's performance

All our sales are based on purchase orders and we do not have any long-term contracts with our customers. The lack of long term contracts are mainly due to the nature of our business as the designs of our furniture change according to the market trends and consumer preferences from time to time. Thus, the demand for our furniture is also subject to our customers' design preferences of furniture during a particular period of time.

The absence of long-term contracts poses a risk of losing our existing customers as our customers are not obliged to purchase furniture from us and they could cease to purchase from us at any time. If we lose any of our customers, particularly our major customers, and we are unable to secure additional sales from existing customers or secure new customers in a timely manner, our business and financial performance may be adversely affected.

While we strive to ensure customer satisfaction by improving our product quality, strengthen existing business relationships and establish relationships with new customers to expand our clientele base, any adverse economic conditions or slowdowns in the demand for furniture may negatively impact our sales, which will consequently result in a decline in our financial performance.

8.1.10 We may be adversely affected by political, economic, legal and social conditions in Malaysia and the countries where we export our products to

As at the LPD, we have exported our home furniture to countries in North America, South America, Asia, Europe, Middle East, North Africa and Australasia. Our sales from exports contributed significantly to our total revenue at 55.46%, 58.36%, 66.37% and 73.39% in the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, respectively. As we continue to expand our business and export markets, our business operations are expected to be increasingly affected by political, economic, legal and social conditions in Malaysia as well as countries that we export our furniture to.

Risks that we are exposed to include, amongst others, changes in government or regulatory policies such as tax rates and interest rates, unstable economic conditions, changes in political leadership and wars. For the FYE Under Review, there has not been any political, economic, legal or social considerations that had a material negative impact on our business operations and financial performance. For the FPE 2020, our Group was affected by the Covid-19 pandemic which has temporarily affected the economic and social conditions in Malaysia and countries where we export our products to. Please refer to Section 8.1.1 of this Prospectus for further details on the impact to our Group arising from the Covid-19 pandemic.

These aforementioned events are beyond our control and thus we cannot assure that there would not be such occurrences in the future. Therefore, any unfavourable changes in political, economic, legal and social conditions in Malaysia and the countries we export to, may cause significant disruptions to our business operations and/or impact our financial performance.

8.1.11 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance coverage for our material assets and business operations. As at the LPD, the Group has taken up the following insurance policies, amongst others:

- fire commercial and fire material damage insurance for our office, factory, hostel, stock and machineries, with an aggregate sum insured of RM47.45 million;
- all risks insurance with an aggregate sum insured of RM8.31 million;
- public liability insurance, with an aggregate sum insured of RM4.50 million; and
- business machine and equipment insurance with an aggregate sum insured of RM1.23 million.

As these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events, we are still exposed to the risk that the insurance coverage would be inadequate to cover the losses, damages or liabilities, which we may incur in the course of our business operations.

For instance, floods, fires, storms or other events may cause damage to our manufacturing facilities in excess of the insurance coverage and may lead to significant costs incurred in connection with remedial and repair work that must be borne by us. If we suffer a loss or incur a liability arising from any uninsured risk or insufficiently insured risk, our business and operating results may be adversely affected. In addition, our insurance premiums may also increase due to the insurance claims made. In such circumstances, our financial results may be materially and adversely affected.

Further, there is no assurance that we are sufficiently insured to cover any losses, damages or liabilities that may arise. For instance, we do not have insurance coverage for certain risks such as political risks, terrorism or war. Hence, our business may be adversely and materially affected in the event of such an occurrence where our losses and liabilities are not covered by insurance. In the FYE Under Review and FPE 2020, our Group did not encounter any events that resulted in any insurance claims.

8.1.12 We are subject to credit risk and default payment by our customers

Our financial performance is dependent, to a certain extent, on the creditworthiness of our customers. If circumstances arise that affect our customers' ability or willingness to pay us, we may experience payment delays or in worst cases, we may not be able to collect payment from our customers. We generally grant our customers credit periods of up to 90 days. Should there be a delay or default in payment, our operating cash flows and financial results may be adversely affected.

Despite closely monitoring our customer's payment track record and making timely reminders when necessary, there can be no guarantee that our customers will be able to fulfil their payment obligations. For the FYE Under Review and FPE 2020, our major customers have made timely payments therefore we have no doubtful debts or bad debts. However, there is no assurance that these customers will continue to maintain their positive payment records in the future.

8.1.13 We are subject to regulatory requirements for our business operations

Our business is subject to various laws, rules and regulations. We have obtained the necessary major licences, permits and approvals from various governmental authorities and issuers for our business, as set out in Section 6.18 of this Prospectus save for the Certificate for Accommodation.

The major licences, permits and approvals as aforementioned are subject to compliance with relevant conditions (if any), laws and regulations under which they were issued. In the event of non-compliance, these licences, permits and approvals may be revoked or may not be renewed upon expiry. Similarly, any breach of these conditions, laws and regulations (whether due to our past or future non-compliance) can result in penalties, fines, potential prosecution against us and/or our directors, restrictions on operations and/or remedial liabilities.

Under the Wood-Based Industries Enactment 1986 ("**Enactment**"), a Wood-based Furniture Factory Licence is required from the state forestry authority to operate in a wood-based industry. Pursuant to Section 3(1) of the Enactment, no person shall site, construct, erect, establish, operate or maintain a wood-based industry except under a licence issued to him by the state authority and signed by the State Director of Forestry. Given that our subsidiary, namely Mobilia International carries out manufacturing of wooden furniture, a Wood-Based Furniture Factory Licence is required by Mobilia International.

Pursuant to Section 27 of the Enactment, any person who commits an offence under the Enactment shall, on conviction, be liable to be punished with imprisonment for a term of not exceeding 1 year, or with fine not exceeding RM2,000.00 or both. Under Section 23 of the Enactment, where a person charged with an offence under the Enactment is a body corporate, every person, who at the time of the commission of such offence is a director or officer of that body corporate may be charged jointly in the same proceedings with the body corporate, and where the body corporate is convicted of such offence, every such director or officer shall be deemed to be guilty of the offence unless he proves that the offence was committed without his knowledge and that he took reasonable precautions to prevent its commission.

Notwithstanding Mobilia International's Past Non-Compliance, Mobilia International had on 20 June 2019, submitted an application for the Wood-based Furniture Factory Licence to JFD Johor Utara and obtained such licence on 7 October 2020 for the period commencing from 1 January 2020 to 31 December 2021 (please refer to item 1 of Section 6.20 of the Prospectus for further details of the Wood-Based Furniture Factory Licence). JFD had not imposed any penalty for our Past Non-Compliance when issuing the Wood-Based Furniture Factory Licence to us. However, we recognise that our Past Non-Compliance could still result in a potential prosecution under Section 27 of the Enactment. Nevertheless, we believe that the likelihood of prosecution is low in view that we have already been issued the Wood-based Furniture Factory

Licence without any penalty being imposed. The costs of RM385.00 incurred in applying for Wood-Based Furniture Factory Licence is also not deemed to be material to the Group

Pursuant to Section 24D(1) of the WMSHA 2019, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. Given that our subsidiary, Mobilia International provides such accommodation to our employees at the hostel located at Lot 2782, a Certificate for Accommodation is required by Mobilia International. Section 24D(3) of the WMSHA 2019 provides that an employer who contravenes Section 24D(1) of the WMSHA 2019 commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00. Mobilia International had taken all the necessary steps to comply with the requirements set out in the WMSHA 2019. Once Mobilia International has ensured compliance of its workers' hostel with the requirements set out in the WMSHA 2019, it had on 8 December 2020 submitted an application for the Certificate for Accommodation for our workers' hostel located at Lot 2782 to the Department of Labour Peninsular Malaysia. We recognise that our non-compliance in obtaining this Certificate for Accommodation from 1 September 2020 up to the day before the issuance of the Certificate for Accommodation could result in a potential prosecution under Section 24(3) of the WMSHA 2019. However, we believe that the likelihood of prosecution is low in view that we have been verbally informed by the Department of Labour, Muar on 20 January 2021 that our application for the Certificate for Accommodation has been approved and the issuance of the Certificate for Accommodation is being processed by the Department of Labour, Muar. Additionally, no costs has been incurred in applying for the Certificate for Accommodation.. Should there be further developments and updates to this matter after the date of this Prospectus, the relevant announcements will be made accordingly on Bursa Securities' website.

Further, the relevant government authority or issuer may take action by issuing warnings, imposing penalties, suspending the licences, permits or approvals, reducing the term, imposing additional conditions or restrictions and/or revoking the licences, permits or approvals, against us for any breach or non-compliance. Any revocation or failure to obtain, maintain or renew any of the licences or permits may materially and adversely affect our business operations and financial performance. Thus far, we have not encountered any difficulty in renewing our licences, permits and approvals,

In addition, we may be required to comply with further and/or stricter requirements if there are changes to applicable laws, regulations or policies in Malaysia. This may affect our business operations and financial performance if we are unable to comply with the new laws, regulations or policies.

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8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are dependent on the availability of foreign workers for our manufacturing activities

The manufacturing works for furniture is labour intensive. As it is increasingly difficult to hire local manufacturing workers, our Group is reliant on foreign workers to carry out the manufacturing activities. As at the LPD, there are 362 foreign workers, accounting for 82.65% of our total workforce. Our foreign workers mainly originate from Bangladesh, Myanmar and Nepal.

Any changes to foreign worker visa policies in Malaysia or in the countries which our foreign workers are from or any suspension on the intake of foreign workers in Malaysia may result in difficulties for our Group to maintain a sufficient foreign labour workforce which, may affect our manufacturing operations and in turn, adversely affect our overall financial performance. In addition, our Group's anticipated business growth is also subject to the expansion in our manufacturing operations, which would require a subsequent increase in foreign labour to meet increased manufacturing activities. Further, the costs of foreign labour may continue to increase in the future. Any increase in the levy rate for foreign workers will increase our cost for labour which consequently may increase our cost of sales.

On 22 June 2020, the Human Resource Minister announced a hiring freeze on foreign workers until end of 2020 with the aim to create more job opportunities for the local workforce in view of the adverse impact from the Covid-19 pandemic which has caused higher unemployment in the country. At present, our Group is not affected by this hiring freeze as we have sufficient workforce to support our current manufacturing activities. Further, our Group has not faced any difficulties in renewing the working permits for our existing foreign workers, and we are not aware of any changes to the general validity of the working permits issued lately. However, we will hire local workers when the need arises during this hiring freeze.

Further, on 29 July 2020, the Government had decided to allow foreign workers to work in the construction, agricultural and plantation sectors. Subsequently on 13 August 2020, the Government announced a further ease of the hiring freeze on foreign workers by allowing employers to hire foreign workers who are still in Malaysia but have been laid-off, provided that these foreign workers have a valid working permit and that they work in the same sector that they were previously employed in.

Further, effective on 1 January 2021, it will be mandatory for employers who intend to hire foreign workers (including existing foreign workers and expatriates in Malaysia) to advertise the job opening on MYFutureJobs, a national online job portal that allows the Ministry of Human Resources to facilitate job matching involving locals to ensure that employment opportunities for Malaysians are given priority. The job applications will be opened to foreigners in the event that Malaysians are not interested to apply. This may affect our Group's anticipated business growth which is subject to the expansion in our manufacturing operations, where we would require a subsequent increase in foreign labour to meet increased manufacturing activities. After such a decision is enforced, we will hire local workers and would provide the required trainings before deploying them to their respective stations within our manufacturing plant. The cost of hiring local workers may also be higher which will increase our overall expenditure and subsequently adversely impact our margin and profitability, if we are unable to pass the cost to our customers. Further, if we are unable to hire sufficient suitable local workers due to lack of interest and low wages, we may face the risk of temporary labour shortage for the expansion in our manufacturing operations, especially for the lower-level and repetitive operational tasks that involve manual labour, before we are allowed to hire foreign workers.

8.2.2 We face competition risk due to the highly competitive and fragmented nature of the industry

We operate in a highly fragmented and competitive industry due to the large number of players competing in this industry. We compete with these players in terms of, amongst others, product quality, quick lead and delivery times, range of product offerings and competitive pricing.

Apart from the existing industry players, we may also face competition from new entrants. If we fail to remain competitive in the industry, our financial performance will be adversely impacted and it may also affect the sustainability of our business.

8.2.3 We are dependent on the availability of our wood-based raw materials

For the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, the total purchases of raw materials and services amounted to approximately RM35.85 million, RM37.14 million, RM40.94 million and RM23.23 million, respectively. Wood materials and wooden furniture parts collectively accounted for 44.62%, 49.89%, 55.01% and 51.76% of our total purchases in the FYE 2017, FYE 2018, FYE 2019 and FPE 2020, respectively.

Our wood-based raw materials are mainly made of rubberwood. Wood in Malaysia has been largely sourced from natural forest and state land forest, alienated land and rubber replanting programs. As there are limited opening of state land forests and alienated land for wood harvesting, shortages in local supply may sometimes occur. In the event there are shortages of local rubberwood supply, our Group may source for wood-based raw materials from other countries in Southeast Asia such as Thailand, Indonesia and Vietnam. During the FYE Under Review and FPE 2020, our Group did not source any wood-based raw materials from other countries in Southeast Asia.

Nevertheless, there is no assurance that we will be able to source for wood-based raw materials if there is a severe shortage of supply, including supply from our overseas suppliers. In addition, we may not be able to source for wood-based raw materials at reasonable prices. In such circumstances, our business operations and financial performance could be adversely affected.

8.3 RISKS RELATING TO OUR SHARES

8.3.1 No prior market for our Shares

Prior to our IPO, there has been no prior public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon Listing or, if developed, that such market will sustain. Our IPO Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, our competitive strengths, our business strategies and prospects as well as our financial and operating history. There can be no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing or that an active market for our shares will develop and continue upon or subsequent to our Listing.

The price at which our Shares will trade on the ACE Market may be influenced by a number of factors including, amongst others, the depth and liquidity of the market of our Shares, investors' individual perception of our Group, market and economic conditions.

8.3.2 There may be a potential delay to or cancellation of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

(i) Our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;

(ii) The revocation of approvals from the relevant authorities and/or parties for our Listing and/or admission for whatever reason; or

(iii) We are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.0% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

Where prior to the issuance and allotment of our IPO Shares:

(a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the Applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the Applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(b) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all Applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:

    (aa) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

    (bb) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the Directors.

Nonetheless, our Board will endeavour to ensure compliance with the various requirements for our successful Listing.

8.3.3 Trading price of our Shares following our Listing may be volatile

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

In addition, the performance of Bursa Securities is very much dependent on external factors such as performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as economic and political conditions of the country as well as the growth of potential of various sectors of the economy. These factors invariably contribute to the volatility witnessed on Bursa Securities, thus adding risks to the market price of our listed shares.

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

Our Promoters collectively hold 75% of our enlarged share capital upon Listing. As a result of their shareholdings, our Promoters will be able to control the business direction and management of our Group. This includes the election of Directors, the timing and payment of dividends as well as having voting control over our Group. As such, our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders except where they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. We cannot assure you that the interests of our Promoters will be aligned with those of our other shareholders.

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9. RELATED PARTY TRANSACTIONS

9.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

9.1.1 Related party transactions

Save as disclosed below, there are no existing or proposed material related party transactions which involved the interest, direct or indirect, of our Directors, major shareholders and/ or persons connected with them for the FYE Under Review, FPE 2020 and from 1 September 2020 up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017 RM'000	FYE 2017 %	FYE 2018 RM'000	FYE 2018 %	FYE 2019 RM'000	FYE 2019 %	FPE 2020 RM'000	FPE 2020 %	From 1 September 2020 up to the LPD RM'000	From 1 September 2020 up to the LPD %
(i)	Mobilia International and Nutracraft[20]	**Interested major shareholders** • Quek Wee Seng • Quek Wee Seong **Interested Directors** • Quek Wee Seng • Quek Wee Seong Refer to Note (1)(a) – (1)(b) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	Purchase of wood materials from Nutracraft by Mobilia International.	14	0.03[17]	-	-	-	-	-	-	-	-
			Purchase of machineries, motor vehicle and computer from Nutracraft by Mobilia International.	450	2.26[18]	-	-	-	-	-	-	-	-
			Subcontract charges paid to Nutracraft by Mobilia International.[8]	1,455	3.45[17]	-	-	-	-	-	-	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(ii)	Mobilia Design and Nutracraft[20]	**Interested major shareholders** • Quek Wee Seng • Quek Wee Seong **Interested Directors** • Quek Wee Seng • Quek Wee Seong Refer to Note (1)(a) – (1)(b) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	Purchase of wood materials from Nutracraft by Mobilia Design.	199	0.47[17]	-	-	-	-	-	-	-	-
			Purchase of motor vehicles from Nutracraft by Mobilia Design.	30	0.15[18]	-	-	-	-	-	-	-	-
			Rental of property from Nutracraft to Mobilia Design for use as storage space.[9](a)	45	0.11[17]	-	-	-	-	-	-	-	-
			Subcontract charges paid to Nutracraft by Mobilia Design.[10]	3,492	8.27[17]	-	-	-	-	-	-	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(iii)	Mobilia International and M & I Furniture[21]	**Interested major shareholder** • Quek Wee Seng **Interested Director** • Quek Wee Seong Refer to Note (2)(a) for details of his relationship with our Directors, major shareholders and/or persons connected with them.	Sale of furniture products to M & I Furniture by Mobilia International.	171	0.31[19]	-	-	-	-	-	-	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(iv)	Mobilia International and Quek Wee Seng and Quek Wee Seong	**Interested Directors** • Quek Wee Seng • Quek Wee Seong **Interested major shareholders** • Quek Wee Seng • Quek Wee Seong Refer to Note (3)(a) – (3)(b) and Note (4)(a) – (4)(b) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	Rental of property from Quek Wee Seng and Quek Wee Seong to Mobilia International for use as factory and office.[(11)(a)]	38	0.09[(17)]	-	-	-	-	-	-	-	-
(v)	Mobilia International and Quek Gim Hong @ Keh Gim Hong	**Directors** • Quek Gim Hong @ Keh Gim Hong **Interested person connected with major shareholders**	Rental of property from Quek Gim Hong @ Keh Gim Hong to Mobilia International for use as factory.[(12)(ii)(a)]	42	0.10[(17)]	-	-	-	-	-	-	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		• Quek Gim Hong @ Keh Gim Hong Refer to Note (5)(a) for details of his relationship with our Directors, major shareholders and/or persons connected with them.	Disposal of structure and buildings from Mobilia International to Quek Gim Hong @ Keh Gim Hong.(12)(i)(a)	-	-	2,680	11.83 (18)	-	-	-	-	-	-
			Transfer of balance 8/33 undivided share of a piece of freehold land by Mobilia International from Quek Gim Hong @ Keh Gim Hong pursuant to trust deed.(13)	-	-	-	-	-	-	-	-	-	-
			Rental of property from Quek Gim Hong @ Keh Gim Hong to Mobilia International for use as office.(12)(i)(c)	-	-	-	-	-	-	2	Neg	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(vi)	Mobilia Design and Quek Wee Seng and Quek Wee Seong	**Interested Directors** • Quek Wee Seng • Quek Wee Seong **Interested major shareholders** • Quek Wee Seng • Quek Wee Seong Refer to Note (3)(a), (3)(c), Note (4)(a) and (4)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	Rental of property from Quek Wee Seng and Quek Wee Seong to Mobilia Design for use as factory and office.(11)(b)	38	0.09(17)	75	0.15(17)	75	0.13(17)	19	0.06(17)	-	-
(vii)	Mobilia Design and Quek Gim Hong @ Keh Gim Hong	**Interested person connected with Directors** • Quek Gim Hong @ Keh Gim Hong	Rental of property from Quek Gim Hong @ Keh Gim Hong to Mobilia Design for use as factory.(12)(ii)(b)	42	0.10(17)	103	0.20(17)	121	0.22(17)	30	0.09(17)	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		Interested person connected with major shareholders • Quek Gim Hong @ Keh Gim Hong Refer to Note (5)(a) – (5)(b) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	Rental of property from Quek Gim Hong @ Keh Gim Hong to Mobilia Design for use as factory.[(12)(i)(b)]	-	-	109	0.21[(17)]	260	0.46[(17)]	65	0.19[(17)]	-	-
(viii)	Mobilia Design and Quek Wee Seong	**Interested Director** • Quek Wee Seong **Interested major shareholder** • Quek Wee Seong Refer to Note (4)(a) and (4)(c) for details of his relationship with our Directors, major shareholders and/or persons connected with them.	Rental of property from Quek Wee Seong to Mobilia Design for use as hostel. [(15)]	4	0.01[(17)]	18	0.04[(17)]	18	0.03[(17)]	3	0.01[(17)]	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(ix)	Mobilia International and Gim Wood Sdn Bhd	**Interested Director** • Quek Wee Seong **Interested major shareholder** • Quek Wee Seong Refer to Note (6)(a) – (6)(b) for details of his relationship with our Directors, major shareholders and/or persons connected with them.	Rental of property from Gim Wood Sdn Bhd to Mobilia International for use as storage.[(9)(c)]	90	0.21[(17)]	240	0.47[(17)]	240	0.43[(17)]	60	0.18[(17)]	-	-
			Purchase of machineries from Gim Wood Sdn Bhd by Mobilia International.	-	-	-	-	-	-	110	0.39[(18)]	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(x)	Mobilia Design and Gim Wood Sdn Bhd	**Interested Director** • Quek Wee Seong **Interested major shareholder** • Quek Wee Seong Refer to Note (6)(a) – (6)(b) for details of his relationship with our Directors, major shareholders and/or persons connected with them.	Rental of property from Gim Wood Sdn Bhd to Mobilia Design for use as storage.[(9)(b)]	45	0.11[(17)]	-	-	-	-	-	-	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(xi)	Mobilia Design and Future Bright Upholstery Sdn Bhd	**Interested Directors** • Quek Wee Seng • Quek Wee Seong **Interested major shareholders** • Quek Wee Seng • Quek Wee Seong Refer to Note (7)(a) – (7)(b) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	Purchase of cushions and chair frames from Future Bright Upholstery Sdn Bhd.	56	0.13[17]	-	-	-	-	-	-	-	-

Notes:

(1) Nutracraft

(a) Quek Wee Seng is our Director and major shareholder. He is also a director and shareholder of Nutracraft.

(b) Quek Wee Seong is our Director and major shareholder. He is also a director and shareholder of Nutracraft.

(2) M & I Furniture

(a) Quek Wee Seng is our Director and major shareholder. He is also a director and shareholder of M & I Furniture.

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

(3) Quek Wee Seng

(a) Quek Wee Seng is our Director and major shareholder.

(b) Quek Wee Seng is a director of Mobilia International, being our wholly-owned subsidiary.

(c) Quek Wee Seng is a director of Mobilia Design, being our wholly-owned subsidiary.

(4) Quek Wee Seong

(a) Quek Wee Seong is our Director and major shareholder.

(b) Quek Wee Seong is a director of Mobilia International, being our wholly-owned subsidiary.

(c) Quek Wee Seong is a director of Mobilia Design, being our wholly-owned subsidiary.

(5) Quek Gim Hong @ Keh Gim Hong

(a) Quek Gim Hong @ Keh Gim Hong is our Promoter, Substantial Shareholder and a person connected with Quek Wee Seng and Quek Wee Seong.

(b) Quek Gim Hong @ Keh Gim Hong had ceased to be a director of Mobilia Design, being our wholly-owned subsidiary on 30 October 2019.

(6) Gim Wood Sdn Bhd

(a) Quek Wee Seong is our Director and major shareholder and a person connected with Teo Hui Lee.

(b) Teo Hui Lee is a director and shareholder of Gim Wood Sdn Bhd and a person connected with Quek Wee Seong.

(7) Future Bright Upholstery Sdn Bhd

(a) Quek Wee Seng is our Director and major shareholder. He had ceased to be a director of Future Bright Upholstery Sdn Bhd on 25 January 2017.

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

(b) Quek Wee Seong is our Director and major shareholder. He had ceased to be a director of Future Bright Upholstery Sdn Bhd on 25 January 2017.

(8) The subcontract charges paid to Nutracraft by Mobilia International are for workmanship services.

(9) PLO 19, Jalan Kempas 2, Kawasan Perindustrian Pagoh, 84600 Muar, Johor ("**PLO 19**")

(a) Mobilia Design sub-rented a part of the factory building known as PLO 19, from 1 June 2016 to 31 March 2017 at a monthly rental of RM15,000. No formal agreement was entered into between Mobilia Design and Nutracraft and the rental was paid by invoice basis. Mobilia Design no longer rents the factory building after that particular tenure. Nutracraft ceased renting PLO 19 after that particular tenure, to which the rental of premises was taken over by Gim Wood Sdn Bhd as disclosed in Notes (9)(b) and (c) below.

(b) Mobilia Design sub-rented a part of the factory building known as PLO 19 from Gim Wood Sdn Bhd from 1 April 2017 to 30 June 2017 at a monthly rental of RM15,000. No formal agreement was entered into between Mobilia Design and Gim Wood Sdn Bhd and the rental was paid by invoice basis. Mobilia Design no longer sub-rents the factory building after that particular tenure. Following a streamlining of the operations of Mobilia International and Mobilia Design to avoid duplication of operations and to achieve higher economies of scale, the rental of the premises was taken over by Mobilia International as disclosed in Note (9)(c) below.

(c) Mobilia International sub-rented a part of the factory building known as PLO 19 from Gim Wood Sdn Bhd commencing from 1 July 2017 to 31 December 2017 at a monthly rental of RM15,000. No formal agreement was entered into between Mobilia International and Gim Wood Sdn Bhd. The tenancy was subsequently formalised by the tenancy agreements dated 13 February 2018, 25 April 2019 and 24 February 2020. The monthly rental rate is RM20,000. The parties have in a letter dated 4 March 2020 mutually agreed to terminate the tenancy on 31 March 2020 as Mobilia International has moved its factory operations to Lot 2782 in April 2020 and no longer needs to rent the factory building.

(10) The subcontract charges paid to Nutracraft by Mobilia Design are for workmanship services.

(11) Lot PTD 5049, Mukim of Jalan Bakri, District of Muar, State of Johor held under HS(D) 15806 ("**Lot PTD 5049**")

(a) Mobilia International and Quek Wee Seng and Quek Wee Seong entered into a tenancy agreement on 16 June 2010 for the rental of part of the land known as Lot PTD 5049, Mukim of Jalan Bakri, District of Muar, State of Johor held under HS(D) 15806 together with the factory building erected thereon, commencing from 1 May 2010 to 30 April 2013, which was subsequently renewed by the letters of extension dated 3 January 2014 and 1 January 2017. The tenure of the latest renewed tenancy was for the period commencing 1 January 2017 to 30 June 2017 with an option to renew for another term of 2 years at a monthly rental rate of RM6,252. The tenancy agreement has expired and Mobilia International no longer rents the premises. Following a streamlining of the operations of Mobilia

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

International and Mobilia Design to avoid duplication of operations and to achieve higher economies of scale, the rental of the premises was taken over by Mobilia Design as disclosed in Note (11)(b) below.

(b) Mobilia Design and Quek Wee Seng and Quek Wee Seong entered into a tenancy agreement on 7 March 2018 for the rental of part of the land known as Lot PTD 5049 together with the factory erected thereon, commencing from 1 July 2017 to 30 June 2018. The tenancy was subsequently renewed by the tenancy agreements dated 13 July 2018 and 28 June 2019. The current tenure of the tenancy is for the period commencing on 1 July 2019 to 30 June 2020 with an option to renew for another one year on terms and conditions to be agreed upon by both parties. The monthly rental rate is RM6,252. The parties have in a letter dated 1 March 2020 mutually agreed to terminate the tenancy on 31 March 2020 as Mobilia Design has completed the transfer of its entire business operations and assets to Mobilia International on 31 March 2020.

(12) Lot 1201

(i) Block A

(a) Mobilia International and Quek Gim Hong @ Keh Gim Hong entered into a sale and purchase agreement on 28 June 2018 to dispose the factory building, loading base, showroom and office building known as Block A erected on Lot 1201 to Quek Gim Hong @Keh Gim Hong, the registered owner of the piece of land for the total cash consideration of RM2,680,000.

(b) Mobilia Design and Quek Gim Hong @ Keh Gim Hong entered into a tenancy agreement on 22 October 2018 for the rental of part of Lot 1201 together with the factory building known as Block A measuring approximately 20,700 square feet erected thereon, commencing from 1 July 2018 to 31 December 2019, which was subsequently renewed by the tenancy agreement dated 2 March 2020. The current tenure is for the period commencing on 1 January 2020 to 30 June 2020. The monthly rental rate is RM21,700 and the rental payable for the month of July 2018 was waived. The parties have in a letter dated 15 March 2020 mutually agreed to terminate the tenancy on 31 March 2020 as Mobilia Design has completed the transfer of its entire business operations and assets to Mobilia International on 31 March 2020.

(c) Mobilia International is renting the office portion in Block A measuring approximately 468 square feet located at Lot 1201 from Quek Gim Hong @ Keh Gim Hong commencing from 1 April 2020 to 30 June 2020 at a monthly rental of RM800. No formal agreement was entered into between Mobilia International and Quek Gim Hong @ Keh Gim Hong. However, Mobilia International is in the process of shifting their office premises from No. 1201, Jalan Jeram Masjid, Bakri, 84200 Muar, Johor to the new office premises located at 1st & 2nd Floor, Plot 63, PTD 13189, No. 15, Jalan Sinar Bakri 1, Bukit Bakri, Jln Bakri, 84200 Muar, Johor. Pending the completion of their move, Mobilia International will continue to rent No. 1201, Jalan Jeram Masjid, Bakri, 84200 Muar, Johor from Quek Gim Hong @ Keh Gim Hong for use as its office until 30 June 2020.

(ii) Block B

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

(a) Mobilia International and Quek Gim Hong @ Keh Gim Hong entered into a tenancy agreement on 16 June 2010 for the rental of part of Lot 1201 together with a factory building known as Block B measuring 16,800 square feet erected thereon, commencing from 1 May 2010 to 30 April 2013, which was subsequently renewed by the letters of extension dated 3 January 2014 and 1 January 2017. The tenure of the latest renewed tenancy was for the period commencing 1 January 2017 to 30 June 2017 with an option to renew for another 2 years at a monthly rental rate of RM7,022. The tenancy agreement has expired and Mobilia International no longer rents the premises. Following a streamlining of the operations of Mobilia International and Mobilia Design to avoid duplication of operations and to achieve higher economies of scale, the rental of the premises was taken over by Mobilia Design as disclosed in Note (12)(b) below.

(b) Mobilia Design and Quek Gim Hong @ Keh Gim Hong entered into a tenancy agreement on 7 March 2018 for the rental of part of Lot 1201 together with the factory building known as Block B measuring 16,800 square feet erected thereon, commencing from 1 July 2017 to 30 June 2018 at a monthly rental rate of RM7,022, which was subsequently renewed by the tenancy agreements dated 13 July 2018 and 28 June 2019 with a revised rental rate of RM10,080. The current tenure of the tenancy is for the period commencing on 1 July 2019 to 30 June 2020 with an option to renew for another one year on terms and conditions to be agreed upon by both parties. The monthly rental rate is RM10,080. The parties have in a letter dated 1 March 2020 mutually agreed to terminate the tenancy on 31 March 2020 as Mobilia Design has completed the transfer of its entire business operations and assets to Mobilia International on 31 March 2020.

(13) Mobilia International purchased a piece of freehold land known as Lot 2782, held under Geran 92507 ("**Land**") pursuant to a Sale and Purchase Agreement dated 9 November 2015 between the Company, Wegmans Furniture Industries Sdn Bhd ("**Wegmans Furniture**") and PTS Feedmill Sdn Bhd where Mobilia International would hold 25/33 undivided share and Wegmans Furniture would hold the 8/33 undivided share of the Land. Subsequently, in a Sale and Purchase Agreement dated 28 November 2016 entered into between the Company and Wegmans Furniture, Mobilia International acquired the balance 8/33 undivided share of the Land from Wegmans Furniture. Following the acquisition of the balance 8/33 undivided share of the Land from Wegmans Furniture, Mobilia International owns the entire parcel of the Land. Mobilia International nominated Quek Gim Hong @ Keh Gim Hong as the registered owner of the 8/33 undivided share of the Land to avoid delays in the processing of the application for planning permission in respect of the development of their 25/33 undivided shares of the Land on the understanding that Quek Gim Hong @ Keh Gim Hong would hold such portion of the Land on trust for Mobilia International. This trust arrangement was formalised by the parties in a Deed of Trust dated 2 January 2020. However, Quek Gim Hong @ Keh Gim Hong had on 21 February 2020 transferred the 8/33 undivided shares of the Land to Mobilia International.

(14) Quek Gim Hong @ Keh Gim Hong had ceased to be a director of Mobilia Design on 30 October 2019.

(15) Mobilia Design rented the premises known as No. 3, Jalan Jeram Batu 1, (1st Floor) Jalan Tepi, 84000 Muar, Johor, from Quek Wee Seong and Teo Hui Lee commencing from 1 July 2017 to 31 December 2017. No formal agreement was entered into between Mobilia Design and

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

Quek Wee Seong and Teo Hui Lee. The rental of premises known as No. 3, Jalan Jeram Batu 1, (Ground Floor and 1st Floor) Jalan Tepi, 84000 Muar, Johor was formalised in a tenancy agreement dated 13 February 2018 for a period of 2 years ending 31 December 2019. After the expiry of such tenancy, the parties continued to rent the premises on a monthly basis up to 29 February 2020 with a monthly rental rate of RM1,500. Mobilia Design no longer rents the premises after that particular tenure.

(16) Quek Wee Seng and Quek Wee Seong had ceased to be the directors of Future Bright Upholstery Sdn Bhd on 25 January 2017.

(17) Based on the Group's cost of sales for each of the respective financial years.

(18) Based on the Group's NA as at year end of each respective financial years.

(19) Based on the Group's revenue for each of the respective financial years.

(20) Nutracraft had ceased business operations on 1 January 2018 and there is no further transaction between Nutracraft and Mobilia International and Mobilia Design after FYE 2017.

(21) M & I Furniture had ceased business operations on 1 March 2017 and there is no further transaction between M & I Furniture and Mobilia International after FYE 2017.

Neg Negligible

Our Directors, having considered all aspects of the related party transactions (inclusive of recurrent related party transactions), are of the opinion that all the above transactions were carried out on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment to our minority shareholders.

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

9.1.2 Summary of related party transactions entered by Mobilia International and its subsidiary

Below is a summary of the related party transactions listed in Section 9.1.1 of this Prospectus aggregated on the basis that such transactions have been entered into by our Group with the same related party:

Related Party	Nature of transaction	FYE 2017		FYE 2018		FYE 2019		FPE 2020		From 1 September 2020 up to the LPD	
		(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Nutracraft	Purchase of wood materials	213	0.50[(1)]	-	-	-	-	-	-	-	-
	Purchase of machineries, motor vehicle and computer	480	2.41[(2)]	-	-	-	-	-	-	-	-
	Subcontract charges	4,947	11.72[(1)]	-	-	-	-	-	-	-	-
	Payment of rental	45	0.11[(1)]	-	-	-	-	-	-	-	-
M & I Furniture	Sale of furniture products	171	0.31[(3)]	-	-	-	-	-	-	-	-
Quek Wee Seng and Quek Wee Seong	Payment of rental	80	0.19[(1)]	93	0.18[(1)]	93	0.17[(1)]	22	0.06[(1)]	-	-
Quek Gim Hong @ Keh Gim Hong	Payment of rental	84	0.20[(1)]	212	0.41[(1)]	381	0.68[(1)]	95	0.28[(1)]	-	-
	Disposal of the premises	-	-	2,680	11.83[(2)]	-	-	-	-	-	-

9. RELATED PARTY TRANSACTIONS *(CONT'D)*

	Transfer of 8/33 undivided share of Lot 2782	-	-	-	-	-	-	-	-	-	-
Gim Wood Sdn Bhd	Payment of rental	135	0.32(1)	240	0.47(1)	240	0.43(1)	60	0.18(1)	-	-
	Purchase of machineries	-	-	-	-	-	-	110	0.39(2)	-	-
Future Bright Upholstery Sdn Bhd	Purchase of cushions and chair frames	56	0.13(1)	-	-	-	-	-	-	-	-

Notes:

(1) Based on the Group's cost of sales for each of the respective financial years.

(2) Based on the Group's NA as at year end of each respective financial years.

(3) Based on the Group's revenue for each of the respective financial years.

9.1.3 Transactions that are unusual in their nature or conditions

Our Directors have confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/ or any of our Subsidiaries was a party in the FYE Under Review, FPE 2020 and up to the LPD.

9.1.4 Outstanding loans and/ or financial assistance to or for the benefit of related parties

Our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) that have been granted by our Company and/or any of our subsidiaries to or for the benefit of the related parties for the FYE Under Review, FPE 2020 and up to the LPD.

9.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

Our Audit and Risk Management Committee will review the terms of all related party transactions (including recurrent related party transactions), and our Directors will report such transactions, if any, annually in our Company's annual report. In the event that there are any proposed related party transactions that involve the direct or indirect interest of our Directors, our interested Directors shall disclose to our Board the nature and extent of their interest including all matters in relation to the proposed related party transactions that they are aware or should reasonably be aware of, which is not in our best interest. Our interested Directors shall also abstain from any of our Board's deliberation and voting on the relevant resolutions in respect of such proposed related party transactions.

Further, we will be required to seek our shareholders' approval each time we enter, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions. The interested persons shall abstain from voting on the relevant resolutions in respect of such proposed related party transactions at our general meetings. Under the Listing Requirements, related party transactions may be aggregated to determine their materiality if the related party transactions occurred within a 12-month period, are entered with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one particular corporation/ asset or of various parcels of land contiguous to each other.

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10. CONFLICT OF INTEREST

10.1 INTEREST IN SIMILAR BUSINESSES OF OUR GROUP, OUR CUSTOMERS AND/ OR OUR SUPPLIERS

(i) As at the LPD, save as disclosed below, none of our Directors and substantial shareholders have any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group:

(a) Tajul Arifin Bin Mohd Tahir

Tajul Arifin Bin Mohd Tahir, our Independent Non-Executive Director, is involved in the following company as Director and/or shareholder:

Name of company	Principal activities	Position held	% of shareholdings held
BYD Capital Sdn Bhd ("**BYD**")	Investment holding	Director / Shareholder	100.00

BYD's principal activities is in the investment of other companies. As at the LPD, BYD only holds 1 investment in a chipboard furniture company, holding 3.375% of the equity interest in the chipboard furniture company. BYD's investment in the chipboard furniture company does not give rise to any conflict of interest or affect his responsibilities to our Group in view of the following:

(i) He is not a director nor involved in the management of the chipboard furniture company and BYD only holds 3.375% of the equity interest in the chipboard furniture company. BYD's involvement will not influence his decision making in Mobilia and affect his responsibilities in our Group as his role in Mobilia is as an Independent Non-Executive Director and as such does not contribute to the day-to-day management of the Group's operations; and

(ii) The abovementioned furniture company manufactures and sells living room and bedroom furniture made by chipboard while our Group is involved in the manufacturing and sale of furniture made by rubberwood.

(ii) As at LPD, none of our Directors and substantial shareholders have any interest, direct or indirect, in other businesses and corporations which are customers or suppliers of our Group.

10.2 DECLARATION BY THE ADVISERS ON CONFLICT OF INTERESTS

(i) Kenanga Investment Bank Berhad

KIBB has given its confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO.

10. CONFLICT OF INTEREST *(CONT'D)*

(ii) Wong Beh & Toh

Wong Beh & Toh has given its confirmation that there is no existing or potential conflict of interests in its capacity as Solicitors for our IPO.

(iii) Crowe Malaysia PLT

Crowe Malaysia PLT has given its confirmation that there is no existing or potential conflict of interests in its capacity as the auditors and the Reporting Accountants for our IPO.

(iv) Smith Zander International Sdn Bhd

Smith Zander International Sdn Bhd has given its confirmation that there is no existing or potential conflict of interests in its capacity as the Independent Market Researcher for our IPO.

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11. APPROVALS AND CONDITIONS

11.1 BURSA SECURITIES

Bursa Securities had, via its letter dated 12 November 2020, approved:

(i) our admission to the Official List; and

(ii) the listing and quotation of our enlarged total number of 400,000,000 Shares on the ACE Market.

The approval from Bursa Securities is subject to the following conditions:

No.	Conditions	Status of compliance
1.	Submission of the following information with respect to the moratorium on the shareholdings of promoters to Bursa Depository (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	To be complied before Listing
2.	Approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied
3.	Make the relevant announcements pursuant to Paragraph 8.1 and 8.2 of Guidance Notes 15 of ACE Market Listing Requirements.	To be complied before Listing
4.	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the shareholding spread requirements based on the entire issued share capital of Mobilia on the first day of listing;	To be complied upon Listing
5.	Ensure any director of the Company that has not attended the Mandatory Accreditation Programme must do so prior to the listing of the Company;	To be complied after Listing. Bursa Securities had vide its letter dated 14 January 2021 granted the Company an extension of time up to 28 February 2021 to comply with this condition.
6.	In relation to the public offering to be undertaken by Mobilia, to announce at least 2 market days prior to the listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/ allocation; (iii) A table showing the distribution for placement tranche as per the format in Appendix I of Bursa Securities' approval letter; and (iv) Disclosure of places who become substantial shareholders of Mobilia arising from the public offering, if any.	To be complied before Listing

Kenanga IB to ensure that the overall distribution of Mobilia's securities is properly carried out to mitigate any disorderly trading in the secondary market; and

7.	Mobilia/ Kenanga IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon admission of Mobilia to the Official List,	To be complied upon Listing

11.2 SC

Our IPO is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, via its letter dated 19 November 2020, approved the resultant equity structure under the equity requirements for public listed companies pursuant to our IPO, subject to the following:

No.	Conditions	Status of compliance
1.	Mobilia allocating shares equivalent to at least 12.5% of its enlarged issued share capital at the point of listing to Bumiputera investors. This includes the shares offered under the balloted public offer portion, of which at least 50% are to be offered to Bumiputera public investors.	To be complied upon Listing

The effects of the Listing on the equity structure of our Company are:

Category of Shareholders	As at 30 June 2020		After Proposed Acquisitions		After the Listing	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Bumiputera						
– Malaysian public via balloting	-	-	-	-	10,000,000	2.50
– Bumiputera investors approved by the Ministry of International Trade and Industry Malaysia	-	-	-	-	40,000,000	10.00
Total Bumiputera					**50,000,000**	**12.50**
Non-Bumiputera	1	100.00	340,000,000	100.00	350,000,000	87.50
Malaysian	**1**	**100.00**	**340,000,000**	**100.00**	**400,000,000**	**100.00**
Foreigners	-	-	-	-	-	-
Total	1	100.00	340,000,000	100.00	400,000,000	100.00

11.3 MITI

The MITI has, via its letter dated 9 July 2020, taken note and has no objection to our Listing.

11.4 MORATORIUM ON SALE OF SHARES

In compliance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Promoters as follows:

(i) the moratorium applies to our Promoters' entire shareholdings for a period of six months from the date of our admission to the ACE Market ("**First Six Months Moratorium**");

(ii) upon expiry of the First Six Months Moratorium, we must ensure that our Promoters' aggregate shareholdings amounting to at least 45.00% of our issued share capital remain under moratorium for a further six months ("**Second Six Months Moratorium**"); and

(iii) upon the expiry of the Second Six Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of one third per annum (on a straight-line basis) of their Shares held under moratorium.

Details of our Shares held by our Promoters which will be subject to moratorium are as follows:

	Shares under moratorium (First Six Months Moratorium)		Shares under moratorium (Second Six Months Moratorium)	
Promoter	**No. of Shares**	**%[(1)]**	**No. of Shares**	**%[(1)]**
Exelient	272,000,000	68.00	180,000,000	45.00
Firstchrome	19,040,000	4.76	-	-
Quek Gim Hong @ Keh Gim Hong	2,720,000	0.68	-	-
Leong Yok Moy	2,720,000	0.68	-	-
Quek Wee Seng	1,760,000	0.44	-	-
Quek Wee Seong	1,760,000	0.44	-	-
Total	**300,000,000**	**75.00**	**180,000,000**	**45.00**

Note:

(1) Computed based on our enlarged total number of 400,000,000 Shares after our IPO.

The moratorium restrictions, which are fully acknowledged by our Promoters, are specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any sale, transfer or assignment that contravenes the moratorium restrictions. In addition, our Promoters have also provided their respective undertaking that they will comply with the said moratorium restrictions relating to the sale of their Shares as mentioned above.

The shareholders of Exelient, namely Quek Wee Seng and Quek Wee Seong and the shareholder of Firstchrome, namely Quek Gim Hong @ Keh Gim Hong, have furnish a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in Exelient and Firstchrome, respectively during the moratorium period.

12. FINANCIAL INFORMATION

12.1 HISTORICAL COMBINED AND PRO FORMA FINANCIAL INFORMATION

Our audited combined financial statements for the FYEs Under Review and FPE 2020 have been prepared in accordance with MFRS and IFRS. MFRSs 9, 15 and 16 are early adopted with the initial application date of 1 January 2017 to enhance comparability of financial statements for the period under review, the details of which are set out in Note 2.3 of the Accountants' Report.

Our audited combined financial statements for the FYEs Under Review and FPE 2020 were not subject to any audit qualification.

12.1.1 Historical financial information

(a) Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our historical audited combined statements of profit or loss and other comprehensive income for the FYE Under Review and FPE 2020:

	Audited				Unaudited
	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000	FPE 2019 RM'000
Revenue	55,730	66,504	75,589	44,729	53,963
Cost of sales	(42,211)	(51,204)	(56,137)	(34,109)	(38,974)
GP	**13,519**	**15,300**	**19,452**	**10,620**	**14,989**
Other income	286	626	828	586	532
Selling and distribution expenses	(2,043)	(3,328)	(3,250)	(959)	(2,579)
Administrative expenses	(3,690)	(4,492)	(5,136)	(4,042)	(2,646)
Other expenses	(381)	(222)	(165)	(313)	(73)
Finance Costs	(356)	(581)	(702)	(625)	(426)
PBT	**7,335**	**7,303**	**11,027**	**5,267**	**9,797**
Tax expense	(1,071)	(1,060)	(2,607)	(655)	(2,154)
PAT	**6,264**	**6,243**	**8,420**	**4,612**	**7,643**
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**6,264**	**6,243**	**8,420**	**4,612**	**7,643**
PAT attributable to:					
- Owners of the Company	6,264	6,243	8,420	4,612	7,643
- Non-controlling interest	-	-	-	-	-
	6,264	**6,243**	**8,420**	**4,612**	**7,643**
EBITDA (1)	8,668	9,190	13,268	7,111	11,235
GP margin (%)	24.26	23.01	25.73	23.74	27.78
PBT margin (%)	13.16	10.98	14.59	11.78	18.16
PAT margin (%)	11.24	9.39	11.14	10.31	14.16
Effective tax rate (%)	14.60	14.51	23.64	12.44	21.99
EPS (2) (sen)	1.84	1.84	2.48	1.36	2.25
Diluted EPS (RM)	N/A	N/A	N/A	N/A	N/A

Note:

(1) EBITDA is a supplemental measure and is not presented in accordance with MFRS. It is calculated as follows:

	Audited				Unaudited
	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000	FPE 2019 RM'000
PAT	6,264	6,243	8,420	4,612	7,643
Less:					
Interest income	(16)	(1)	(192)	(67)	(94)
Add:					
Finance costs	356	581	702	625	426
Taxation	1,071	1,060	2,607	655	2,154
EBIT	7,675	7,883	11,537	5,825	10,129
Depreciation	993	1,307	1,731	1,286	1,106
EBITDA	**8,668**	**9,190**	**13,268**	**7,111**	**11,235**

(2) Computed based on PAT for the relevant financial year/period attributable to owners of our Company divided by the weighted average number of Shares outstanding (after the completion of Acquisition but prior to the Public Issue) of 340,000,000 Shares.

(b) Historical combined statements of financial position

The following table sets out a summary of our historical audited combined statements of financial position as at 31 December 2017, 2018 and 2019 as well as 31 August 2020:

	Audited				Unaudited
	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000	FPE 2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	19,743	19,299	34,320	36,694	28,447
Right-of-use assets	328	1,521	2,293	2,088	2,166
Quoted investment	-	72	72	72	72
	20,071	**20,892**	**36,685**	**38,854**	**30,685**
Current assets					
Inventories	4,963	5,014	6,519	7,903	3,193
Trade receivables	3,353	6,247	4,648	7,459	7,176
Other receivables, deposits and prepayments	2,195	1,912	2,004	1,677	3,745
Current tax assets	538	814	-	162	-
Fixed deposits with a licensed bank	-	3,072	2,129	3,585	3,107
Cash and bank balances	5,933	4,575	6,319	9,735	8,488
	16,982	**21,634**	**21,619**	**30,521**	**25,709**
TOTAL ASSETS	**37,053**	**42,526**	**58,304**	**69,375**	**56,394**

EQUITY AND LIABILITIES					
Equity					
Share capital	1,250	1,250	1,250	1,250	1,250
Merger deficit	(150)	(150)	(150)	(150)	(150)
Retained profits	18,815	21,558	22,478	27,090	27,701
TOTAL EQUITY	**19,915**	**22,658**	**23,578**	**28,190**	**28,801**

	Audited				Unaudited
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2020**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities					
Bank borrowings	6,815	5,720	15,365	18,556	10,249
Lease liabilities	297	758	1,426	1,332	1,351
Deferred tax liabilities	726	996	1,058	1,656	1,039
	7,838	**7,474**	**17,849**	**21,544**	**12,639**
Current liabilities					
Trade payables	3,552	4,663	5,069	5,005	4,606
Other payables and accruals	3,069	3,824	5,552	3,716	2,368
Bank borrowings	2,517	3,198	5,166	10,466	6,371
Lease liabilities	162	709	533	454	627
Current tax liabilities	-	-	557	-	982
	9,300	**12,394**	**16,877**	**19,641**	**14,954**
TOTAL LIABILITIES	**17,138**	**19,868**	**34,726**	**41,185**	**27,593**
TOTAL EQUITY AND LIABILITIES	**37,053**	**42,526**	**58,304**	**69,375**	**56,394**

(c) Historical audited combined statements of cash flows

The following table sets out our historical audited combined statements of cash flows for the FYEs Under Review and FPEs 2019 to 2020:

	Audited				Unaudited
	FYE 2017	**FYE 2018**	**FYE 2019**	**FPE 2020**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	7,335	7,303	11,027	5,267	9,797
Adjustments for:					
Depreciation of property, plant and equipment	797	885	934	1,052	588
Depreciation of right-of-use assets	196	422	797	234	518
Dividend income from quoted investment	-	(1)	(1)	(1)	(1)
Loss/(Gain) on disposal of property, plant and equipment	10	16	(3)	17	(3)
Property, plant and equipment written off	82	24	95	205	22
Unrealised loss on foreign exchange	176	96	6	83	9

Interest expenses	355	558	675	610	406
Interest income	(16)	(1)	(192)	(67)	(94)
Operating profit before working capital changes	8,935	9,302	13,338	7,400	11,242
Inventories	19	(51)	(1,505)	(1,384)	1,821
Trade receivables	3,348	(2,894)	1,599	(2,811)	(929)
Other receivables, deposits and prepayments	(1,035)	283	(92)	327	(1,832)
Trade payables	(1,039)	1,111	406	(64)	(57)
Other payables and accruals	(841)	760	460	(822)	(1,767)
CASH FROM OPERATIONS	9,387	8,511	14,206	2,646	8,478
Interest paid	(355)	(558)	(675)	(610)	(406)
Interest received	16	1	192	67	94
Tax paid	(2,205)	(1,066)	(2,096)	(776)	(725)
Tax refund	-	-	922	-	410
NET CASH FROM OPERATING ACTIVITIES	6,843	6,888	12,549	1,327	7,851
CASH FLOWS FOR INVESTING ACTIVITIES					
Addition to right-of use assets	-	(86)	(106)	-	-
Dividend received from quoted investment	-	1	1	1	1
Purchase of quoted investment	-	(72)	-	-	-
Purchase of property, plant and equipment	(3,183)	(3,208)	(15,967)	(4,694)	(10,634)
Proceeds from disposal of property, plant and equipment	20	2,722	25	32	25
NET CASH FOR INVESTING ACTIVITIES	(3,163)	(643)	(16,047)	(4,661)	(10,608)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Dividends paid	(2,000)	(3,500)	(7,500)	-	(1,500)
Drawdown of term loans	1,000	5,800	11,777	3,742	6,084
Drawdown of bankers' acceptances	1,536	11,335	16,157	11,036	11,657
Net increase in fixed deposit pledged	-	(72)	-	-	-
Repayment of bankers' acceptances	(97)	(10,222)	(15,668)	(6,064)	(9,609)
Repayment of term loans	(852)	(7,327)	(653)	(223)	(430)

Repayment of lease liabilities	(221)	(521)	(897)	(202)	(577)
Refinance of lease liabilities	-	-	1,089	-	1,089
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(634)	(4,507)	4,305	8,289	6,714
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,046	1,738	807	4,955	3,957
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(269)	(96)	(6)	(83)	(9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/ PERIOD	3,156	5,933	7,575	8,376	7,575
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/ PERIOD	5,933	7,575	8,376	13,248	11,523

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

The following discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountant's Report as sets out in Section 14 of this Prospectus and the Reporting Accountant's Report on the pro forma statements of financial position as set out in Section 13 of this Prospectus.

The discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The future results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those anticipated in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the Risk Factors as set out in Section 8 of this Prospectus.

12.2.1 Overview of our operations

Our Group is principally engaged in design, manufacture and sale of home furniture and furniture parts which comprise:

(a) Dining room furniture such as dining tables, dining chairs, bar chairs and bar tables;

(b) Living room furniture such as sofas, television cabinets, cabinets, sideboards, shelves, benches, stools, study desks and table sets;

(c) Bedroom furniture such as bed frames, night stands, dressers, chest drawers and mirrors;

(d) Furniture parts such as furniture legs, table tops, cushion seats, bed parts such as headboards, footboards and mattress panels; and

(e) Other furniture such as ladder, magazine holder and metal brackets.

Our home furniture is manufactured and packaged in 2 forms, namely fully assembled furniture and ready-to-assemble (flat packed) furniture. We design and manufacture these furniture for customers to be labelled under their own brand names. We also sell our furniture to Ivorie, our agent who exclusively markets, promotes and sells our products to their customers. Our products are mainly exported overseas with contribution from export sales at 55.46%, 58.36% and 66.37% for FYE 2017, 2018 and 2019, respectively. For the FPE 2020, approximately 73.39% of our products are exported overseas.

Our sales transactions are mainly settled in USD including certain local sales. Approximately 86.06%, 90.92% and 95.99% of our revenues were denominated in USD for FYEs 2017, 2018 and 2019 respectively, with the remainder denominated in RM. Approximately 94.80% of our revenues were denominated in USD for the FPE 2020 with the remainder denominated in RM.

Our Group does not have a warranty policy against any defects for all our products. As such, we do not have any provisions for such defects and claims. However, in the FYE Under Review and FPE 2020, the manufacturing defect claims to our Group's total revenue was approximately 0.01%, 0.08%, 0.14%, and 0.11% respectively. For further information, please refer to Section 6.2.3 of this Prospectus.

12.2.1.1 Revenue

Sale of Furniture and Furniture Parts

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

12.2.1.2 Cost of sales

Cost of sales comprises 3 major components namely, direct materials, direct labour and production overheads.

(a) Direct Materials

Direct material costs comprise wood materials, components, accessories and packaging materials.

(b) Direct Labour

Direct labour costs comprise production staff costs and sub-contractor fees. Production staff costs include payroll and other production staff related expenses which are mainly foreign worker levy, visa fee and recruitment expenses.

(c) Production Overheads

Production overheads comprises mainly depreciation of manufacturing-related assets, utilities charges, rental, repair and maintenance of machines and factory building.

12.2.1.3 Other income

Our other income mainly comprises:

(a) Realised gain on foreign exchange;

(b) Shipping charges being charged to our customers which mainly include freight charges, haulage charges, fumigation charges, courier charges, insurance and shipping documentation fee;

(c) Subcontract income/ workmanship charges received which mainly include charges for our provision of services on cutting, profiling and tenoning of wooden furniture parts; and

(d) Interest income.

12.2.1.4 Selling and Distribution Expenses

Selling and distribution expenses comprise mainly of trade exhibition expenses, forwarding and handling charges, marketing support expenses. Other selling and distribution expenses such as sales commission, fumigation charges and entertainment expenses.

12.2.1.5 Administrative expenses

Administrative expenses comprise mainly of staff costs, directors' remuneration, professional fees, depreciation expenses, repair and maintenance expenses. Other administrative expenses which include utilities charges, petrol charges, motor vehicles insurance, license and subscription, bank charges, postage and courier charges, quit rent and assessment and cleaning expenses.

12.2.1.6 Other expenses

Other expenses comprise mainly unrealised loss on foreign exchange, gifts and donations, property, plant and equipment written off, and realised loss on foreign exchange.

12.2.1.7 Finance costs

Finance costs arose from utilisation of banking facilities namely term loan, trade bills, hire purchase and leases.

12.2.2 Revenue

The following tables illustrate the breakdown of our revenue by category and geographical segments for the respective FYE Under Review and FPE 2020:

(i) Analysis of contribution to revenue by products

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%
Dining Room Furniture	37,960	68.11	41,709	62.72	45,934	60.77
Living Room Furniture	12,226	21.94	15,354	23.09	16,483	21.81
Bedroom Furniture	3,907	7.01	7,348	11.05	11,836	15.66
Furniture Parts[(1)]	1,170	2.10	1,205	1.81	1,113	1.47
Others[(2)]	467	0.84	888	1.33	223	0.29
Total	**55,730**	**100.00**	**66,504**	**100.00**	**75,589**	**100.00**

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	FPE 2019		FPE 2020	
	RM'000	**%**	**RM'000**	**%**
Dining Room Furniture	32,135	59.55	24,661	55.13
Living Room Furniture	12,368	22.92	9,724	21.74
Bedroom Furniture	8,455	15.67	9,314	20.82
Furniture Parts[(1)]	818	1.52	828	1.85
Others[(2)]	187	0.34	202	0.46
Total	**53,963**	**100.00**	**44,729**	**100.00**

Notes:

(1) The sales of furniture parts mainly include furniture legs, table tops, cushion seats, bed parts such as headboards, footboards and mattress panels.

(2) Others mainly include trading materials such as fabric and rubberwood and other furniture such as ladder, magazine holder and metal brackets.

(ii) Sales Volume by units

	FYE 2017		FYE 2018		FYE 2019	
	Units	**%**	**Units**	**%**	**Units**	**%**
Dining Room Furniture	257,996	80.18	271,242	76.92	279,249	75.49
Living Room Furniture	46,281	14.38	60,422	17.13	64,031	17.31
Bedroom Furniture	7,877	2.45	14,763	4.19	20,609	5.57
Furniture Parts	9,607	2.99	6,215	1.76	6,019	1.63
Others[(1)]	-	-	-	-	-	-
Total	**321,761**	**100.00**	**352,642**	**100.00**	**369,908**	**100.00**

	FPE 2019		FPE 2020	
	Units	**%**	**Units**	**%**
Dining Room Furniture	192,162	74.36	154,649	71.38
Living Room Furniture	46,426	17.96	42,991	19.84
Bedroom Furniture	15,843	6.13	14,359	6.63
Furniture Parts	4,006	1.55	4,658	2.15
Others[(1)]	-	-	-	-
Total	**258,437**	**100.00**	**216,657**	**100.00**

Note:

(1) The items under others have various units of measurement, hence the number of units for others is not included.

(iii) Analysis of contribution to revenue by geographical locations

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%
Overseas						
North America[(1)]	12,219	21.93	16,352	24.59	21,893	28.96
Asia (excluding Malaysia)[(2)]	11,834	21.23	12,953	19.48	16,240	21.48
Europe[(3)]	4,703	8.44	6,511	9.79	8,702	11.51
South America[(4)]	1,691	3.04	1,737	2.60	2,438	3.23
Australasia[(5)]	397	0.71	1,261	1.90	680	0.90
North Africa[(6)]	62	0.11	-	-	118	0.16
East Africa[(7)]	-	-	-	-	99	0.13
	30,906	**55.46**	**38,814**	**58.36**	**50,170**	**66.37**
Malaysia	**24,824**	**44.54**	**27,690**	**41.64**	**25,419**	**33.63**
Total Revenue	**55,730**	**100.00**	**66,504**	**100.00**	**75,589**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	%	RM'000	%
Overseas				
North America[(1)]	16,264	30.14	20,454	45.73
Asia (excluding Malaysia)[(2)]	11,384	21.10	7,744	17.32
Europe[(3)]	6,548	12.14	3,726	8.33
South America[(4)]	1,988	3.68	511	1.14
Australasia[(5)]	407	0.75	390	0.87
North Africa[(6)]	-	-	-	-
East Africa[(7)]	99	0.18	-	-
	36,690	**67.99**	**32,825**	**73.39**
Malaysia	**17,273**	**32.01**	**11,904**	**26.61**
Total Revenue	**53,963**	**100.00**	**44,729**	**100.00**

Notes:

(1) North America includes the USA, Mexico and Canada.

(2) Asia includes Indonesia, Japan, Republic of China (Taiwan), People's Republic of China ("**China**"), Philippines, Vietnam, Thailand, Korea, India, Hong Kong S.A.R, Singapore, Lebanon, Oman, Saudi Arabia, United Arab Emirates and Qatar.

(3) Europe includes Turkey, Spain, Poland, United Kingdom ("**UK**"), Greece, Norway, France, Azerbaijan, Italy, Portugal, Denmark, Russia, Georgia, Sweden, Germany, Kosovo, Armenia and Estonia.

(4) South America includes Argentina, Brazil, Bolivia, Chile, Uruguay and Colombia.

(5) Australasia includes Australia and New Zealand.

(6) North Africa includes Morocco.

(7) East Africa includes Mauritius.

(iv) Financial commentaries

Summary of analysis

For the FYE Under Review, we recorded an upward trend in revenue from RM55.73 million to RM66.50 million and to RM75.59 million for FYE 2017, 2018 and 2019, respectively. This was mainly due to the increase in sales volume of furniture from 321,761 units to 352,642 units and to 369,908 units for the FYE 2017, 2018 and 2019, respectively. For the FPE 2020, we recorded a decrease in total revenue of RM9.23 million or 17.11% from RM53.96 million in FPE 2019 to RM44.73 million in FPE 2020 mainly due to the decrease in sales volume of furniture from 258,437 in FPE 2019 to 216,657 in FPE 2020 as a result the outbreak of the Covid-19 pandemic and imposition of the MCO in Malaysia.

The dining room furniture was our largest revenue generator which accounted for more than 60.00% of our total revenue for the FYE Under Review and more than 55% of our total revenue for the FPE 2020. The sales of bedroom furniture increased significantly for the FYE Under Review from RM3.91 million to RM7.35 million and to RM11.84 million for the FYE 2017, 2018 and 2019, respectively. For the FPE 2020, the sales of bedroom furniture increased by approximately RM0.86 million from RM8.46 million in FPE 2019 to RM9.31 million in FPE 2020.

The proportion of our export sales to our total sales rose from 55.46% to 58.36% and to 66.37% for the FYE 2017, 2018 and 2019, respectively and to 73.39% in FPE 2020. Inversely, our proportion of local sales to our total sales declined from 44.54% to 41.64% and to 33.63% for the FYE 2017, 2018 and 2019, respectively and to 26.61% in the FPE 2020. The rise in the proportion of export sales and the decline in local sales was mainly a result of our concentration of marketing efforts on international markets instead of local markets as part of our strategic plans to expand to overseas markets.

FYE 2017

In FYE 2017, our group reported a total revenue of RM55.73 million and a total sales volume of 321,761 units. The analysis of the revenue and the sales volume of our furniture products are as follows:

(i) The dining room furniture is our largest revenue generator. It generated approximately RM37.96 million, or 68.11% of our total revenue with 257,996 units sold which represents approximately 80.18% of the total sales volume in FYE 2017.

(ii) The sales of living room furniture is our second largest revenue generator. It generated approximately RM12.23 million or 21.94% of our total revenue with 46,281 units sold, representing 14.38% of our total sales volume in FYE 2017.

(iii) The bedroom furniture generated approximately RM3.91 million or 7.01% of our total revenue with 7,877 units sold, representing 2.45% of total sales volume in FYE 2017.

(iv) The sales of furniture parts recorded RM1.17 million or 2.10% of our total revenue with 9,607 units sold, representing 2.99% of our total sales volume in FYE 2017.

For the FYE 2017, overseas markets accounted for approximately RM30.91 million or 55.46% of our total revenue while domestic markets accounted for the remaining RM24.82 million or 44.54% of the total revenue. North America and Asia (excluding Malaysia) contributed approximately RM12.22 million or 21.93%, and RM11.83 million or 21.23% of our total revenue, respectively. They are also our major export markets.

The exchange rate between USD against RM had weakened throughout the FYE 2017 which had negatively impacted our revenue for the FYE 2017.

FYE 2018

In FYE 2018, we reported a growth in total revenue of approximately RM10.77 million or 19.33% from RM55.73 million in FYE 2017 to RM66.50 million in FYE 2018. The revenue growth for FYE 2018 was mainly due to the increase in sales volume of 30,881 units or 9.60% to 352,642 units in FYE 2018, resulting from the increase in volume of orders from Ivorie and VIG Furniture Inc.

The sales volume of bedroom furniture, living room furniture and dining room furniture grew by 87.42%, 30.55% and 5.13%, respectively relative to its sales volume in FYE 2017. The significant growth in sales volume of bedroom furniture was mainly due to the higher demand from a customer located in the USA.

The WAFEX of USD against RM weakened by approximately 5.85% from USD1.00:RM4.27 in FYE 2017 to USD1.00:RM4.02 in FYE 2018. Despite the negative effects of the weakening of USD, we managed to record a growth in revenue resulting from a higher sales volume.

In FYE 2018, revenue derived from export sales was approximately RM38.81 million or 58.36% of our total revenue, representing a growth of approximately RM7.91 million or 25.59% relative to the export sales in FYE 2017. Additionally, we experienced revenue growth across 5 continents namely North America, Asia (excluding Malaysia), Europe, South America and Australasia in which North America being our main overseas market. The North American market contributed approximately RM16.35 million or 24.59% of the total revenue.

FYE 2019

In FYE 2019, our group reported a revenue growth of approximately RM9.09 million or 13.66% from RM66.50 million in FYE 2018 to RM75.59 million in FYE 2019. The total sales volume increased by 17,266 units or 4.90% to 369,908 units in FYE 2019. The revenue growth was mainly attributable to higher volume of repeated orders from Ivorie and VIG Furniture Inc, orders from a new customer and strengthening of USD against RM.

The sales volume of bedroom furniture, living room furniture and dining room furniture grew by 39.60%, 5.97% and 2.95%, respectively relative to its sales volume in FYE 2018. This was mainly due to the increase in repeated orders from existing customers.

The WAFEX of USD against RM strengthened by approximately 2.24% from USD1.00:RM4.02 in FYE 2018 to USD1.00:RM4.11 in FYE 2019. The strengthening of USD against RM would have a positive effect on our revenue in RM.

In FYE 2019, the overseas markets accounted for approximately RM50.17 million or 66.37% of our total revenue while the domestic markets account for remaining RM25.42 million or 33.63%. The North American and Asian (excluding Malaysia) markets are our major contributor to our revenue. In aggregate, they contributed approximately RM38.13 million or 50.44% of our total revenue.

FPE 2020

In FPE 2020, our Group reported a decrease in revenue approximately RM9.23 million or 17.11% from RM53.96 million in FPE 2019 to RM44.73 million in FPE 2020. The total sales volume decreased by 41,780 units or 16.17% to 216,657 units in FPE 2020 as the result of the outbreak of the Covid-19 pandemic and imposition of the MCO in Malaysia.

The sales volume of dining room furniture and living room furniture reduced by 19.52% and 7.40%, respectively relative to its sales volume in FPE 2019. The sales volume of bedroom furniture reduced by 1,484 unit or 9.37% in FPE 2020 despite the increase in sales of bedroom furniture by approximately RM0.86 million or 10.16% in FPE 2020, mainly due to the increase in sales volume of product with higher unit selling price.

In FPE 2020, revenue derived from export sales was approximately RM32.83 million or 73.39% of our total revenue while domestic markets accounted for remaining RM11.90 million or 26.61%. We experienced sales growth in North America market of approximately RM4.19 million or 25.76% as compared to FPE 2019 mainly due to sales orders procured from three new customers located in the USA including Noble House Home Furnishings, LLC and repeated orders from Lima Trading LLC (successor of VIG Furniture Inc).

12.2.3 Cost of Sales, GP and GP Margin

(i) Analysis of cost of sales by cost items

The breakdown of our cost of sales for FYE 2017, 2018 and 2019 and FPE 2020 are as follows:

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Direct Materials	28,617	67.80	34,944	68.24	38,469	68.53
Direct Labour	11,106	26.31	12,389	24.20	12,901	22.98
Production Overhead	2,488	5.89	3,871	7.56	4,767	8.49
Total	**42,211**	**100.00**	**51,204**	**100.00**	**56,137**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	**%**	**RM'000**	**%**
Direct Materials	27,349	70.17	21,944	64.34
Direct Labour	8,532	21.89	7,990	23.42
Production Overhead	3,093	7.94	4,175	12.24
Total	**38,974**	**100.00**	**34,109**	**100.00**

Our cost of sales of RM42.21 million, RM51.20 million and RM56.14 million represents approximately 75.74%, 76.99% and 74.27% of our Group's total revenue for FYEs 2017, 2018 and 2019 respectively. For the FPE 2020, our cost of sales of approximately RM34.11 million represents approximately 76.26% of our Group's total revenue.

Our cost of sales comprise of 3 major components namely, direct materials, direct labour and production overheads.

(a) Direct materials

Direct materials costs constituted the largest portion of our cost of sales, representing 67.80%, 68.24% and 68.53% of our total cost of sales for the FYEs 2017, 2018 and 2019, respectively. For the FPE 2020, direct material costs constituted 64.34% of our total cost of sales.

Direct material costs comprise wood materials, components, accessories and packaging materials. The increase in our direct material costs for the FYE Under Review was in line with the increase in our total revenue for the FYE Under Review. The consumption of direct materials also increased in tandem with our sales volume. However, our direct material costs for the FPE 2020 decreased in comparison to FPE 2019 due to lower sales volume as the result of the outbreak of the Covid-19 pandemic and imposition of the MCO in Malaysia.

(b) Direct labour

Direct labour costs comprise production staff costs and sub-contractor fees. Production staff costs include payroll and other production staff related expenses which mainly consists of foreign worker levy, visa fee and recruitment expenses.

Our direct labour costs recorded approximately RM11.11 million, RM12.39 million and RM12.90 million or 26.31%, 24.20% and 22.98% of our total cost of sales for the FYEs 2017, 2018 and 2019, respectively. For the FPE 2020, direct labour costs constituted 23.42% of our total cost of sales.

The decrease in proportion of our direct labour cost as part of our total cost of sales over the FYEs Under Review was mainly due to lower subcontractor fees incurred as we reduced the subcontracting of our furniture parts production and be produced in house instead. To enable this, we increased our average production headcount from 102 in 2017 to 354 in 2019. Our average production headcount further increased to 420 as at 31 August 2020 due to the expansion of production capacity.

(c) Production overheads

Production overheads mainly comprise depreciation of manufacturing-related assets, utilities charges, rental, repair and maintenance of machines and factory building.

Our production overheads recorded approximately RM2.49 million, RM3.87 million and RM4.77 million or 5.89%, 7.56% and 8.49% of our total cost of sales for FYEs 2017, 2018 and 2019, respectively. The continued increase in our production overheads, being a variable cost, throughout the FYE 2017 to 2019 was in line with the increase in sales volume. For the FPE 2020, production overheads costs constituted 12.24% of our total cost of sales. The increase of production overhead costs in FPE 2020 was mainly due to the increased depreciation, insurance premium, and repair and maintenance costs resulting from commissioning of our new factory building and machineries, and expenses incurred for relocation to our new factory building at Lot 2782.

(ii) Analysis of cost of sales by product category

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Dining Room Furniture	28,512	67.54	32,064	62.62	33,701	60.03
Living Room Furniture	9,144	21.66	11,618	22.69	12,186	21.70
Bedroom Furniture	3,218	7.63	5,855	11.43	9,221	16.43
Furniture Parts	950	2.25	962	1.88	851	1.52
Others	387	0.92	705	1.38	178	0.32
Total	**42,211**	**100.00**	**51,204**	**100.00**	**56,137**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	**%**	**RM'000**	**%**
Dining Room Furniture	22,880	58.71	18,601	54.54
Living Room Furniture	8,860	22.73	7,304	21.41
Bedroom Furniture	6,483	16.63	7,389	21.66
Furniture Parts	607	1.56	649	1.90
Others	144	0.37	166	0.49
Total	**38,974**	**100.00**	**34,109**	**100.00**

(iii) Analysis of GP and GP margin by product category

(a) Analysis of contribution to GP by product category

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%
Dining Room Furniture	9,448	69.89	9,645	63.04	12,233	62.89
Living Room Furniture	3,082	22.80	3,736	24.42	4,297	22.09
Bedroom Furniture	689	5.09	1,493	9.76	2,615	13.44
Furniture Parts	220	1.63	243	1.59	262	1.35
Others	80	0.59	183	1.19	45	0.23
Total	**13,519**	**100.00**	**15,300**	**100.00**	**19,452**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	%	RM'000	%
Dining Room Furniture	9,255	61.74	6,060	57.06
Living Room Furniture	3,508	23.40	2,420	22.79
Bedroom Furniture	1,972	13.16	1,925	18.12
Furniture Parts	211	1.41	179	1.69
Others	43	0.29	36	0.34
Total	**14,989**	**100.00**	**10,620**	**100.00**

(b) Analysis of contribution to GP margin by product category

	FYE 2017	FYE 2018	FYE 2019
	%	%	%
Dining Room Furniture	24.89	23.12	26.63
Living Room Furniture	25.21	24.33	26.07
Bedroom Furniture	17.64	20.32	22.09
Furniture Parts	18.80	20.17	23.54
Others	17.13	20.61	20.18
Total	**24.26**	**23.01**	**25.73**

	FPE 2019	FPE 2020
	%	%
Dining Room Furniture	28.80	24.57
Living Room Furniture	28.36	24.89
Bedroom Furniture	23.32	20.67
Furniture Parts	25.79	21.62
Others	22.99	17.82
Total	**27.78**	**23.74**

FYE 2017

Our cost of sales was predominately contributed by dining room and living room furniture as they contributed for more than 80% of our total cost of sales.

Our GP was approximately RM13.52 million, representing a GP margin of 24.26%. Dining room and living room furniture were the major contributor to our GP, with a combined GP contribution of more than 90%.

FYE 2018

Our cost of sales increased by RM9.00 million or 21.30% to RM51.20 million in the FYE 2018, which is in tandem with our total revenue growth of 19.33% and our total sales volume growth of 9.60%. Consequently, we recorded an increase in the costs of direct materials, direct labour and production overheads.

Our GP increased by approximately RM1.78 million in FYE 2018 as compared to the preceding year attributed to the higher sales volume.

However, our GP margin decreased slightly from 24.26% in FYE 2017 to 23.01% in FYE 2018 mainly due to a lower WAFEX rate for FYE 2018 at USD1:RM4.02 compared to USD1: RM4.27 for FYE 2017. GP margin for dining room furniture and living room furniture for the FYE 2018 decreased slightly in tandem with the lower WAFEX rate for FYE 2018. GP margin for bedroom furniture and furniture parts for the FYE 2018 have increased due to sales of new models of bedroom furniture and sales of bed parts with higher margin.

FYE 2019

Our GP increased by approximately RM4.15 million and recorded an increase in GP margin of 2.72% from 23.01% in FYE 2018 to 25.73% in FYE 2019. This was mainly attributed to the higher sales volume in FYE 2019.

The increase in GP margin was mainly due to the following:

(i) A favourable WAFEX rate for FYE 2019 at USD1:RM4.11 compared to USD1: RM4.02 for FYE 2018; and

(ii) Reduction of subcontractor fee, which resulted in a decrease in percentage of direct labour.

GP margin across our dining room furniture, living room furniture, bedroom furniture and furniture parts for FYE 2019 increased in tandem with the higher WAFEX rate for FYE 2019.

FPE 2020

Our GP decreased by approximately RM4.37 million or 29.15% from 14.99 million in FPE 2019 to RM10.62 million in FPE 2020. Our GP margin had also decreased from 27.78% in FPE 2019 to 23.74% in FPE 2020. The reduction in GP and GP Margin was mainly due to the following:

(i) lower sales volume while continuing to incur fixed labour and overhead costs due to the disruption caused by the Covid-19 and the imposition of the MCO where our operations came to a halt since 18 March 2020 until we resumed operations on 4 April 2020 at limited capacity and only until 30 April 2020, we resumed all manufacturing operations; and

(ii) higher production overheads due to the commissioning of new factory building and machineries.

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12.2.4 Other Income

Our other income amounted to approximately RM0.29 million, RM0.63 million and RM0.83 million representing 0.51%, 0.94% and 1.10% of our total revenue for FYE 2017, 2018 and 2019, respectively. For the FPE 2020, our other income amounted to approximately RM0.59 million representing 1.31% of our total revenue.

The breakdown of our other income are as follows:

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%
Realised gain on foreign exchange	77	26.92	470	75.08	489	59.06
Shipping charges[1]	95	33.23	87	13.90	141	17.03
Subcontract income/ Workmanship charges received[2]	77	26.92	63	10.06	-	-
Interest Income	16	5.59	2	0.32	192	23.19
Other[3]	21	7.34	4	0.64	6	0.72
Total	**286**	**100.00**	**626**	**100.00**	**828**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	%	RM'000	%
Realised gain on foreign exchange	343	64.47	472	80.55
Shipping charges[1]	89	16.73	44	7.51
Subcontract income/ Workmanship charges received[2]	-	-	-	-
Interest Income	95	17.86	68	11.60
Other[3]	5	0.94	2	0.34
Total	**532**	**100.00**	**586**	**100.00**

Notes:

(1) Shipping charges mainly comprise freight charges, haulage charges, fumigation charges, courier charges, insurance and shipping documentation fee.

(2) Subcontract income / workmanship charges received comprise charges on cutting, profiling and tenoning of furniture components.

(3) Others mainly comprise reimbursement claim from import assistance programme granted by the Malaysian Timber Council (MTC) for the import of wood material, reimbursement claims from the Market Development Grant granted by the Malaysia External Trade Development Corporation (MATRADE) for the participation in trade exhibitions.

FYE 2017

During the FYE 2017, other income comprise mainly of realised gain on foreign exchange, shipping charges, subcontract income / workmanship charges received and interest income.

FYE 2018

For FYE 2018, other income increased by approximately RM0.34 million or 118.88% to approximately RM0.63 million mainly due to the increase in foreign exchange gain of RM0.43 million. The increase in gain on foreign exchange was mainly due to the continuous strengthening of the USD against the RM from April to December 2018.

FYE 2019

For FYE 2019, other income further increased by approximately RM0.20 million or 32.27% to approximately RM0.83 million. The main contributor to the increase was the increase in interest income of approximately RM0.19 million, of which RM0.10 million was generated from the placement of short-term deposit and RM0.09 million from interest bearing current account.

FPE 2020

For FPE 2020, other income increased by approximately RM0.06 million or 10.15% from RM0.53 million in the FPE 2019 to approximately RM0.59 million in the FPE 2020 mainly due to the increase of realised gain on foreign exchange of approximately RM0.13 million. The increase in gain on foreign exchange was mainly attributable to the continuous strengthening of the USD against the RM from January to April 2020.

12.2.5 Selling and Distribution Expenses

Selling and distribution expenses reported RM2.04 million, RM3.33 million and RM3.25 million, representing 3.67%, 5.00% and 4.30% of total revenue for the FYE 2017, 2018 and 2019, respectively. For the FPE 2020, selling and distribution expenses reported RM0.96 million, representing 2.14% of total revenue.

The breakdown of selling and distribution expenses is stated below:

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%
Trade exhibition expenses	698	34.17	1,531	46.00	1,450	44.62
Forwarding and handling charges	738	36.12	969	29.12	1,216	37.42
Marketing support expenses	516	25.26	741	22.27	488	15.01
Others[(1)]	91	4.45	87	2.61	96	2.95
Total	**2,043**	**100.00**	**3,328**	**100.00**	**3,250**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	%	RM'000	%
Trade exhibition expenses	1,345	52.15	-	-
Forwarding and handling charges	881	34.16	873	91.03
Marketing support expenses	283	10.97	41	4.28
Others[(1)]	70	2.72	45	4.69
Total	**2,579**	**100.00**	**959**	**100.00**

Note:

(1) Others comprise sales commission, fumigation charges and entertainment expenses.

FYE 2017

Selling and distribution expenses for the FYE 2017 reported approximately RM2.04 million. The major expenses for the FYE 2017 were:

(i) Trade exhibition expenses of approximately RM0.70 million or 34.17% of total selling and distribution expenses. Our Group had participated in 2 trade exhibitions namely:

(a) Malaysian International Furniture Fair 2017; and

(b) Furniture China 2017, Shanghai.

(ii) Forwarding and handling charges constituted the largest portion of spending of approximately RM0.74 million or 36.12% of total selling and distribution expenses.

(iii) Marketing support expenses of approximately RM0.52 million or 25.26% of total selling and distribution expenses. This includes overseas sales visit expenses, sponsorship on 2 trade exhibitions to Ivorie, and photography fee.

FYE 2018

In FYE 2018, selling and distribution expenses rose by approximately RM1.29 million or 62.90% to RM3.33 million compared to FYE 2017. The significant increase was particularly due to the increase in trade exhibition expenses of approximately RM0.83 million as we participated in 2 additional trade exhibitions during the FYE 2018, for a total of 4 trade exhibitions as follows:

(i) imm Cologne 2018, Germany;

(ii) Malaysian International Furniture Fair 2018;

(iii) China International Furniture Fair 2018, Guangzhou; and

(iv) Furniture China 2018, Shanghai.

Additionally, forwarding and handling charges increased by approximately RM0.23 million resulting from the higher sales volume for the FYE 2018.

Marketing support expenses further increased by approximately RM0.23 million mainly due to an additional sponsorship for trade exhibitions to Ivorie.

FYE 2019

In FYE 2019, selling and distribution expenses declined by approximately RM0.08 million or 2.34% to RM3.25 million compared to FYE 2018. This was mainly due to the reduction in marketing support expenses to Ivorie for the sponsorship of trade exhibitions of approximately RM0.25 million. The trade exhibitions we participated in FYE 2019 are as follows:

(i) Imm Colonge 2019, Germany;

(ii) Malaysian International Furniture Fair 2019;

(iii) China International Furniture Fair 2019, Guangzhou;

(iv) Korea International Furniture & Interior Fair 2019, Seoul; and

(v) Furniture China 2019, Shanghai.

The decrease in marketing supporting expenses was however, offset by the increase in forwarding & handling charges of approximately RM0.25 million resulting from higher sales volume in FYE 2019.

FPE 2020

For the FPE 2020, selling and distribution expenses decreased by approximately RM1.62 million or 62.82% to RM0.96 million compared to FPE 2019. The significant decrease was mainly due to the reduction in trade exhibition expenses of approximately RM1.35 million as several trade exhibitions were cancelled or postponed as a result of the global outbreak of Covid-19 pandemic. Hence, we did not participate in any trade exhibition in year 2020.

Besides, marketing support expenses further decreased by approximately RM0.24 million mainly due to reduction in marketing support expenses to Ivorie for the sponsorship of trade exhibition.

12.2.6 Administrative Expenses

Administrative expenses reported a significant upward trend from RM3.69 million to RM4.49 million to RM5.14 million representing 6.62%, 6.75% and 6.79% of total revenue in FYE 2017, 2018 and 2019, respectively. For the FPE 2020, administrative expenses reported RM4.04 million, representing 9.04% of total revenue.

The summary of selling and distribution expenses is stated as below:

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Staff costs	1,926	52.20	2,411	53.67	2,701	52.59
Directors' remuneration	656	17.78	830	18.48	927	18.05
Professional fees	181	4.90	371	8.26	436	8.49
Depreciation	370	10.03	296	6.59	296	5.76
Repair and maintenance expenses	145	3.93	138	3.07	290	5.64
Printing and stationery expenses	91	2.46	112	2.49	103	2.01
Others[(1)]	321	8.70	334	7.44	383	7.46
Total	**3,690**	**100.00**	**4,492**	**100.00**	**5,136**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	**%**	**RM'000**	**%**
Staff costs	1,421	53.70	1,431	35.40
Directors' remuneration	428	16.18	423	10.47
Professional fees	66	2.49	1,346	33.30
Depreciation	184	6.95	111	2.75
Repair and maintenance expenses	227	8.58	350	8.66
Printing and stationery expenses	65	2.46	127	3.14
Others[(1)]	255	9.64	254	6.28
Total	**2,646**	**100.00**	**4,042**	**100.00**

Note:

(1) Others comprise utilities charges, petrol charges, motor vehicles insurance, license and subscription, bank charges, postage and courier charges, quit rent and assessment and cleaning expenses.

FYE 2017

Administrative expenses recorded RM3.69 million which was mainly contributed by staff costs of approximately RM1.93 million or 52.20%, followed by directors' remuneration of approximately RM0.66 million or 17.78% and also depreciation expenses of approximately RM0.37 million, or 10.03% of total administrative expenses.

FYE 2018

In FYE 2018, administrative expenses rose by approximately RM0.80 million or 21.73% to RM4.49 million as compared to FYE 2018. This was mainly attributable to the increase in staff costs by approximately RM0.49 million as a result of the increase in the annual average number of administrative employees (other than directors and production employees) from 31 to 35. Notably, the directors' remuneration is the second largest portion in administrative expenses recording approximately RM0.83 million or 18.48% of total administrative expenses. Professional fees recorded RM0.37 million or 8.26% of total administrative expenses against RM 0.18 million in FYE 2017. This was mainly due to the legal fees and stamp duty incurred in connection with the term loan facility obtained for the acquisition of a piece of freehold land known as Lot 2782.

FYE 2019

In FYE 2019, administrative expenses increased by approximately RM0.64 million or 14.33% to RM5.14 million compared to FYE 2018. This was mainly due to the increase in staff costs by approximately RM0.29 million mainly due to annual increment, and repair and maintenance expenses by approximately RM0.15 million.

FPE 2020

In FPE 2020, administrative expenses increased by approximately RM1.40 million or 52.76% to RM4.04 million compared to FPE 2019. The significant increase was mainly attributable to the increase in professional fees of approximately RM1.28 million mainly due to the listing expenses of RM1.03 million and stamp duty of RM0.12 million incurred in connection with the transfer of Quek Gim Hong @ Keh Gim Hong's 8/33 undivided share of Lot 2782 held on trust to Mobilia International.

12.2.7 Other expenses

Our other expenses reported RM0.38 million, RM0.22 million and RM0.17 million, representing 0.68%, 0.33% and 0.22% of total revenue in FYE 2017, 2018 and 2019, respectively. For the FPE 2020, our other expenses reported RM0.31 million, representing 0.70% of total revenue.

The summary of other expenses is stated below:

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%
Unrealised loss on foreign exchange	176	46.19	96	43.24	6	3.63
Gifts and donations	95	24.94	39	17.57	40	24.24
Property, plant and equipment written off	82	21.52	24	10.81	95	57.58
Realised loss on foreign exchange	-	-	24	10.81	11	6.67
GST expenses	9	2.36	17	7.66	-	-
Others	19	4.99	22	9.91	13	7.88
Total	**381**	**100.00**	**222**	**100.00**	**165**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	%	RM'000	%
Unrealised loss on foreign exchange	9	12.33	83	26.52
Gifts and donations	23	31.50	5	1.60
Property, plant and equipment written off	22	30.14	205	65.50
Realised loss on foreign exchange	9	12.33	-	-
GST expenses	-	-	-	-
Others	10	13.70	20	6.38
Total	**73**	**100.00**	**313**	**100.00**

FYE 2017

Other expenses of approximately RM0.38 million in FYE 2017 comprise mainly of the following:

(i) Unrealised loss on foreign exchange of approximately RM0.18 million or 46.19% of total other expenses;

(ii) Gift and donations to schools and religious bodies of approximately RM0.10 million or 24.94% of total other expenses; and

(iii) Property, plant and equipment (mainly building renovation and plant and machinery) written off by approximately RM0.08 million or 21.52% of total other expenses.

FYE 2018

In FYE 2018, other expenses declined by approximately RM0.16 million or 41.73% to RM0.22 million compared to previous year was mainly attributable to the reduction on unrealised loss on foreign exchange by approximately of RM0.08 million, decrease in property, plant and equipment (mainly tools and equipment) written off of approximately RM0.06 million as well as a decrease in gifts and donations to schools and religious bodies by approximately RM0.06 million in the FYE 2018. There was a significant reduction in the unrealised loss on foreign exchange arising from continuous strengthening of the USD against RM from April 2018 until December 2018 compared to the weakening trend in year 2017.

Additionally, USD depreciated against RM more significantly at the end of 2017 compared to the end of 2018.

FYE 2019

In FYE 2019, other expenses declined by approximately RM0.06 million or 25.68% to approximately RM0.17 million compared to the previous year. This was mainly due to reduction in unrealised loss on foreign exchange by approximately RM0.09 million, and reduction of realised loss on foreign exchange by RM0.01 million.

The decrease was offset with an increase of RM0.07 million in property, plant and equipment (mainly building renovation, plant and machinery, and tools and equipment) written off.

FPE 2020

In FPE 2020, other expenses rose by approximately RM0.24 million or 328.77% to RM0.31 million compared to FPE 2019 was mainly due to increase in property, plant and equipment (mainly plant & machinery) written off of approximately RM0.18 million and increase in unrealised loss on foreign exchange by approximately of RM0.07 million.

12.2.8 Finance Costs

The finance costs were RM0.36 million, RM0.58 million and RM0.70 million, representing 0.64%, 0.87% and 0.93% of total revenue for FYE 2017, 2018 and 2019, respectively. For the FPE 2020, finance costs were reported RM0.63 million, representing 1.40% of total revenue.

Finance costs arose from utilisation of banking facilities namely term loan, trade bills, hire purchase and leases. Term loan facility was used to part finance the purchase of a piece of freehold land known as Lot 2782 and the construction of factory building and purchase of machineries. Trade bills was used to part finance trade purchase. Hire purchase and leases were used to part finance purchase of machineries and motor vehicles.

The summary of finance costs is stated below:

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Term loan interest	312	87.64	394	67.81	410	58.40
Trade bills interest	15	4.21	99	17.04	138	19.66
Interest on lease liabilities	28	7.87	65	11.19	127	18.09
Trade bills charges	1	0.28	23	3.96	27	3.85
Total	**356**	**100.00**	**581**	**100.00**	**702**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	**%**	**RM'000**	**%**
Term loan interest	218	51.17	437	69.92
Trade bills interest	101	23.71	146	23.36
Interest on lease liabilities	87	20.42	26	4.16
Trade bills charges	20	4.70	16	2.56
Total	**426**	**100.00**	**625**	**100.00**

FYE 2017

In FYE 2017, finance cost was approximately RM0.36 million. The major finance costs were the following:

(i) Term loan interest represented the primary contributor for finance cost which was approximately RM0.31 million or 87.64% of our total finance cost; and

(ii) Interest on lease liabilities recorded at approximately RM0.03 million, or 7.87% of our total finance cost. Hire purchase facility was used to finance purchase of 6 units of motor vehicles and a unit of machinery.

FYE 2018

In FYE 2018, finance costs grew by approximately RM0.23 million or 63.20% to approximately RM0.58 million compared to FYE 2017. This was mainly due to the higher utilisation of trade bills and higher term loan interest. Term loan interest was higher compared to FYE 2017 due to:

(i) An additional term loan of RM1.00 million which was drawn down on December 2017 for the purchase of 2 units of six spindles moulders, 2 units of four spindles moulders and 1 set of woodworking machine; and

(ii) Refinancing of the term loan of RM5.70 million for the piece of freehold land identified as Lot 2782.

FYE 2019

In FYE 2019, finance costs rose by approximately RM0.12 million or 20.83% to approximately RM0.70 million compared to FYE 2018. This was mainly attributable to the higher interest on lease liabilities of approximately RM0.13 million. The interest on lease liabilities was higher due to additional hire purchase financing secured for 5 units of machineries purchase in FYE 2018 and 1 unit of motor vehicle which in aggregate amounted to approximately RM1.39 million.

FPE 2020

In FPE 2020, finance costs grew by approximately RM0.20 million or 46.71% to approximately RM0.63 million compared to FPE 2019. This was mainly attributable to the higher term loan interest of approximately RM0.22 million compared to FPE 2019 mainly due to the additional of drawn down of approximately RM3.00 million for the factory building construction in FPE 2020. Thus, the aggregate drawn down of term loan for the factory building construction amounted to approximately RM10.87 million for FPE 2020 as compared to FPE 2019 which in aggregate amounted to approximately RM6.08 million.

12.2.9 Tax Expense

	FYE 2017	**FYE 2018**	**FYE 2019**
Statutory tax rate (%)	18.00 (1) / 24.00	18.00 (1) / 24.00	17.00 (1) / 24.00
Effective tax rate (%)	14.60	14.51	23.64

	FPE 2019	**FPE 2020**
Statutory tax rate (%)	17.00 (1) / 24.00	17.00 (1) / 24.00
Effective tax rate (%)	21.99	12.44

Tax incentives	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FYE 2019 RM'000**
Accelerated capital allowances on automation equipment expenditure (2)(6)	458	316	-
Allowance for increase in export (3)(6)	281	670	-
Approved expenses for promotion of export (4)	114	-	299
Expenditure incurred for participating in an approved international trade fair held in Malaysia for promotion of export (4)	62	-	43
Reinvestment allowance for plant expansion, automation or modernisation project(5)(6)	-	-	-
Total	**915**	**986**	**342**

Tax incentives	**FPE 2019 RM'000**	**FPE 2020 RM'000**
Accelerated capital allowances on automation equipment expenditure (2)(6)	-	-
Allowance for increase in export (3)(6)	-	-
Approved expenses for promotion of export (4)	271	-
Expenditure incurred for participating in an approved international trade fair held in Malaysia for promotion of export (4)	43	-
Reinvestment allowance for plant expansion, automation or modernisation project(5)(6)	-	579
Total	**314**	**579**

Notes:

(1) Mobilia International and Mobilia Design qualified for lower statutory tax rates of 18.00% for FYEs Under Review and 17.00% for FYE 2019, on the first RM500,000 of chargeable income. For the year of assessment 2020 onwards, Mobilia Group will continue to qualify for lower statutory tax rates of 17.00% on the first RM600,000 of chargeable income provided that its issued share capital is not more than RM2.50 million and having gross income from source or sources consisting of a business of not more than RM50.00 million for the year of assessment.

In the event that Mobilia Group no longer qualify for the abovementioned lower statutory tax of 17.00%, the impact on the PAT of Mobilia Group is approximately RM42,000 for each company.

(2) Mobilia International qualifies for 100% of Accelerated Capital Allowances (ACA) and 100% of Automation Equipment Allowance (AEA) on capital expenditure incurred in the purchase of automation equipment on the first RM4 million for qualifying capital expenditure. Mobilia International has incurred and fully claimed on the first RM4 million of qualifying capital expenditure in FYE 2018, thus Mobilia International is no more eligible for this incentive going forward.

(3) Mobilia Design succeeded in penetrating new export markets for FYE 2017 and qualified for tax exemption of statutory income equivalent to 50% of the value of increased exports. For FYE 2018, Mobilia Design achieved at least 50% increase in exports and qualified for tax exemption of statutory income equivalent to 30% of the value of increased exports.

(4) Approved outgoings and expenses of Mobilia Group for the promotion of export from Malaysia can be deducted twice from taxable profits. They include overseas advertising, export market research, preparation of tenders for the supply of goods overseas, overseas travel and accommodation, cost of maintaining overseas offices and approved industrial exhibitions. Likewise, expenses incurred by Mobilia Group for participation in approved international trade fairs held in Malaysia can also be deducted twice from taxable profits.

(5) Mobilia International qualifies for Reinvestment Allowances on capital expenditure for expansion, namely addition of factory area and plant and machinery. Mobilia International can claim Reinvestment Allowances of an amount equivalent to 60% of such capital expenditure incurred. Reinvestment Allowances is to be deducted against its statutory income but restricted to 70% of statutory income.

(6) Each subsidiary company of Mobilia Group, where applicable is eligible to claim either:

(i) tax incentive in the form of reinvestment allowance for plant expansion, automation or modernisation project; or
(ii) tax incentive in the form of accelerated capital allowances on automation equipment expenditure; or
(iii) tax incentives in the form of allowance for increase in export.

Tax incentives listed in Note (6) above are mutually exclusive, i.e. a company can choose either one of the tax incentive in the same year of assessment. The subsidiary company can also enjoy tax incentive in the form of double deduction of expenses for the promotion of export from Malaysia as well as for approved international trade fairs so long as it does not claim incentive under (iii). For example, if for the FYE 2019, Mobilia International claimed the incentives of double deduction of expenses for approved international trade fairs, it is no longer eligible to claim the tax incentives of allowance for increased export.

FYE 2017

Our tax expense was approximately RM1.07 million for FYE 2017 representing an effective tax rate of 14.60% which was lower than statutory tax rate of 24% resulting from the application of tax incentives as set out in the table above. The trade exhibitions we participated in FYE 2017 were disclosed in Section 6.12 of this Prospectus.

For the FYE 2017, Mobilia International claimed the tax incentives for accelerated capital allowances on automation equipment expenditure and double deduction of expenses for approved international trade fairs while Mobilia Design claimed the tax incentives for promotion of export on penetrating new export markets.

FYE 2018

Tax expense reduced slightly to RM1.06 million or an effective tax rate 14.51% for FYE 2018, which was again attributable to the tax incentives as set out in the table above. The trade exhibitions we participated in FYE 2018 were disclosed in Section 6.12 of this Prospectus.

For the FYE 2018, Mobilia International claimed the tax incentives for accelerated capital allowances on automation equipment expenditure while Mobilia Design claimed the tax incentives for promotion of export on increase in export.

FYE 2019

Tax expense for FYE 2019 was approximately RM2.61 million, representing an effective tax rate of 23.64%. We benefited from the tax incentives as set out in the table above. The trade exhibitions we participated in FYE 2019 were disclosed in Section 6.12 of this Prospectus.

For the FYE 2019, Mobilia Design had claimed the incentives of double deduction of expenses for approved international trade fairs, thus is no longer eligible for the tax incentives for promotion of export.

FPE 2020

Tax expense for FPE 2020 was approximately RM0.66 million, representing an effective tax rate of 12.44%. We benefited from the tax incentive as set out in the table above.

For the FPE 2020, 60% of the qualifying capital expenditure incurred by Mobilia Group for the expansion of factory building Phase 1A constructed on Lot 2782, and additional machineries for expansion and automation of manufacturing, are eligible for reinvestment allowance.

12.2.10 PBT and PAT

FYE 2017

For FYE 2017, our PBT and PAT registered RM7.34 million and RM6.26 million, respectively which is equivalent to a PBT margin and PAT margin of 13.16% and 11.24%, respectively.

FYE 2018

Our PBT and PAT for FYE 2018 was recorded at RM7.30 million and RM6.24 million which was slightly lower compared to preceding financial year due to the lower GP generated arising from lower WAFEX. Additionally, our PAT margin had also decreased more than our GP margin for FYE 2018. This was mainly attributable to the cost increase in trade exhibition expenses and staff costs.

FYE 2019

We recorded an increase in PBT and PAT arriving at RM11.03 million and RM8.42 million, respectively for FYE 2019. This was mainly due to increased GP in FYE 2019 compared to preceding year resulting from higher WAFEX.

FPE 2020

Our PBT and PAT for FPE 2020 recorded RM5.27 million and RM4.61 million, respectively, which was lower than FPE 2019 due to fixed cost incurred despite lower revenue during imposition of MCO. Additionally, our decrease in PBT is mainly attributable to the cost increase in professional fees which included listing expenses of approximately RM1.03 million.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

Our business had been financed by a combination of internal and external sources of funds. Internal sources of funds comprise shareholders' equity and cash generated from our business operations, while our external sources of funds mainly consist of banking facilities from financial institutions. These funds have mainly been used to finance our business operations and growth.

Based on our combined statement of financial position as at 31 August 2020, we had cash and cash equivalents of RM13.25 million and total borrowings of RM30.81 million, which had taken into account of term loan amounting to RM16.57 million drawn down for the purchase of land identified as Lot 2782 and construction of factory building thereon. As at 31 August 2020, our gearing ratio was 1.09 times and current ratio was 1.55 times.

As at the LPD, we had credit facilities available amounting to RM45.84 million, of which RM16.84 million were not yet utilised.

Our Directors are of the opinion that we have adequate working capital to meet our present and foreseeable requirements for a period of at least 12 months from the date of this Prospectus after taking into consideration the following factors:

- our cash and cash equivalents;
- profits and cash flows that we expect to generate from our business operations taking into consideration the financial impact of the COVID-19 as well as the interruptions to our business and operations due to the imposition of the MCO and conditional MCO; and
- borrowings that we can raise from the unutilised portion of our existing banking facilities and new banking facilities that may be granted to us; and proceeds that we expect to raise from our Public Issue.

12.3.2 Review of cash flows

The table sets out the summary of our Group's historical audited combined statements of cash flows for FYE Under Review and FPE 2020.

	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000
Net cash from operating activities	6,843	6,888	12,549
Net cash (for) investing activities	(3,163)	(643)	(16,047)
Net cash (for) / from financing activities	(634)	(4,507)	4,305
Net increase in cash and cash equivalents	3,046	1,738	807
Effect of exchange differences	(269)	(96)	(6)
Cash and cash equivalents at beginning of the financial year	3,156	5,933	7,575
Cash and cash equivalents at end of the financial year	**5,933**	**7,575**	**8,376**

	FPE 2019	FPE 2020
	RM'000	RM'000
Net cash from operating activities	7,851	1,327
Net cash (for) investing activities	(10,608)	(4,661)
Net cash from financing activities	6,714	8,289
Net increase in cash and cash equivalents	3,957	4,955
Effect of exchange differences	(9)	(83)
Cash and cash equivalents at beginning of the financial period	7,575	8,376
Cash and cash equivalents at end of the financial period	**11,523**	**13,248**

FYE 2017

Net cash from operating activities

During the FYE 2017, we generated a net cash of approximately RM6.84 million from our operating activities. We collected approximately RM59.08 million from our customers, and made the following payments:

(i) RM29.61 million to our suppliers;

(ii) RM20.07 million for operating expenses[(1)];

(iii) Approximately RM0.36 million of finance costs for utilisation of banking facilities; and

(iv) RM2.20 million paid to Inland Revenue Board for income tax payments.

Note:

(1) Our operating expenses mainly comprise factory overheads, direct labour, selling and distribution expenses, administrative expenses and other operating expenses. The amount was inclusive of staff costs of approximately RM5.74 million.

Net cash for investing activities

We recorded a net cash outflow of approximately RM3.16 million for investing activities in FYE 2017 which was mainly due to the following payments:

(i) Payment for machineries of RM2.28 million which includes amongst others, 2 units of six spindles moulders, 2 units of four spindles moulders, 1 set of woodworking machine, 1 unit of wide belt sander; and

(ii) initial construction cost on new factory on Lot 2782 of RM0.54 million.

Net cash for financing activities

During FYE 2017, we recorded a net cash outflow of approximately RM0.63 million for financing activities mainly due to:

(i) Dividend payment of RM2.00 million;

(ii) Drawdown of term loan of RM1.00 million for purchase of 2 units of six spindles moulders, 2 units of four spindles moulders and 1 set of woodworking machine;

(iii) Repayment of RM0.85 million for term loan and RM0.22 million for hire purchase facilities; and

(iv) Utilisation of trade bills of RM1.54 million for purchase of materials and repayment of RM0.10 million for this trade facility.

FYE 2018

Net cash from operating activities

During FYE 2018, we generated net cash of approximately RM6.89 million from operating activities. We collected approximately RM63.61 million from our customers, and made the following payments:

(i) RM33.74 million to our suppliers;

(ii) RM21.34 million for operating expenses *(1)*;

(iii) RM0.58 million of finance costs for utilisation of banking facilities; and

(iv) RM1.07 million paid to Inland Revenue Board for income tax payments.

Despite the growth in revenue, our net cash from operating activities for FYE 2018 was relatively unchanged from the net cash from operating activities for FYE 2017 mainly due to the lower collection from our customers and an increase in trade exhibition expenses and staff costs incurred for FYE 2018.

The lower collection from our customers in proportion to our revenue was mainly due to the higher sales to Ivorie in November and December 2018, for which payment was collected in FYE 2019, as it is still within the 30 days to 45 days credit term granted to Ivorie.

Note:

(1) The operating expenses mainly comprise of factory overheads, direct labour, selling and distribution expenses, administrative expenses and other operating expenses. The amount inclusive of staff costs of approximately RM12.10 million.

Net cash for investing activities

We recorded a net cash outflow of approximately RM0.64 million for investing activities in FYE 2018 as follows:

(i) Cash outflow of RM3.21 million for purchase of property, plant and equipment, comprised mainly of purchase of machineries of RM1.52 million, and land conversion fee and related expenses of RM1.47 million; and

(ii) Disposal proceeds of RM2.68 million and RM0.04 million for disposal of a factory building and machineries respectively. Factory building was disposed to our shareholder, Quek Gim Hong @ Keh Gim Hong who was the owner of the land on which the factory was erected.

Net cash for financing activities

During FYE 2018, we generated net cash outflow of approximately RM4.51 million for financing activities mainly due to:

(i) Dividend payment of RM3.50 million;

(ii) Repayment of RM2.25 million for term loan and RM0.33 million for hire purchase; and

(iii) Placement of bank guarantee of RM0.07 million with Tenaga Nasional Bhd. for utilities deposit,

which was offset by the following:

(i) Drawdown of term loan of RM5.70 million for refinancing of freehold land Lot 2782 of which full repayment of RM5.08 million was made to previous financier;

(ii) Additional drawdown of term loan of RM0.10 million for machineries purchased in FYE 2017; and

(iii) Utilisation of trade bills of RM11.34 million for purchase of materials and repayment of RM10.22 million for this trade facility.

FYE 2019

Net cash from operating activities

During FYE 2019, we generated net cash of approximately RM12.55 million from operating activities. We collected approximately RM77.19 million from our customers, and made the following payments:

(i) RM39.37 million to our suppliers;

(ii) RM23.40 million for operating expenses [(1)];

(iii) RM0.70 million of finance costs for utilisation of banking facilities; and

(iv) RM1.17 million paid to Inland Revenue Board for income tax payments (net of refund).

Note:

(1) The operating expenses mainly comprise of factory overheads, direct labour, selling and distribution expenses, administrative expenses and other operating expenses. Direct labour was inclusive of staff costs of approximately RM14.49 million.

Net cash for investing activities

We recorded a net cash outflow of approximately RM16.04 million for investing activities in FYE 2019 mainly for the purchase of machineries of RM4.74 million and factory building construction on Lot 2782 of RM10.25 million.

Net cash from financing activities

During FYE 2019, we generated net cash inflow of approximately RM4.31 million from financing activities mainly due to:

(i) Drawdown of term loan of RM7.87 million for new factory building construction on Lot 2782 and RM3.91 million for new machineries;

(ii) Utilisation of trade bills of RM16.16 million for purchase of materials and repayment of RM15.67 million for this trade facility; and

(iii) Hire purchase financing of RM1.09 million for 1 unit six spindles moulder, 1 unit four spindles moulder, 1 unit used Andi CNC router machine, 1 unit linear CNC profiling machine and 1 unit CNC double end auto rectangular tenoner machine, which was purchased towards the end of the preceding financial year.

which was offset by the following:

(i) Dividend payment of RM7.50 million;

(ii) Repayment of RM0.65 million for term loan; and

(iii) Repayment of RM0.90 million for leases on machineries, motor vehicles and rental for factory and hostel,

FPE 2020

Net cash from operating activities

During FPE 2020, we generated net cash of approximately RM1.33 million from operating activities. We collected approximately RM41.92 million from our customers and made the following payments:

(i) RM23.03 million to our suppliers;

(ii) RM16.16 million for operating expenses [(1)];

(iii) RM0.63 million of finance costs for utilisation of banking facilities' and

(iv) RM0.78 million paid to Inland Revenue Board for income tax payments.

The net cash from operating activities for the FPE 2020 were significantly lower as compared to FPE 2019 as we recorded a decrease in total revenue caused by a delay in fulfilling our customers order and consequently a delay in collection of payment as a result of the outbreak of the Covid-19 pandemic and imposition of the MCO in Malaysia. In addition, we incurred fixed cost despite lower revenue during imposition of MCO.

Note:

(1) The operating expenses mainly comprise of factory overheads, direct labour, selling and distribution expenses, administrative expenses and other operating expenses. Direct labour was inclusive of staff costs of approximately RM9.25 million.

Net cash for investing activities

We recorded a net cash outflow of approximately RM4.66 million for investing activities in FPE 2020 mainly for the factory building construction cost of RM3.00 million.

Net cash from financing activities

During FPE 2020, we generated net cash inflow of approximately RM8.29 million from financing activities mainly due to:

(i) Drawdown of term loans of RM3.00 million for factory building construction and additional drawdown of RM0.74 million for machineries purchase in FYE 2019;

(ii) Utilisation of trade bills of RM11.04 million for purchase of materials and repayment of RM6.06 million for this trade facility.

which was offset by the following:

(i) Repayment of RM0.22 million for term loans;

(ii) Repayment of RM0.20 million for leases on machineries, motor vehicles and rental for office and showroom

12.4 BORROWINGS

As at 31 August 2020, our Group's total outstanding bank borrowings stood at RM30.81 million, details of which are as follows:

	As at 31 August 2020			
	Total	Within 1 year	1-5 years	Over 5 years
	RM'000	RM'000	RM'000	RM'000
Trade bills[(1)]	8,013	8,013	-	-
Term loans[(2)]	21,009	2,453	9,958	8,598
Hire purchase payables[(3)]	1,786	454	1,332	-
Total borrowings	**30,808**	**10,920**	**11,290**	**8,598**
Gearing ratio[(4)] (times)	1.09			

Notes:

(1) Trade bills were utilised to part finance the trade purchase.
(2) Term loans were utilised to part finance the purchase of a piece of freehold land identified as Lot 2782, construction of factory building on that piece of land, and purchase of machineries. The term loan is secured by a legal charge over the assets and a joint guarantee by Quek Wee Seng and Quek Wee Seong.
(3) Hire purchase were utilised to part finance the purchase of machineries and motor vehicles. The hire purchase facilities are secured by a legal charge over the assets and a joint guarantee by Quek Wee Seng and Quek Wee Seong.
(4) Calculated based on pro forma shareholders' funds after the Acquisition.

All of our bank borrowings are interest-bearing and denominated in RM.

The effective annual interest rates of our bank borrowings are shown as follows:

	Effective Annual Interest Rate			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
Trade bills	3.70	3.66 – 3.73	3.37 – 3.46	1.98-3.44
Term loans	4.20 – 6.20	4.45 – 6.15	3.19 – 6.35	3.19-6.35
Hire purchase facilities	4.46 – 6.55	4.50 – 6.00	4.44 – 6.00	4.44-7.33

As at LPD, we are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect our financial results, financial position or business operations, or the investment by holders of securities in our Company.

The term loans and hire purchase facilities are secured by legal charge over assets, joint and several guarantees by the Directors. However, as part of the Listing, we had written to our financiers to seek their consent to discharge the guarantees by Quek Wee Seng and Quek Wee Seong and to substitute them with our corporate guarantee. As at the LPD, we have obtained the consents for the release of personal guarantees provided by Quek Wee Seng and Quek Wee Seong, subject mainly to our successful Listing and replacement of the personal guarantees with corporate guarantees. We have also obtained approval for the discharge of the legal charge over assets to be replaced by other securities.

As at the 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 the FYE Under Review and FPE 2020.

12.5 CAPITALISATION AND INDEBTEDNESS

The following table summarises our capitalisation and indebtedness as at 15 December 2020 after taking into account the following:

(i) The Acquisition but before our Public Issue and utilisation of proceeds from our Public Issue; and

(ii) The Acquisition, our Public Issue and utilisation of proceeds from our Public Issue.

	Mobilia As at 15 December 2020	Proforma I After Public Issue	Proforma II After Proforma I, and utilisation of proceeds
	RM'000	RM'000	RM'000
Indebtedness:			
Current			
Secured and guaranteed			
Trade bills	6,510	6,510	4,710
Lease liabilities	464	464	464
Term loans	2,457	2,457	2,457
	9,431	9,431	7,631
Non-Current			
Secured and guaranteed			
Lease liabilities	1,264	1,264	1,264
Term loans	18,871	18,871	18,871
	20,135	20,135	20,135
Total Indebtedness	**29,566**	**29,566**	**27,766**
Shareholders' equity	31,594	45,394	43,496
Total capitalisation and indebtedness	**61,160**	**74,960**	**71,262**
Gearing ratio (times) [(1)]	0.94	0.65	0.64

Note:

(1) Computed based on total indebtedness over our shareholders' equity.

12.6 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Financial instruments, from an accounting perspective, may include trade receivables, other receivables and deposits, fixed deposits with licensed banks, cash and bank balances, trade payables, other payables and borrowings as shown on our combined statements of financial position. The aforesaid financial instruments are used in our Group's ordinary course of business.

12.7 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY

12.7.1 Material capital commitments

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

	Audited				Unaudited
	FYE 2017	FYE 2018	FYE 2019	FPE 2020	As at the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Contracted but not provided for:					
Construction of office and factory buildings	29,500	22,500	11,700	8,600	7,963
Purchase of property, plant and equipment	848	985	13	13	13
Total	**30,348**	**23,485**	**11,713**	**8,613**	**7,976**

12.7.2 Material litigation and contingent liability

As at the date of this Prospectus, our Group is not engaged in any governmental proceedings and/ or any material litigation, claim and/ or arbitration, whether as plaintiff or defendant, which might materially and adversely affect the financial position or profitability of our Group. Our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

As at the LPD, we do not have any material contingent liability, which may have a substantial impact on the financial position of our Group.

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group are stated as below:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FPE 2020
Average trade receivables turnover period (in days) [(1)]	33	26	26	33[(6)]
Average trade payable turnover period (in days) [(2)]	52	43	45	54[(6)]
Average inventory turnover period (in days) [(3)]	43	36	37	52[(6)]
Current ratio (times) [(4)]	1.83	1.75	1.28	1.55
Gearing ratio (times) [(5)]	0.49	0.46	0.95	1.09

Notes:

(1) $\dfrac{\dfrac{\text{(Opening trade receivables + Closing trade receivables)}}{2}}{\text{Revenue}} \times 365 \text{ days}$

(2) $\dfrac{\dfrac{\text{(Opening trade payable + Closing trade payable)}}{2}}{\text{Purchases}} \times 365 \text{ days}$

(3) $\dfrac{\dfrac{\text{(Opening inventory + Closing inventory)}}{2}}{\text{Cost of sales}} \times 365 \text{ days}$

(4) $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

(5) $\dfrac{\text{Total debt}}{\text{Total shareholders' equity}}$

(6) The ratios are calculated based on 243 days.

12.8.1 Trade receivables turnover

Our average trade receivables' turnover period (in days) for the FYE Under Review is stated as below:

	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Opening trade receivables	6,701	3,353	6,247	4,648
Closing trade receivables	3,353	6,247	4,648	7,459
Revenue	55,730	66,504	75,589	44,729
Average trade receivables turnover period (in days)	**33**	**26**	**26**	**33**

Generally, our normal trade terms granted to customers ranges from cash term to 90 days. However, the credit term for each customer may vary depending on various factors including the length of business relationship, their payment track record, creditworthiness and credit limit. For example, Ivorie is usually given credit terms ranging from 30 days to 45 days due to our length of business relationship with them, their good payment track record and creditworthiness.

Our average trade receivable turnover as at 31 December 2017, 2018 and 2019 were recorded at 33 days, 26 days and 26 days, respectively, which are within our trade terms period. Our average trade receivable turnover as at 31 August 2020 recorded 33 days. Our average trade receivable turnover period was low due to the following reasons:

(a) Partial payment will be made by certain overseas customers upon orders confirmation, ranging from 10% to 30%, or to provide a letter of credit as payment commitment. Balance payment are required to be made upon shipment. Our group recorded an upward trend of export sales throughout the past 3 financial years;

(b) 67.50% of our sales were transacted on cash and credit terms of not more than 30 days.

A few of our customers with high credit worthiness are assigned with credit terms between 31 and 90 days

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

	Within normal credit period	Exceeding credit period				
	0-90 days	**1-30 days**	**31-60 days**	**61-90 days**	**> 90 days**	**Total**
Trade receivables (RM'000)	6,894	565	-	-	-	7,459
Percentage of total trade receivables (%)	92.43	7.57	-	-	-	100.00
Subsequent collections up to the LPD (RM'000)	6,894	565	-	-		7,459
Trade receivables net of subsequent collections (RM'000)	-	-	-	-	-	-
Percentage of total trade receivables net of subsequent collections (%)	-	-	-	-	-	-

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

12.8.2 Trade payables turnover

Our average trade payables' turnover period (in days) for the FYE Under Review is indicated as below:

	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Opening trade payable	4,590	3,552	4,663	5,069
Closing trade payable	3,552	4,663	5,069	5,005
Purchases	28,567	34,851	39,770	22,963
Average trade payable turnover period (in days)	52	43	45	54
Credit term granted (days)	**60**	**45**	**45**	**45**

Generally, our normal trade granted by suppliers ranges from cash term and up to 60 days, depending on the suppliers used for the financial year.

Our average trade payables turnover period as at 31 December 2017, 2018 and 2019 were 52 days, 43 days and 45 days, respectively, falling within the credit term. The significant decrease in average trade payable turnover period from 52 days in FYE 2017 to 43 days for FYE 2018 was mainly due to the restructuring of payment cut-off date, which payment to suppliers with 30 days credit term are scheduled on the last working day of each month, instead of on the 1st working day of the following month.

As at 31 August 2020, our average trade payables turnover period was 54 days. The increase in average trade payable turnover was mainly attributable to the increase in purchasing towards the end of FPE 2020 in anticipation of higher levels of sales in the coming months. The increase in purchases has resulted in higher closing trade payable balances as at 31 August 2020 and coupled with the lower purchases in FPE 2020 has resulted in higher average trade payable turnover period.

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

	Within normal credit period	Exceeding credit period				
	0-45 days	1-30 days	31-60 days	61-90 days	> 90 days	Total
Trade payables (RM'000)	5,005	-	-	-	-	5,005
Percentage of total trade payables (%)	100.00	-	-	-	-	100.00
Subsequent payments up to the LPD (RM'000)	5,005	-	-	-	-	5,005
Trade payables net of subsequent payments (RM'000)	-	-	-	-	-	-
Percentage of total trade payments net of subsequent payments (%)	-	-	-	-	-	-

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

12.8.3 Inventories

Our inventories comprise of raw materials, work-in-progress and finished goods. Our average inventory turnover period (in days) for the FYE Under Review is indicated as below:

	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Opening inventories	4,982	4,963	5,014	6,519
Closing inventories	4,963	5,014	6,519	7,903
Cost of sales	42,211	51,204	56,137	34,109
Average inventory turnover period (in days)	**43**	**36**	**37**	**52**

Our average inventory turnover period as at 31 December 2017, 2018 and 2019 were 43 days, 36 days and 37 days, respectively. Our average inventory turnover period was approximately 1.5 months as we manufacture on a 'made-to-order' basis. We can keep our inventory level low as we have reliable access to ready supply of raw materials.

Our average inventory turnover period in FYE 2018 had decreased by 7 days to 36 days mainly due to the increase in cost of sales as a result of the increase in sales volume. Despite the increase in cost of sales, our inventory levels remained relatively unchanged mainly due to the decrease in our raw materials and work-in-progress inventory. The decrease in our raw materials and work-in-progress inventory was mainly due to the decrease in subcontracting of our furniture parts production which was substituted progressively by our in-house production as mentioned in Section 12.2.3 (b) of this Prospectus. For the FYE 2019, our average inventory turnover period of 37 days remains similar to the turnover period in FYE 2018 as the subcontracting works and our raw materials and work-in-progress inventory levels remained relatively unchanged to those in the FYE 2018. As at 31 August 2020, our average inventory turnover period was 52 days mainly due to higher levels of raw material stock as at 31 August 2020 in anticipation of the increase in our sales order in the coming months. The higher levels of raw material stock as at 31 August 2020 coupled with the lower cost of sales (lower sales volume attributable to Covid-19 pandemic for the 8 months period) has resulted in higher average inventory turnover period.

Our raw materials shall be impaired if:

(i) The inventory has been damaged; or
(ii) The inventory is rendered useless/ obsolete.

We do not have an impairment policy for finished goods as they are made to order.

12.8.4 Current ratio

Our current ratio for the FYE Under Review is indicated as below:

	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Current assets	16,982	21,634	21,619	30,521
Current liabilities	9,300	12,394	16,877	19,641
Current ratio (in times)	1.83	1.75	1.28	1.55

As at 31 December 2018, our current ratio was 1.75 times compared to 1.83 times as at 31 December 2017. Current assets as at 31 December 2018 was higher due to the increase of fixed deposits with a licensed bank, trade receivables and inventories in line with our revenue growth. Payment of interim dividend of RM3.50 million and the increase in usage of trade bills has caused the decrease of our current ratio.

As at 31 December 2019, our current ratio reported at 1.28 times. Despite higher PAT recorded in FYE 2019, the current assets remain relatively unchanged as compared to FYE 2018 owing to dividend payout of RM7.50 million. Current liabilities as at 31 December 2019 was higher due to increase of other payables of approximately RM1.70 million mainly attributable to balance payment of approximately RM1.10 million for purchase of new machineries.

As at 31 August 2020, our current ratio reported 1.55 times mainly attributable to higher current assets resulting from higher cash and bank balances, trade receivables and inventories.

12.8.5 Gearing ratio

Our gearing ratio for the FYE Under Review is indicated as below:

	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Short term				
Trade bills	1,439	2,552	3,041	8,013
Lease liabilities	162	709	533	454
Term loans	1,078	646	2,125	2,453
Total short-term bank borrowings	**2,679**	**3,907**	**5,699**	**10,920**
Long term				
Lease liabilities	297	758	1,426	1,332
Term loans	6,815	5,720	15,365	18,556
Total long-term bank borrowings	**7,112**	**6,478**	**16,791**	**19,888**
Total bank borrowings	**9,791**	**10,385**	**22,490**	**30,808**

	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Shareholders' funds/net assets				
Share Capital	1,250	1,250	1,250	1,250
Retained Profits	18,815	21,558	22,478	27,090
Merger deficit	(150)	(150)	(150)	(150)

Total shareholders' funds/net assets	**19,915**	**22,658**	**23,578**	**28,190**
Gearing ratio (times)	**0.49**	**0.46**	**0.95**	**1.09**

Our gearing ratio ranges from 0.46 times to 1.09 times throughout the FYE Under Review and FPE 2020.

As at 31 December 2018, our bank borrowings increased by approximately RM0.60 million compared to previous year with the increased utilisation of trade bills which was increased in tandem with our revenue growth. Whilst term loans decreased as a result of settlement of a term loan of approximately RM1.81 million with proceeds from the disposal of the factory building, loading base, showroom and office building erected on Lot 1201 in FYE 2018. As a result, we recorded a slightly lower gearing ratio of 0.46 times as at 31 December 2018 compared to 0.49 times as at 31 December 2017.

As at 31 December 2019, our bank borrowings increased by approximately RM12.11 million compared to preceding year. This was mainly due to additional term loans of RM7.87 million for construction of factory building, and RM3.91 million for purchase of new machineries. We reported a gearing ratio of 0.95 times as at 31 December 2019.

As at 31 August 2020, our bank borrowings increased by approximately RM 8.32 million compared to FYE 2019 with the increased utilisation of trade bills by approximately RM4.97 million and additional term loans of RM3.00 million for construction of factory building. We reported a gearing ratio of 1.09 times as at 31 August 2020.

12.9 SIGNIFICANT FACTORS MATERIALLY AFFECTING OUR OPERATIONS AND FINANCIAL PERFORMANCE

The significant factors affecting our business are as follows:

(i) Fluctuation of foreign exchange rate

Our proportions of sales and purchases transactions denominated in USD and RM are as follows:

	FYE 2017		**FYE 2018**		**FYE 2019**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales denominated in:						
(i) USD - Export	30,906	55.46	38,814	58.36	50,170	66.37
(ii) USD – Local	17,056	30.60	21,651	32.56	22,391	29.62
(iii) RM	7,768	13.94	6,039	9.08	3,028	4.01
Total	**55,730**	**100.00**	**66,504**	**100.00**	**75,589**	**100.00**

	FPE 2019		**FPE 2020**	
	RM'000	**%**	**RM'000**	**%**
Sales denominated in:				
(ii) USD - Export	36,690	67.99	32,825	73.39
(ii) USD – Local	15,286	28.33	9,578	21.41
(iii) RM	1,987	3.68	2,326	5.20
Total	**53,963**	**100.00**	**44,729**	**100.00**

	FYE 2017		FYE 2018		FYE 2019	
	RM'000	%	RM'000	%	RM'000	%
Purchases and subcontractor fee denominated in:						
(i) USD	1,720	4.80	2,117	5.70	2,467	6.03
(iii) RM	34,129	95.20	35,026	94.30	38,475	93.97
Total	**35,849**	**100.00**	**37,143**	**100.00**	**40,942**	**100.00**

	FPE 2019		FPE 2020	
	RM'000	%	RM'000	%
Purchases and subcontractor fee denominated in:				
(i) USD	1,392	5.21	2,086	8.98
(iv) RM	25,312	94.79	21,146	91.02
Total	**26,704**	**100.00**	**23,232**	**100.00**

Majority or all of the local sales orders are denominated in USD. Settlements of accounts by customers are made in RM based on the foreign currency exchange rate prevailing on the invoice date.

As majority of our sales are denominated in USD, any significant change in foreign currency exchange rate may affect our Group's financial results. On the other hand, less than 8.98% of our raw materials for the FYE Under Review and FPE 2020 are imported in USD, any appreciation or depreciation of the USD against RM will have limited effect on our costs of raw materials.

We maintain foreign currency accounts to receive proceed of our sales in USD. To certain extent, we also enter into foreign currency option forward contracts with banking institutions to sell the USD received from our customers at agreed exchange rates to RM for fixed periods of time to reduce the exposure risk of our receivables.

(ii) Fluctuation in the prices of direct materials

Our main raw materials consist of rubberwood and other wood materials such as laminated board, veneer board, MDF and particle board. The prices of these raw materials may fluctuate due to demand and supply conditions. Such fluctuation may affect our financial performance.

It is our practice to look for multiple sources of supply to maintain competitive prices. Some of our purchase of raw materials are made upon receipt of confirmed orders from our customers to minimise the impact of any adverse price fluctuations in our main raw materials. Our suppliers regularly keep us abreast of the supply condition and price trend of our raw materials to ensure that we are aware and are prepared for any price increase of raw materials.

(iii) Changes in political, economic and regulatory conditions

Risks relating to political, economic and regulatory conditions which may materially affect our operations are set out in Section 8.1 of this Prospectus.

Although we will continue to comply with the legal and regulatory frameworks in Malaysia and the countries in which our customers operate, there is no assurance that future introduction of new law or other economic, political and regulatory conditions will not have adverse effect on our business, operation achievement and financial performance.

(iv) Sudden disruptions caused by outbreak of pandemics such as the Covid-19 virus

Risks relating to sudden disruptions which may materially affect our operations are set out in Section 8.1 of this Prospectus.

Any future pandemic outbreaks such as the Covid-19 virus, as well as epidemic outbreaks affecting a significantly large but more localised population, may result in similar interruptions to our Group's business and operations, hence, a material adverse impact on our financial performance.

12.10 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 products based on purchase orders received.

12.11 TREND INFORMATION

As at LPD, save as disclosed in this Prospectus, our operations have not been and are not expected to be affected by any of the following:

(i) More than 55% of our revenue are derived from export sales. We expect this trend to continue;

(ii) More than 86% of our revenue are denominated in USD. We expect this trend to continue;

(iii) Dining room furniture and living room furniture represents the major contributors to our revenue. We expect this trend to continue;

(iv) More than 60% of our cost of sales comprise of raw materials and we expect this trend to continue;

(v) There is no other trend that was likely to have adverse impact to our Group's financial position. Our Board is optimistic about the future prospects of our Group with the Group's competitive strength set out in Section 6.11 of this Prospectus and the business strategies set out in Section 6.14 of this Prospectus;

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section, Section 6 and Section 8 of this Prospectus;

(vii) material commitment for capital expenditure, as set out in Section 12.7 of this Prospectus;

(viii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and Section 8 of this Prospectus;

(ix) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits save for the following:

(a) those that have been disclosed in this section;
(b) interruption to business and operations due to COVID-19 as set out in Section 6.9 of this Prospectus. We expect our Group's revenue for the FYE 2020 to be lower than FYE 2019;
(c) future plans and strategies as set out in Section 6.14 of this Prospectus; and
(d) industry overview as set out in Section 7 of this Prospectus;

(x) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 8 of this Prospectus; and

(xi) known trends, demands, commitments, events or uncertainties that have or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and in Section 8 of this Prospectus.

12.12 DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, amongst others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:

(i) The availability of adequate reserves and cash flows;

(ii) Our operating cash flow requirements and financial commitments;

(iii) Our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

(iv) Any material impact of tax laws and other regulatory requirements; and

(v) The prior consent from our banking institutions, if any.

The dividends paid by the Group for the FYEs Under Review and FPE 2020 are as follows:

	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FPE 2020 RM'000
Dividend	2,000	3,500	7,500	-

Subsequent to the FPE 2020 and up to the LPD, there are no dividend declared, made or paid by the Group to its shareholders.

The level of dividends should also not be treated as an indication of our Group's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value.

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Crowe

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Date: 11 JAN 2021

The Board of Directors
Mobilia Holdings Berhad
1st & 2nd Floor,
Plot 63, PTD 13189
No. 15, Jalan Sinar, Bakri 1
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84200 Muar, Johor

Dear Sirs

MOBILIA HOLDINGS BERHAD ("MOBILIA" OR "THE COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2020

We have completed our assurance engagement to report on the compilation of pro forma statements of financial position of Mobilia and its wholly owned subsidiaries, namely Mobilia International Sdn. Bhd. and Mobilia Design Sdn. Bhd. (collectively known as "Mobilia Group" or "the Group") as at 31 August 2020 and related notes as set out in Appendix A, for which we have stamped for the purpose of identification. The pro forma statements of financial position and related notes have been compiled for inclusion in the prospectus of Mobilia, in connection with its listing of and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Proposed Listing").

The applicable criteria on the basis of which the Board of Directors have compiled the pro forma statements of financial position are set out in Note 2 of Appendix A, and in accordance with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma statements of financial position have been compiled by the Board of Directors of the Company, for illustrative purpose only, to illustrate the impact of the events or transactions as set out in Note 2.3 of Appendix A of this letter on the Group's financial position as at 31 August 2020.

As part of this process, information about the Group's financial position have been extracted from the financial statements of the Mobilia International Sdn. Bhd. and Mobilia Design Sdn. Bhd. for the financial year ended 31 August 2020, on which an audit report has been issued.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors of the Company is responsible for compiling the pro forma statements of financial position based on the Applicable Criteria.

REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and other ethical requirement of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* issued by The International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

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REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma statements of financial position has been compiled, in all material respects, by the Board of Directors of the Company on the basis of the Applicable Criteria.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma statements of financial position on the basis of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma statements of financial position.

The purpose of pro forma statements of financial position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma statements of financial position has been compiled, in all material respects, on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, pro forma statements of financial position of the Group have been compiled, in all material respects, on the basis of the Applicable Criteria.

Crowe

OTHER MATTER

We understand that this letter will be used solely for the purpose of inclusion in the Prospectus in connection with the Proposed Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

Crowe

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

Ng Kim Kiat
02074/10/2022 J
Chartered Accountant

Muar, Johor Darul Takzim

Initiated For Identification Purposes Only

Crowe

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

APPENDIX A

MOBILIA HOLDINGS BERHAD AND ITS SUBSIDIARIES

1. ABBREVIATION

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Acquisition	:	Acquisition by Mobilia of the entire equity interest in Mobilia International comprising 1,250,000 ordinary shares for a purchase consideration of RM23,595,999.9306 which was fully satisfied by the issuance of 339,999,999 new Shares at an issue price of approximately RM0.0694 per Share
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)
IPO	:	Initial public offering comprising the Public Issue and the Offer for Sale, collectively
IPO Price	:	Issue price/offer price of RM 0.23 per Issue Share/Offer Share
Issue Share(s)	:	60,000,000 new Mobilia Share(s) to be issued at the IPO Price pursuant to the Public Issue
MITI	:	Ministry of International Trade and Industry
NA	:	Net assets
Offer Share(s)	:	40,000,000 existing Mobilia Share(s) to be offered at the IPO Price by the Selling Shareholders pursuant to the Offer for Sale
Listing	:	Listing of and quotation for the entire enlarged issued share capital of Mobilia on the ACE Market of Bursa Malaysia Securities Berhad
Prospectus	:	The Prospectus dated 3 February 2021 to be issued by the Company in respect of the IPO

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Chartered Accountants

MOBILIA HOLDINGS BERHAD AND ITS SUBSIDIARIES **APPENDIX A**

1. ABBREVIATION (CONT'D)

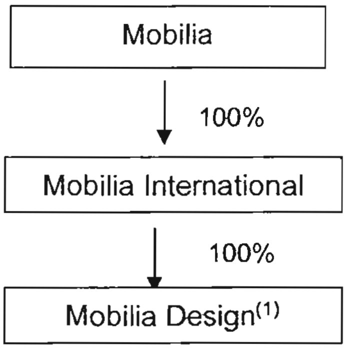
Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (cont'd):

Public Issue	:	Public Issue of 60,000,000 Issue Shares at the IPO Price comprising the following: (a) 20,000,000 Issue Shares, representing 5.00% of the enlarged total number of Shares, are made available for application by the Malaysian public; (b) 12,000,000 Issue Shares, representing 3.00% of the enlarged total number of Shares, are made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group; (c) 28,000,000 Issue Shares, representing 7.00% of the enlarged total number of Shares, are made available for application by way of private placement selected investor.
RM and sen	:	Ringgit Malaysia and sen
Selling Shareholder(s)	:	Collectively, Quek Wee Seng and Quek Wee Seong undertaking the Offer for Sale
Mobilia or Company	:	Mobilia Holdings Berhad (Registration No. 202001004249 (1360569-P))
Mobilia International	:	Mobilia International Sdn Bhd (Registration No. 201001008920 (893548-X))
Mobilia Design	:	Mobilia Design Sdn Bhd (Registration No. 201501026176 (1151499-K))
Mobilia International Group	:	Collectively, Mobilia International and its subsidiary, namely Mobilia Design
Mobilia Group or Group	:	Collectively, the Company and its subsidiaries
Mobilia Share(s) or Share(s)	:	Ordinary share(s) in the Company

2. PRO FORMA GROUP AND BASIS OF PREPARATION

2.1 Pro forma Group

The pro forma corporate structure of Mobilia Group is as follow:



(1) Mobilia Design has completed the transfer of its entire business operations and assets to Mobilia International on 31 March 2020 and had ceased business operations since 1 April 2020 and commenced members' voluntary winding up on 12 June 2020. It will be dissolved upon completion of the members' voluntary winding up.

2.2 Basis of Preparation

The pro forma statements of financial position of Mobilia Group have been prepared for illustration purposes using the audited financial statements of the Mobilia Group as at 31 August 2020 which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and are not subject to any qualification, modification or disclaimer.

The pro forma statements of financial position of Mobilia Group have also been compiled in a manner consistent with both the format of the audited financial statements and accounting policies of Mobilia Group for the financial period ended 31 August 2020.

The financial statements of Mobilia and Mobilia International Group are using the merger method as these companies are under common control by the same parties, both before and after the Acquisition of Mobilia International Group, and control is not transitory. When the merger method is used, the difference between the cost of investment recorded by Mobilia and the share capital of Mobilia International is accounted for as merger deficit in the pro forma statements of financial position, as follow:

	RM'000
New share issued by the Company as consideration for the acquisition of the Mobilia International Group	23,596
Less : Reversal of issued and paid up share capital of the Mobilia International Group as at 31 August 2020	(1,250)
Business combination reserve	22,346

2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

2.3 Listing Scheme

As part of the Proposed Listing, Mobilia undertook the followings:

(i) Acquisition

On 23 June 2020 and 18 November 2020, Mobilia entered into a conditional Share Sale Agreement and supplemental Share Sale Agreement respectively to acquire the entire equity interests in Mobilia International comprising 1,250,000 ordinary shares for a purchase consideration of RM23,595,999.9306 which was fully satisfied by the issuance of 339,999,999 new Shares at an issue price of RM0.0694 per Share.

The purchase consideration for Mobilia International of RM23,595,999.9306 was arrived at on a willing-buyer-willing-seller basis, after taking into consideration the audited NA position of Mobilia International as at 31 December 2019 of RM23,577,810. The acquisition was completed on 18 November 2020.

(ii) Public Issue

Public issue of 60,000,000 Issue Shares, representing 15.00% of the enlarged total number of Shares, at the IPO Price, to be allocated in the following manner:

(a) 20,000,000 Issue Shares, representing 5.00% of the enlarged total number of Shares, are made available for application by the Malaysian public;

(b) 12,000,000 Issue Shares, representing 3.00% of the enlarged total number of Shares, are made available for application by the eligible Directors and employees as well as persons who have contributed to the success of the Group; and

(c) 28,000,000 Issue Shares, representing 7.00% of the enlarged total number of Shares, are made available for application by way of private placement to institutional and identified investors.

Upon completion of the Public Issue, the share capital will increase from approximately RM23,596,000 comprising 340,000,000 Shares to approximately RM37,396,001 comprising 400,000,000 Shares.

(iii) Offer for Sale

The Selling Shareholders are offering an aggregate of 40,000,000 Offer Shares at the IPO Price, representing 10.00% of the enlarged total number of Shares, by way of private placement to selected Bumiputera investors approved by the MITI.

(iv) Listing

Upon completion of the Public Issue and Offer for Sale, the Company shall be admitted to the official list and the entire enlarged share capital of approximately RM37,396,001 comprising 400,000,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

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

Initiated For Identification Purposes Only
Crowe
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Chartered Accountants

MOBILIA HOLDINGS BERHAD AND ITS SUBSIDIARIES

APPENDIX A

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION OF MOBILIA GROUP AS AT 31 AUGUST 2020

	Note	As at 31 August 2020**	Acquisition Adjustments	Pro Forma I After Acquisition	Public Issue	Pro Forma II After Pro Forma I and Public Issue	Utilisation of Proceeds	Pro Forma III After Pro Forma II and Utilisation of Proceeds
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
NON-CURRENT ASSETS								
Property, plant and equipment	4.1	36,694		36,694		36,694	7,100	43,794
Right-of use assets		2,088		2,088		2,088		2,088
Other investment		72		72		72		72
TOTAL NON-CURRENT ASSETS		38,854		38,854		38,854		45,954
CURRENT ASSETS								
Inventories		7,903		7,903		7,903		7,903
Trade receivables		7,459		7,459		7,459		7,459
Other receivables, deposits and prepayments		1,677		1,677		1,677		1,677
Current tax assets		162		162		162		162
Fixed deposits with a licensed bank		3,585		3,585		3,585		3,585
Cash and bank balances	4.2	9,735		9,735	13,800	23,535	(10,874)	12,661
TOTAL CURRENT ASSETS		30,521		30,521		44,321		33,447
TOTAL ASSETS		69,375		69,375		83,175		79,401
EQUITY AND LIABILITIES								
Equity attributable to owners of the Company								
Share capital	4.3	-	23,596	23,596	13,800	37,396	(700)	36,696
Invested capital	4.4	1,250	(1,250)	-		-		-
Merger deficit	4.5	(150)	(22,346)	(22,496)		(22,496)		(22,496)
Retained profits	4.6	27,090		27,090		27,090	(1,274)	25,816
TOTAL EQUITY		28,190		28,190		41,990		40,016

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

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MOBILIA HOLDINGS BERHAD AND ITS SUBSIDIARIES **APPENDIX A**

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION OF MOBILIA GROUP AS AT 31 AUGUST 2020 (CONT'D)

	Note	As at 31 August 2020 **	Acquisition Adjustments	Pro Forma I After Acquisition	Public Issue	Pro Forma II After Pro Forma I and Public Issue	Utilisation of Proceeds	Pro Forma III After Pro Forma II and Utilisation of Proceeds
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES								
Bank borrowings		18,556		18,556		18,556		18,556
Lease liabilities		1,332		1,332		1,332		1,332
Deferred tax liabilities		1,656		1,656		1,656		1,656
TOTAL NON-CURRENT LIABILITIES		21,544		21,544		21,544		21,544
CURRENT LIABILITIES								
Trade payables		5,005		5,005		5,005		5,005
Other payables and accruals		3,716		3,716		3,716		3,716
Bank borrowings	4.7	10,466		10,466		10,466	(1,800)	8,666
Lease liabilities		454		454		454		454
TOTAL CURRENT LIABILITIES		19,641		19,641		19,641		17,841
TOTAL LIABILITIES		41,185		41,185		41,185		39,385
TOTAL EQUITY AND LIABILITIES		69,375		69,375		83,175		79,401
No. of ordinary shares in issue ('000)		^		340,000		400,000		400,000
NA (RM'000)		28,190		28,190		41,990		40,016

Notes:

^ Represent 1 ordinary share

** Extracted from Mobilia Group's audited combined financial statements for the financial period ended 31 August 2020

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3. PRO FORMA STATEMENTS OF FINANCIAL POSITION OF MOBILIA GROUP AS AT 31 AUGUST 2020 (CONT'D)

The pro forma statements of financial position as at 31 August 2020 has been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 31 August 2020:

3.1 Pro Forma I

Pro Forma I incorporates the effects of the Acquisition as set out in Section 2.3(i) above.

3.2 Pro Forma II

Pro Forma II incorporates the effects of the Pro Forma I and effect of the Public Issue as set out in Section 2.3(ii) above.

3.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma I, II and the utilisation of the proceeds from the Public Issue.

The proceeds from the Public Issue will be utilised as follows:

Utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from the date of our Listing
	(RM'000)	%	
Construction of buildings on Lot 2782, Mukim Jalan Bakri, District of Muar, State of Johor	**5,800**	42.03	Within 24 months
(i) Construction of office and showroom (Phase 1B)	*2,500*	*18.12*	Within 24 months
(ii) Construction of Factory Blocks B and C (Phase 2)	*3,300*	*23.91*	Within 24 months
Purchase of machineries	**1,300**	9.42	Within 24 months
Working Capital	**1,900**	13.77	Within 1 month
Repayment of borrowings	**1,800**	13.04	Within 1 month
Estimated listing expenses*	**3,000**	21.74	Within 1 month
Total	13,800	100.00	

* The estimated listing expenses totaling RM3.000 million to be borne by the Group comprise brokerage, underwriting and placement fees, professional fees and miscellaneous expenses. A total of RM0.700 million is assumed to be directly attributable to the issuance of new shares and therefore will be off set against the share capital. The remaining expenses of RM2.300 million are assumed to be attributable to the Proposed Listing and therefore will be charged to the statements of profit or loss and other comprehensive income. As of 31 August 2020, the Group has incurred RM1.026 million of listing expenses which shall be deducted from the remaining listing expenses of RM2.300 million attributable to the Proposed Listing.

4. NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION

4.1 Property, Plant and Equipment

	RM'000
At 31 August 2020/ As Pro Forma I and II	36,694
Pursuant to Utilisation of Proceeds from IPO	7,100
As per Pro Forma III	43,794

4.2 Cash and Bank Balances

	RM'000
At 31 August 2020/ As Pro Forma I	9,735
Pursuant to Proposed Public Issue	13,800
As per Pro Forma II	23,535
Pursuant to Utilisation of Proceeds from IPO	(10,874)
As per Pro Forma III	12,661

4.3 Share Capital

	Number of Ordinary Shares ('000)	Amount of Share Capital RM'000
At 31 August 2020	^	*
Pursuant to Acquisition	340,000	23,596
As per Pro Forma I	340,000	23,596
Pursuant to Proposed Public Issue	60,000	13,800
As per Pro Forma II	400,000	37,396
Estimated listing expenses	-	(700)
As per Pro Forma III	400,000	36,696

^ Represent 1 ordinary share
*Denote RM1

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Chartered Accountants

4. NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

4.4 Invested Capital

	RM'000
At 31 August 2020	1,250
Pursuant to Acquisition	(1,250)
As per Pro Forma I to III	-

4.5 Merger Deficit

	RM'000
At 31 August 2020/ As Pro Forma I and II	(150)
Pursuant to Acquisition	(22,346)
As per Pro Forma I to III	(22,496)

4.6 Retained Profits

	RM'000
At 31 August 2020/ As Pro Forma I and II	27,090
Estimated listing expenses	(1,274)
As per Pro Forma III	25,816

4.7 Bank Borrowings

	RM'000
At 31 August 2020/ As Pro Forma I and II	10,466
Pursuant to Utilisation of Proceeds from IPO	(1,800)
As per Pro Forma III	8,666

MOBILIA HOLDINGS BERHAD AND ITS SUBSIDIARIES **APPENDIX A**

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 07 JAN 2021

On behalf of the Board of Directors,

Quek Wee Seng

Quek Wee Seong

MOBILIA HOLDINGS BERHAD

(Incorporated in Malaysia)

Registration No.: 202001004249 (1360569-P)

ACCOUNTANTS' REPORT

Contents

Crowe

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
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Date: 11 JAN 2021

The Board of Directors
Mobilia Holdings Berhad
1st & 2nd Floor
Plot 63, PTD 13189
No.15, Jalan Sinar Bakri 1
Bukit Bakri, Jalan Bakri
84200 Muar, Johor

Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF MOBILIA HOLDINGS BERHAD ("MOBILIA" OR "THE COMPANY")

OPINION

We have audited the accompanying combined financial statements of the Company and its wholly-owned subsidiaries (collectively known as "the Group") which comprises the combined statements of financial position as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 August 2020 of the Group, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and for the financial period ended 31 August 2020, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 4 to 72.

This historical financial information has been prepared for inclusion in the Prospectus of Mobilia, in connection with the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This report is required by the *Prospectus Guidelines - Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") and is given for the purpose of complying with the *Prospectus Guidelines* and for no other purpose.

In our opinion, the financial information gives a true and fair view of the combined financial position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 August 2020, and of their combined financial performance and their combined cash flows for each of the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and for the financial period ended 31 August 2020 in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with the approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Crowe

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

The Directors of the Company are responsible for the preparation of the financial information of the Group that gives a true and fair view in accordance with MFRSs and IFRS. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Crowe

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

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

OTHER MATTERS

The comparative information in respect of the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity, combined statements of cash flows and related notes to the combined financial statements for the financial period ended 31 August 2019 has not been audited.

The significant events during the financial period ended 31 August 2020 have been disclosed in Note 31 to the combined financial statements.

The significant event occurring after the financial period ended 31 August 2020 has been disclosed in Note 32 to the combined financial statements.

RESTRICTION ON DISTRIBUTION AND USE

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

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

Ng Kim Kiat
02074/10/2022 J
Chartered Accountant

Muar, Johor Darul Takzim

MOBILIA HOLDINGS BERHAD
Registration No.: 202001004249 (1360569-P)

COMBINED STATEMENTS OF FINANCIAL POSITION

		Audited			
	Note	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.08.2020 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	19,743	19,299	34,320	36,694
Right-of-use assets	5	328	1,521	2,293	2,088
Quoted investment	6	-	72	72	72
		20,071	20,892	36,685	38,854
CURRENT ASSETS					
Inventories	7	4,963	5,014	6,519	7,903
Trade receivables	8	3,353	6,247	4,648	7,459
Other receivables, deposits and prepayments	9	2,195	1,912	2,004	1,677
Current tax assets		538	814	-	162
Fixed deposits with a licensed bank	10	-	3,072	2,129	3,585
Cash and bank balances		5,933	4,575	6,319	9,735
		16,982	21,634	21,619	30,521
TOTAL ASSETS		37,053	42,526	58,304	69,375
EQUITY AND LIABILITIES					
EQUITY					
Invested capital	11	1,250	1,250	1,250	1,250
Merger decifit	12	(150)	(150)	(150)	(150)
Retained profits		18,815	21,558	22,478	27,090
TOTAL EQUITY		19,915	22,658	23,578	28,190
NON-CURRENT LIABILITIES					
Bank borrowings	13	6,815	5,720	15,365	18,556
Lease liabilities	14	297	758	1,426	1,332
Deferred tax liabilities	15	726	996	1,058	1,656
		7,838	7,474	17,849	21,544
CURRENT LIABILITIES					
Trade payables	16	3,552	4,663	5,069	5,005
Other payables and accruals	17	3,069	3,824	5,552	3,716
Bank borrowings	13	2,517	3,198	5,166	10,466
Lease liabilities	14	162	709	533	454
Current tax liabilties		-	-	557	-
		9,300	12,394	16,877	19,641
TOTAL LIABILITIES		17,138	19,868	34,726	41,185
TOTAL EQUITY AND LIABILITIES		37,053	42,526	58,304	69,375

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COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited				Unaudited
	Note	**01.01.2017 to 31.12.2017** RM'000	**01.01.2018 to 31.12.2018** RM'000	**01.01.2019 to 31.12.2019** RM'000	**01.01.2020 to 31.08.2020** RM'000	**01.01.2019 to 31.08.2019** RM'000
REVENUE	18	55,730	66,504	75,589	44,729	53,963
COST OF SALES		(42,211)	(51,204)	(56,137)	(34,109)	(38,974)
GROSS PROFIT		13,519	15,300	19,452	10,620	14,989
OTHER INCOME		286	626	828	586	532
SELLING AND DISTRIBUTION EXPENSES		(2,043)	(3,328)	(3,250)	(959)	(2,579)
ADMINISTRATIVE EXPENSES		(3,690)	(4,492)	(5,136)	(4,042)	(2,646)
OTHER EXPENSES		(381)	(222)	(165)	(313)	(73)
PROFIT FROM OPERATIONS		7,691	7,884	11,729	5,892	10,223
FINANCE COSTS	21	(356)	(581)	(702)	(625)	(426)
PROFIT BEFORE TAX	22	7,335	7,303	11,027	5,267	9,797
INCOME TAX EXPENSE	23	(1,071)	(1,060)	(2,607)	(655)	(2,154)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		6,264	6,243	8,420	4,612	7,643
EARNINGS PER SHARE (RM)						
Basic	24	5.01	4.99	6.74	3.69	6.11
Diluted		N.A	N.A	N.A	N.A	N.A

Note:
N.A - Not applicable. These are no dilutive potential equity instruments that would effect to the basic earnings per share.

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COMBINED STATEMENTS OF CHANGES IN EQUITY

			Non Distributable	Distributable	
	Note	**Invested capital** RM'000	**Merger deficit** RM'000	**Retained profits** RM'000	**Total equity** RM'000
Audited					
Balance at 1 January 2017		1,250	(150)	14,551	15,651
Profit after tax and total comprehensive income for the financial year		-	-	6,264	6,264
Contributions by and distributions to owners of the Company:					
- Dividends	25	-	-	(2,000)	(2,000)
Balance at 31 December 2017		1,250	(150)	18,815	19,915
Audited					
Balance at 1 January 2018		1,250	(150)	18,815	19,915
Profit after tax and total comprehensive income for the financial year		-	-	6,243	6,243
Contributions by and distributions to owners of the Company:					
- Dividends	25	-	-	(3,500)	(3,500)
Balance at 31 December 2018		1,250	(150)	21,558	22,658
Audited					
Balance at 1 January 2019		1,250	(150)	21,558	22,658
Profit after tax and total comprehensive income for the financial year		-	-	8,420	8,420
Contributions by and distributions to owners of the Company:					
- Dividends	25	-	-	(7,500)	(7,500)
Balance at 31 December 2019		1,250	(150)	22,478	23,578

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COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Invested capital RM'000	Non Distributable Merger deficit RM'000	Distributable Retained profits RM'000	Total equity RM'000
Audited					
Balance at 1 January 2020		1,250	(150)	22,478	23,578
Profit after tax and total comprehensive income for the financial period		-	-	4,612	4,612
Balance at 31 August 2020		1,250	(150)	27,090	28,190
Unaudited					
Balance at 1 January 2019		1,250	(150)	21,558	22,658
Profit after tax and total comprehensive income for the financial period		-	-	7,643	7,643
Contributions by and distributions to owners of the Company:					
- Dividends	25	-	-	(1,500)	(1,500)
Balance at 31 August 2019		1,250	(150)	27,701	28,801

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COMBINED STATEMENTS OF CASH FLOWS

	Note	Audited				Unaudited
		01.01.2017 to 31.12.2017	**01.01.2018 to 31.12.2018**	**01.01.2019 to 31.12.2019**	**01.01.2020 to 31.08.2020**	**01.01.2019 to 31.08.2019**
		RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		7,335	7,303	11,027	5,267	9,797
Adjustments for:						
Depreciation of property, plant and equipment		797	885	934	1,052	588
Depreciation of right-of-use assets		196	422	797	234	518
Dividend income from quoted investment		-	(1)	(1)	(1)	(1)
Loss/(Gain) on disposal of property, plant and equipment		10	16	(3)	17	(3)
Property, plant and equipment written off		82	24	95	205	22
Unrealised loss on foreign exchange		176	96	6	83	9
Interest expenses		355	558	675	610	406
Interest income		(16)	(1)	(192)	(67)	(94)
Operating profit before working capital changes		8,935	9,302	13,338	7,400	11,242
Inventories		19	(51)	(1,505)	(1,384)	1,821
Trade receivables		3,348	(2,894)	1,599	(2,811)	(929)
Other receivables, deposits and prepayments		(1,035)	283	(92)	327	(1,832)
Trade payables		(1,039)	1,111	406	(64)	(57)
Other payables and accruals		(841)	760	460	(822)	(1,767)
CASH FROM OPERATIONS		9,387	8,511	14,206	2,646	8,478
Interest paid		(355)	(558)	(675)	(610)	(406)
Interest received		16	1	192	67	94
Tax paid		(2,205)	(1,066)	(2,096)	(776)	(725)
Tax refund		-	-	922	-	410
NET CASH FROM OPERATING ACTIVITIES		6,843	6,888	12,549	1,327	7,851
CARRIED FORWARD		6,843	6,888	12,549	1,327	7,851

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		Audited				Unaudited
	Note	01.01.2017 to 31.12.2017 RM'000	01.01.2018 to 31.12.2018 RM'000	01.01.2019 to 31.12.2019 RM'000	01.01.2020 to 31.08.2020 RM'000	01.01.2019 to 31.08.2019 RM'000
BROUGHT FORWARD		6,843	6,888	12,549	1,327	7,851
CASH FLOWS FOR INVESTING ACTIVITIES						
Addition to right-of use assets	26(a)	-	(86)	(106)	-	-
Dividend received from quoted investment		-	1	1	1	1
Purchase of quoted investment		-	(72)	-	-	-
Purchase of property, plant and equipment	26(a)	(3,183)	(3,208)	(15,967)	(4,694)	(10,634)
Proceeds from disposal of property, plant and equipment		20	2,722	25	32	25
NET CASH FOR INVESTING ACTIVITIES		(3,163)	(643)	(16,047)	(4,661)	(10,608)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES						
Dividends paid	25	(2,000)	(3,500)	(7,500)	-	(1,500)
Drawdown of term loans	26(b)	1,000	5,800	11,777	3,742	6,084
Drawdown of bankers' acceptances	26(b)	1,536	11,335	16,157	11,036	11,657
Net increase in fixed deposit pledged		-	(72)	-	-	-
Repayment of bankers' acceptances	26(b)	(97)	(10,222)	(15,668)	(6,064)	(9,609)
Repayment of term loans	26(b)	(852)	(7,327)	(653)	(223)	(430)
Repayment of lease liabilities	26(b)	(221)	(521)	(897)	(202)	(577)
Refinance of lease liabilities	26(b)	-	-	1,089	-	1,089
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(634)	(4,507)	4,305	8,289	6,714
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,046	1,738	807	4,955	3,957
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(269)	(96)	(6)	(83)	(9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		3,156	5,933	7,575	8,376	7,575
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	26(d)	5,933	7,575	8,376	13,248	11,523

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

(a) The Company was incorporated in Malaysia as a private limited liability company on 6 February 2020 under the Companies Act 2016. It is an investment holding company. The principal activities of its subsidiaries are set out in (d) below.

(b) On 11 June 2020, the Company was converted from a private company to a public company limited by shares and assumed its present name of Mobilia Holdings Berhad ("Mobilia").

(c) For the purpose of listing the Group on the ACE Market of Bursa Securities, the Company entered into a conditional Share Sale Agreement and Supplemental Share Sale Agreement on 23 June 2020 and 18 November 2020 respectively to acquire the entire equity interest in Mobilia International Sdn. Bhd.. The acquisition was completed on 18 November 2020.

(d) Details of the subsidiary companies, which are incorporated in Malaysia, are as follows:

Name of Company	Date of Incorporation	Equity Interest	Principal Activities
Mobilia International Sdn. Bhd. ("Mobilia International")	16 March 2010	100%	Investment holding, design, manufacture and sale of furniture and furniture parts.
<u>Subsidiary of Mobilia International</u>			
Mobilia Design Sdn. Bhd. ("Mobilia Design")	8 July 2015	100%	Ceased business operations.[(1)]

(1) Mobilia Design has completed the transfer of its entire business operations and assets to Mobilia International on 31 March 2020 and had ceased business operations since 1 April 2020 and commenced members' voluntary winding up on 12 June 2020. It will be dissolved upon the completion of members' voluntary winding up.

(e) Mobilia, Mobilia International and Mobilia Design shall be collectively referred to as "the Group" or "Mobilia Group" hereinafter. All have their registered office and principal place of business as follows:

Registered office	:	No. 7 (1st Floor) Jalan Pesta 1/1 Taman Tun Dr. Ismail 1 Jalan Bakri 84000 Muar Johor Darul Takzim
Principal place of business	:	1st & 2nd Floor Plot 63, PTD 13189 No. 15, Jalan Sinar Bakri 1 Bukit Bakri, Jalan Bakri 84200 Muar, Johor Darul Takzim

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

2.1 As Mobilia Group has not been in place as at 31 August 2020, there are no consolidated financial statements of Mobilia for financial years ended 31 December 2017, 2018 and 2019, and financial period ended 31 August 2020.

The combined financial statements of Mobilia are the combination or aggregation of all the financial statements of the combining entities in the Group and have been prepared based on the separate financial statements for the relevant reporting periods as follows:

Company	**Relevant Reporting Periods**	**Accounting Standards Applied**	**Auditor**
Mobilia	FPE 31 August 2020	MFRSs	Crowe Malaysia PLT
Mobilia International	FYE 31 December 2017	MPERS	Crowe Malaysia
	FYE 31 December 2018	MPERS	Crowe Malaysia PLT
	FYE 31 December 2019	MFRSs	Crowe Malaysia PLT
	FPE 31 August 2020	MFRSs	Crowe Malaysia PLT
Mobilia Design	FYE 31 December 2017	MPERS	Crowe Malaysia
	FYE 31 December 2018	MPERS	Crowe Malaysia PLT
	FYE 31 December 2019	MFRSs	Crowe Malaysia PLT
	FPE 31 August 2020	MFRSs	Crowe Malaysia PLT

Note:
FYE = *financial year ended*
FPE = *financial period ended*
MPERS = *Malaysian Private Entities Reporting Standard*
MFRSs = *Malaysian Financial Reporting Standards*
Crowe Malaysia PLT = *a limited liability partnership converted on 2 January 2019 from Crowe Malaysia which was a conventional partnership*

The combined financial statements for the relevant reporting periods are prepared based on the audited financial statements of Mobilia, Mobilia International and Mobilia Design. Their audited financial statements for the relevant reporting periods were not subject to any modification and qualification. The financial statements for FPE 31 August 2019 is unaudited and included for comparison purpose only.

The financial statements of Mobilia International and Mobilia Design for FYE 2017 and 2018 were re-prepared by their directors to comply with MFRSs and were re-audited by Crowe Malaysia PLT for the purpose of inclusion in the prospectus to be issued by Mobilia in connection with the Proposed Listing and should not be relied upon for any other purpose.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONT'D)

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

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

2.2 The combined financial statements of Mobilia are prepared under the historical cost convention and in accordance with MFRSs and IFRS.

2.3 Early adoption of new accounting standards

For the preparation of combined financial statements, the Group assumes early adoption of the following standards with the initial application date of 1 January 2017 to enhance comparability:

MFRSs		**Effective date**
MFRS 9	: Financial Instruments	1 January 2018
MFRS 15	: Revenue from Contracts with Customers	1 January 2018
MFRS 16	: Leases	1 January 2019

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

MFRSs and/or IC Interpretations (including the Consequential Amendments)		**Effective date**
MFRS 17	: Insurance Contracts	1 January 2023
Amendments to MFRS 3	: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16	: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 10 and MFRS 128	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16	: COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 17	: Insurance Contracts	1 January 2023
Amendments to MFRS 101	: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 116	: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual improvements to MFRS Standards 2018 – 2020		1 January 2022

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Critical Accounting Estimates and Judgements

Key Sources of Estimation Uncertainty

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

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 4 to the combined financial statements.

(b) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 8 to the combined financial statements.

Critical Judgements Made in Applying Accounting Policies

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

Lease Terms

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation

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

Subsidiary is entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiary to ensure consistency of accounting policies with those of the Group.

Upon the loss of control of a subsidiary, the Group recognises any gain or loss in profit or loss.

Business Combination under Common Control

A business combination involving entity under common control is a business combination in which all the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The acquisition of subsidiary by the Company has been accounted for as a business combination amongst entities under common control. For such common control business combination, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

The effects of all transactions between the combining entities, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the Group.

In applying merger accounting, financial statement items of the combining entities for the reporting years in which the common control combination occurs, and for any comparative years disclosed, are included in the financial statements of the entity as if the combination had occurred from the date when the combining entities first came under the control of the controlling party or parties prior to the common control combination.

Under the merger method of accounting, the results of subsidiary are presented as if the merger had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On combination, the cost of investment in the Company's books is recorded at the nominal value of shares issued.

Any difference between the carrying value of the investment and the nominal value of the shares of the subsidiary is treated as a merger deficit or merger reserve, as applicable, and classified as a non-distributable reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Functional and Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

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

3.4 Financial Instruments

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial Instruments (Cont'd)

(a) Financial Assets

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

Debt Instruments

(i) Amortised Cost

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

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

(ii) Fair Value through Other Comprehensive Income

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

(iii) Fair Value through Profit or Loss

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Equity Instruments

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

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

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

(b) Financial Liabilities

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

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

(ii) Other Financial Liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial Instruments (Cont'd)

(c) Equity Instruments

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

Ordinary Shares

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

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

(d) Derecognition

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

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

3.5 Investment in Subsidiary

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Property, Plant and Equipment

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

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. The principal annual rates used for this purpose are:

Buildings	2%-10%
Office equipment, renovation, furniture and fittings	10%-20%
Factory equipment, plant and machinery	10%
Motor vehicles	20%

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

The depreciation method, useful lives and residual values will be reviewed if there is a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits. Any changes are accounted for as a change in estimate.

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

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Leases

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

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

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

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

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

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

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on the normal capacity of the production facilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Cash and Cash Equivalents

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

3.10 Impairment

(a) Impairment of Financial Assets

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment (Cont'd)

(b) Impairment of Non-Financial Assets

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

An impairment loss is recognised in profit or loss.

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

3.11 Employee Benefits

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Income Taxes

(a) Current Tax

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

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

(b) Deferred Tax

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

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

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

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

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

3.13 Borrowing Costs

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Fair Value Measurements

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

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

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

3.15 Revenue from Contracts with Customers

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

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

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

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue from Contracts with Customers (Cont'd)

Sale of Furniture and Furniture Parts

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

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

3.16 Revenue from Other Sources and Other Operating Income

(a) Dividend Income

Dividend income from investment is recognised when the shareholders' right to receive dividend payment is established.

(b) Interest Income

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

(c) Rental Income

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

3.17 Operating Segments

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

3.18 Earnings per Ordinary Share

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

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4. PROPERTY, PLANT AND EQUIPMENT

Audited 2017	Freehold land RM'000	Buildings RM'000	Office equipment, renovation, furniture and fittings RM'000	Factory equipment, plant and machinery RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At cost							
At 1 January 2017	11,580	3,043	438	4,165	795	287	20,308
Additions	-	9	174	2,053	170	542	2,948
Disposals	-	-	-	(50)	-	-	(50)
Write off	-	(48)	(49)	(107)	-	-	(204)
At 31 December 2017	11,580	3,004	563	6,061	965	829	23,002
Less: Accumulated depreciation							
At 1 January 2017	-	140	219	1,769	476	-	2,604
Charge for the financial year	-	64	74	501	158	-	797
Disposals	-	-	-	(20)	-	-	(20)
Write off	-	(6)	(41)	(75)	-	-	(122)
At 31 December 2017	-	198	252	2,175	634	-	3,259
Carrying amount							
At 31 December 2017	11,580	2,806	311	3,886	331	829	19,743

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

Audited **2018**	Freehold land RM'000	Buildings RM'000	Office equipment, renovation, furniture and fittings RM'000	Factory equipment, plant and machinery RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At cost							
At 1 January 2018	11,580	3,004	563	6,061	965	829	23,002
Additions	843	-	32	1,551	145	632	3,203
Disposals	-	(2,917)	-	(77)	-	-	(2,994)
Write off	-	-	(9)	(38)	-	-	(47)
At 31 December 2018	12,423	87	586	7,497	1,110	1,461	23,164
Less: Accumulated depreciation							
At 1 January 2018	-	198	252	2,175	634	-	3,259
Charge for the financial year	-	58	79	606	142	-	885
Disposals	-	(228)	-	(28)	-	-	(256)
Write off	-	-	(4)	(19)	-	-	(23)
At 31 December 2018	-	28	327	2,734	776	-	3,865
Carrying amount							
At 31 December 2018	12,423	59	259	4,763	334	1,461	19,299

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

Audited 2019	Freehold land RM'000	Buildings RM'000	Office equipment, renovation, furniture and fittings RM'000	Factory equipment, plant and machinery RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At cost							
At 1 January 2019	12,423	87	586	7,497	1,110	1,461	23,164
Additions	-	-	25	2,408	232	14,570	17,235
Reclassification	-	-	-	(1,214)	-	-	(1,214)
Disposals	-	-	-	(45)	(38)	-	(83)
Write off	-	(30)	(5)	(122)	(3)	-	(160)
At 31 December 2019	12,423	57	606	8,524	1,301	16,031	38,942
Less: Accumulated depreciation							
At 1 January 2019	-	28	327	2,734	776	-	3,865
Charge for the financial year	-	5	73	666	190	-	934
Reclassification	-	-	-	(51)	-	-	(51)
Disposals	-	-	-	(23)	(38)	-	(61)
Write off	-	(1)	(4)	(57)	(3)	-	(65)
At 31 December 2019	-	32	396	3,269	925	-	4,622
Carrying amount							
At 31 December 2019	12,423	25	210	5,255	376	16,031	34,320

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

Audited **2020**	Freehold land RM'000	Buildings RM'000	Office equipment, renovation, furniture and fittings RM'000	Factory equipment, plant and machinery RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At cost							
At 1 January 2020	12,423	57	606	8,524	1,301	16,031	38,942
Additions	-	-	29	273	318	3,060	3,680
Reclassification	-	15,356	-	3,735	-	(19,091)	-
Disposals	-	-	-	(53)	(25)	-	(78)
Write off	-	-	-	(285)	-	-	(285)
At 31 August 2020	12,423	15,413	635	12,194	1,594	-	42,259
Less: Accumulated depreciation							
At 1 January 2020	-	32	396	3,269	925	-	4,622
Charge for the financial period	-	131	43	768	110	-	1,052
Disposals	-	-	-	(15)	(14)	-	(29)
Write off	-	-	-	(80)	-	-	(80)
At 31 August 2020	-	163	439	3,942	1,021	-	5,565
Carrying amount							
At 31 August 2020	12,423	15,250	196	8,252	573	-	36,694

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

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

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

	Audited			
	31.12.2017	**31.12.2018**	**31.12.2019**	**31.08.2020**
	RM'000	RM'000	RM'000	RM'000
Carrying amount				
Freehold land	11,580	12,423	12,423	12,423
Buildings	2,742	-	-	-
	14,322	12,423	12,423	12,423

(b) Certain motor vehicles and certain portion of freehold land are held in trust and registered in the name of a former director, a director and a shareholder respectively as follows:

	Audited			
	31.12.2017	**31.12.2018**	**31.12.2019**	**31.08.2020**
	RM'000	RM'000	RM'000	RM'000
Carrying amount				
Motor vehicles	1	*	*	-
Freehold land	2,701	2,701	2,701	-
	2,702	2,701	2,701	-

* less than RM1,000

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5. RIGHT-OF-USE ASSETS

Audited	**Office and showroom** RM'000	**Factory** RM'000	**Motor vehicles** RM'000	**Factory equipment, plant and machinery** RM'000	**Total** RM'000
Carrying amount					
At 1 January 2017	-	-	524	-	524
Depreciation	-	-	(196)	-	(196)
At 31 December 2017 / 1 January 2018	-	-	328	-	328
Additions	-	631	-	984	1,615
Depreciation	-	(198)	(158)	(66)	(422)
At 31 December 2018 / 1 January 2019	-	433	170	918	1,521
Additions	-	-	406	-	406
Reclassification	-	-	-	1,163	1,163
Depreciation	-	(413)	(164)	(220)	(797)
At 31 December 2019 / 1 January 2020	-	20	412	1,861	2,293
Additions	29	-	-	-	29
Depreciation	(1)	(20)	(66)	(147)	(234)
At 31 August 2020	28	-	346	1,714	2,088

The Group leases certain buildings, motor vehicles and factory equipment, plant and machinery with terms and conditions being summarised below:

(a) Office and showroom — The Group has leased a office and showroom that run for 2 years, with an option to renew the lease after that date.

(b) Factory — The Group has leased a number of factory that run between 1 year and 2 years, with an option to renew the lease after that date.

(c) Motor vehicles — The Group has leased certain motor vehicles under hire purchase instalment plans with 5 (31.12.2019: 5, 31.12.2018: 5 and 31.12.2017: 5) years lease terms respectively. At the end of the lease terms, the Group has the option to purchase the assets at an insignificant amount. The leases bear effective annual interest rates at 4.44% (31.12.2019: 4.44% - 4.50%, 31.12.2018: 4.50% and 31.12.2017: 4.50%) and are secured by the leased assets.

(d) Factory equipment, plant and machinery — The Group has leased certain factory equipment, plant and machinery under hire purchase instalment plans with 5 (31.12.2019: 5, 31.12.2018: 5 and 31.12.2017: 5) years lease terms respectively. At the end of the lease terms, the Group has the option to purchase the assets at an insignificant amount. The leases bear effective annual interest rates at 5.82% - 6.00% (31.12.2019: 5.82% - 6.00%, 31.12.2018: 6.00% and 31.12.2017: 6.00%) and are secured by the leased assets.

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6. QUOTED INVESTMENT

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Quoted shares in Malaysia, at fair value	-	72	72	72

7. INVENTORIES

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Raw materials	2,357	2,349	3,709	4,674
Work-in-progress	1,879	1,789	1,728	1,914
Finished goods	727	876	1,082	1,315
	4,963	5,014	6,519	7,903
Recognised in profit or loss				
Inventories recognised as cost of sales	28,686	34,926	38,425	21,795

8. TRADE RECEIVABLES

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

	Audited			
	31.12.2017	**31.12.2018**	**31.12.2019**	**31.08.2020**
Trade terms	cash term - 90 days	cash term - 90 days	cash term - 90 days	cash term - 90 days

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9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Deposits	73	213	825	784
Supplier deposits	387	371	415	483
Prepayments	939	705	491	379
Goods and services tax recoverable	735	547	219	-
Sundry receivables	61	76	54	31
	2,195	1,912	2,004	1,677

10. FIXED DEPOSITS WITH A LICENSED BANK

(a) Included in the fixed deposits with a licensed bank of the Group at the end of the reporting period is the following amount which has been pledged to a licensed bank as security for bank guarantee as follows:

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Fixed deposit with a licensed bank	-	72	72	72

(b) Its related interest rate and maturity period as follows:

	Audited			
	31.12.2017	**31.12.2018**	**31.12.2019**	**31.08.2020**
Effective annual interest rates (%)	-	3.54	3.20	1.45
Maturity period (month)	-	1	1	1

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11. INVESTED CAPITAL

	Audited							
	31.12.2017		31.12.2018		31.12.2019		31.08.2020	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Issued and Fully Paid-up								
Ordinary shares	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250

For the purpose of these combined financial statements, the invested capital at the end of the respective financial years is the aggregate of the share capital of the combining entities constituting the Group.

The invested capital constitutes the share capital of Mobilia and Mobilia International Group.

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12. MERGER DEFICIT

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of a subsidiary upon consolidation under the merger accounting principles during the financial year 2016.

13. BANK BORROWINGS

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Current liabilities				
Secured - Bankers' acceptances	1,439	2,552	3,041	8,013
- Term loans	1,078	646	2,125	2,453
	2,517	3,198	5,166	10,466
Non-current liabilities				
Secured - Term loans	6,815	5,720	15,365	18,556
	9,332	8,918	20,531	29,022
Total bank borrowings				
Secured - Bankers' acceptances	1,439	2,552	3,041	8,013
- Term loans	7,893	6,366	17,490	21,009
	9,332	8,918	20,531	29,022

(a) The bank borrowings are secured by the followings:

(i) Freehold land and buildings of the Group (Note 4);

(ii) Land held under the name of a shareholder;

(iii) Joint and several guarantee by directors (2017: Joint and several guarantee by former directors); and

(iv) Personal guarantee by a director.

(b) The bank borrowings of the Group at the end of the reporting period bear effective annual interest rates as follows:

	Audited			
	31.12.2017 %	**31.12.2018** %	**31.12.2019** %	**31.08.2020** %
Bankers' acceptances	3.70	3.66 - 3.73	3.37 - 3.46	1.98- 3.44
Term loans	4.20 - 6.20	4.45 - 6.15	3.19 - 6.35	3.19 - 6.35

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14. LEASE LIABILITIES

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
At 1 January	680	459	1,467	1,959
New lease liabilities (Note 26(b))	-	1,529	300	29
Refinance of lease liabilities	-	-	1,089	-
Interest expense recognised in profit or loss (Note 21)	28	65	127	26
Repayment of principal	(221)	(521)	(897)	(202)
Repayment of interest expenses	(28)	(65)	(127)	(26)
At 31 December	459	1,467	1,959	1,786
Analysed by:				
Current liabilities	162	709	533	454
Non-current liabilities	297	758	1,426	1,332
	459	1,467	1,959	1,786

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

	Audited			
	31.12.2017 %	**31.12.2018** %	**31.12.2019** %	**31.08.2020** %
Effective annual interest rates	4.46 - 6.55	4.50 - 6.00	4.44 - 6.00	4.44 - 7.33

15. DEFERRED TAX LIABILITIES

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
At 1 January	353	726	996	1,058
Recognised in profit or loss (Note 23)	373	270	62	598
At 31 December	726	996	1,058	1,656

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16. TRADE PAYABLES

The normal trade terms granted to the Group by suppliers are as follows:

	Audited			
	31.12.2017	**31.12.2018**	**31.12.2019**	**31.08.2020**
Trade terms	cash term - 60 days	cash term - 45 days	cash term - 45 days	cash term - 45 days

17. OTHER PAYABLES AND ACCRUALS

	Audited			
	31.12.2017	**31.12.2018**	**31.12.2019**	**31.08.2020**
	RM'000	RM'000	RM'000	RM'000
Accruals	1,411	1,959	2,268	1,291
Customer deposits	1,261	1,550	1,240	1,349
Goods and service tax payable	-	16	9	6
Sundry payables	397	299	2,035	1,070
	3,069	3,824	5,552	3,716

Included in sundry payables of the Group is an amount payable for the purchase of property, plant and equipment (Note 26(a)) as follows:

	Audited			
	31.12.2017	**31.12.2018**	**31.12.2019**	**31.08.2020**
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	5	-	1,268	5

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18. REVENUE

Revenue of the Group comprises the followings:

	Audited				Unaudited
	01.01.2017 to 31.12.2017	**01.01.2018 to 31.12.2018**	**01.01.2019 to 31.12.2019**	**01.01.2020 to 31.08.2020**	**01.01.2019 to 31.08.2019**
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers					
Sale of furniture and furniture parts	55,730	66,504	75,589	44,729	53,963
Represented by geographical market:					
Malaysia	24,824	27,690	25,419	11,904	17,273
Other countries	30,906	38,814	50,170	32,825	36,690
	55,730	66,504	75,589	44,729	53,963

19. DIRECTORS' REMUNERATION

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	**01.01.2018 to 31.12.2018** RM'000	**01.01.2019 to 31.12.2019** RM'000	**01.01.2020 to 31.08.2020** RM'000	**01.01.2019 to 31.08.2019** RM'000
Executive directors					
Fees	-	-	-	23	-
Salaries, bonuses and other benefits	586	741	828	357	382
Defined contribution plan	70	89	99	43	46
	656	830	927	423	428
Estimated monetary value of benefits-in-kind	28	28	28	28	28

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20. EMPLOYEE BENEFITS

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	**01.01.2018 to 31.12.2018** RM'000	**01.01.2019 to 31.12.2019** RM'000	**01.01.2020 to 31.08.2020** RM'000	**01.01.2019 to 31.08.2019** RM'000
Executive directors' remuneration (excluding benefits-in-kind) (Note 19)	656	830	927	423	428
Other staff costs					
Salaries, bonuses and other benefits	12,411	14,405	15,193	9,163	9,399
Defined contribution plan	314	376	423	225	214
	12,725	14,781	15,616	9,388	9,613
	13,381	15,611	16,543	9,811	10,041

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21. FINANCE COSTS

	Audited				Unaudited
	01.01.2017 to 31.12.2017	**01.01.2018 to 31.12.2018**	**01.01.2019 to 31.12.2019**	**01.01.2020 to 31.08.2020**	**01.01.2019 to 31.08.2019**
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest on:					
Bankers' acceptances	15	99	138	147	101
Lease liabilities	28	65	127	26	87
Term loans	312	394	410	437	218
	355	558	675	610	406
Bankers' acceptance charges	1	23	27	15	20
	356	581	702	625	426

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22. PROFIT BEFORE TAX

	Audited				Unaudited
	01.01.2017 to 31.12.2017	**01.01.2018 to 31.12.2018**	**01.01.2019 to 31.12.2019**	**01.01.2020 to 31.08.2020**	**01.01.2019 to 31.08.2019**
	RM'000	RM'000	RM'000	RM'000	RM'000
This is arrived at after charging:					
Auditors' remuneration:					
- Current financial year	53	53	63	47	-
- Overprovision in the previous financial year	-	(6)	-	-	-
Depreciation of property, plant and equipment	797	885	934	1,052	588
Depreciation of right-of-use assets	196	422	797	234	518
Listing expenses	-	-	-	1,026	-
Loss on disposal of property, plant and equipment	10	16	-	17	-
Loss on foreign exchange:					
- realised	-	24	11	-	-
- unrealised	176	96	6	83	9
Rental expense:					
- factory	297	44	-	-	-
- hostel	9	6	-	-	-
Short-term leases of factory	579	705	436	212	160
Property, plant and equipment written off	82	24	95	205	22
And crediting:					
Dividend income from quoted investment	-	(1)	(1)	(1)	(1)
Gain on disposal of property, plant and equipment	-	-	(3)	-	(3)
Realised gain on foreign exchange	(77)	(470)	(489)	(472)	(334)
Interest income	(16)	(1)	(192)	(67)	(94)

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23. INCOME TAX EXPENSE

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	**01.01.2018 to 31.12.2018** RM'000	**01.01.2019 to 31.12.2019** RM'000	**01.01.2020 to 31.08.2020** RM'000	**01.01.2019 to 31.08.2019** RM'000
Current tax expense	699	768	2,422	364	1,988
(Over)/underprovision in previous financial years	(1)	22	123	(307)	123
	698	790	2,545	57	2,111
Deferred tax (Note 15)					
- Origination of temporary differences	272	175	24	617	26
- Under/(over)provision in previous financial year	101	95	38	(19)	17
	373	270	62	598	43
	1,071	1,060	2,607	655	2,154

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23. INCOME TAX EXPENSE (CONT'D)

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

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	01.01.2018 to 31.12.2018 RM'000	01.01.2019 to 31.12.2019 RM'000	01.01.2020 to 31.08.2020 RM'000	01.01.2019 to 31.08.2019 RM'000
Profit before tax	7,335	7,303	11,027	5,267	9,797
Tax at the statutory income tax rate	1,700	1,695	2,611	1,219	2,283
Tax effect of non-deductible expense	201	234	177	346	46
Tax effect of non-taxable income	(15)	-	-	(5)	-
Utilisation of tax incentive	(915)	(986)	(342)	(579)	(315)
(Over)/Under provision in previous financial year					
- current tax expenses	(1)	22	123	(307)	123
- deferred tax expenses	101	95	38	(19)	17
	1,071	1,060	2,607	655	2,154

The income tax rate on the first RM 500,000 of the chargeable income and on the balance of the chargeable income is 18% and 24% respectively for year of assessment 2017.

The income tax rate on the first RM 500,000 of the chargeable income is 18%. The tax rate applicable to the balance of the chargeable income is 24% and will reduce by 1 to 4 percentage points based on prescribed incremental percentage of chargeable income from business as compared to that of the immediately preceding year of assessment 2018.

The income tax rate on the first RM 500,000 of the chargeable income and on the balance of the chargeable income is 17% and 24% respectively for year of assessment 2019.

The income tax rate on the first RM 600,000 of the chargeable income and on the balance of the chargeable income is 17% and 24% respectively for year of assessment 2020.

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24. EARNINGS PER SHARE

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	**01.01.2018 to 31.12.2018** RM'000	**01.01.2019 to 31.12.2019** RM'000	**01.01.2020 to 31.08.2020** RM'000	**01.01.2019 to 31.08.2019** RM'000
Profit attributable to owners of the Company (RM'000)	6,264	6,243	8,420	4,612	7,643
Number of ordinary shares in issue (unit'000)	1,250	1,250	1,250	1,250	1,250
Basic earnings per ordinary share (RM)	5.01	4.99	6.74	3.69	6.11

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

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25. DIVIDENDS

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	**01.01.2018 to 31.12.2018** RM'000	**01.01.2019 to 31.12.2019** RM'000	**01.01.2020 to 31.08.2020** RM'000	**01.01.2019 to 31.08.2019** RM'000
In respect of financial year ended 31 December 2017					
First interim dividend of 80 sen per ordinary share	1,000	-	-	-	-
Second interim dividend of 80 sen per ordinary share	1,000	-	-	-	-
In respect of financial year ended 31 December 2018					
First interim dividend of 120 sen per ordinary share	-	1,500	-	-	-
Second interim dividend of 160 sen per ordinary share	-	2,000	-	-	-
In respect of financial year ended 31 December 2019					
First interim dividend of 120 sen per ordinary share	-	-	1,500	-	1,500
Second interim dividend of 200 sen per ordinary share	-	-	2,500	-	-
Third interim dividend of 280 sen per ordinary share	-	-	3,500	-	-
	2,000	3,500	7,500	-	1,500

26. CASH FLOW INFORMATION

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

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	**01.01.2018 to 31.12.2018** RM'000	**01.01.2019 to 31.12.2019** RM'000	**01.01.2020 to 31.08.2020** RM'000	**01.01.2019 to 31.08.2019** RM'000
Purchase of property, plant and equipment					
Cost of property, plant and equipment purchased (Note 4)	2,948	3,203	17,235	3,680	10,944
Unpaid balances included in sundry payables (Note 17)	(5)	-	(1,268)	(5)	(310)
Cash paid in respect of acquisition in previous financial year/period	240	5	-	1,019	-
Cash paid during the financial year/period	3,183	3,208	15,967	4,694	10,634
Right-of-use assets					
Cost of right-of use assets acquired (Note 5)	-	1,615	406	29	-
Addition of new lease liabilities (Note (b) below)	-	(1,529)	(300)	(29)	-
Cash paid during the financial year/period	-	86	106	-	-

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26. CASH FLOW INFORMATION (CONT'D)

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

	Term loans	Bankers' acceptances	Lease liabilities	Total
Audited	RM'000	RM'000	RM'000	RM'000
31.12.2017				
At 1 January 2017	7,745	-	680	8,425
Changes in Financing Cash Flows				
Proceed from drawdown	1,000	1,536	-	2,536
Repayment of borrowing principal	(852)	(97)	(221)	(1,170)
Repayment of borrowing interest	(312)	(15)	(28)	(355)
	(164)	1,424	(249)	1,011
Non-cash Changes				
Finance charges recognised in profit or loss	312	15	28	355
At 31 December 2017	7,893	1,439	459	9,791
Audited				
31.12.2018				
At 1 January 2018	7,893	1,439	459	9,791
Changes in Financing Cash Flows				
Proceed from drawdown	5,800	11,335	-	17,135
Repayment of borrowing principal	(7,327)	(10,222)	(521)	(18,070)
Repayment of borrowing interest	(394)	(99)	(65)	(558)
	(1,921)	1,014	(586)	(1,493)
Non-cash Changes				
Acquisition of new lease	-	-	1,529	1,529
Finance charges recognised in profit or loss	394	99	65	558
	394	99	1,594	2,087
At 31 December 2018	6,366	2,552	1,467	10,385

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26. CASH FLOW INFORMATION (CONT'D)

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

	Term loans	Bankers' acceptances	Lease liabilities	Total
Audited	RM'000	RM'000	RM'000	RM'000
31.12.2019				
At 1 January 2019	6,366	2,552	1,467	10,385
Changes in Financing Cash Flows				
Proceed from drawdown	11,777	16,157	-	27,934
Refinance of lease liabilities	-	-	1,089	1,089
Repayment of borrowing principal	(653)	(15,668)	(897)	(17,218)
Repayment of borrowing interest	(410)	(138)	(127)	(675)
	10,714	351	65	11,130
Non-cash Changes				
Acquisition of new lease	-	-	300	300
Finance charges recognised in profit or loss	410	138	127	675
	410	138	427	975
At 31 December 2019	17,490	3,041	1,959	22,490
Audited				
31.08.2020				
At 1 January 2020	17,490	3,041	1,959	22,490
Changes in Financing Cash Flows				
Proceed from drawdown	3,742	11,036	-	14,778
Repayment of borrowing principal	(223)	(6,064)	(202)	(6,489)
Repayment of borrowing interest	(437)	(147)	(26)	(610)
	3,082	4,825	(228)	7,679
Non-cash Changes				
Acquisition of new lease	-	-	29	29
Finance charges recognised in profit or loss	437	147	26	610
	437	147	55	639
At 31 August 2020	21,009	8,013	1,786	30,808

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26. CASH FLOW INFORMATION (CONT'D)

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

	Term loans	Bankers' acceptances	Lease liabilities	Total
Unaudited	RM'000	RM'000	RM'000	RM'000
31.08.2019				
At 1 January 2019	6,366	2,552	1,467	10,385
Changes in Financing Cash Flows				
Proceed from drawdown	6,084	11,657	-	17,741
Refinance of lease liabilities	-	-	1,089	1,089
Repayment of borrowing principal	(430)	(9,609)	(577)	(10,616)
Repayment of borrowing interest	(218)	(101)	(87)	(406)
	5,436	1,947	425	7,808
Non-cash Changes				
Acquisition of new lease	-	-	-	-
Finance charges recognised in profit or loss	218	101	87	406
	218	101	87	406
At 31 August 2019	12,020	4,600	1,979	18,599

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26. CASH FLOW INFORMATION (CONT'D)

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

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	01.01.2018 to 31.12.2018 RM'000	01.01.2019 to 31.12.2019 RM'000	01.01.2020 to 31.08.2020 RM'000	01.01.2019 to 31.08.2019 RM'000
Payment of short-term leases	579	705	436	212	160
Payment of lease liabilities	221	521	897	202	577
Interest paid on lease liabilities	28	65	127	26	87
	828	1,291	1,460	440	824

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

	Audited				Unaudited
	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.08.2020 RM'000	31.08.2019 RM'000
Fixed deposits with a licensed bank	-	3,072	2,129	3,585	8,488
Cash and bank balances	5,933	4,575	6,319	9,735	3,107
	5,933	7,647	8,448	13,320	11,595
Less: Fixed deposit pledged to a licensed bank	-	(72)	(72)	(72)	(72)
	5,933	7,575	8,376	13,248	11,523

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27. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

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

(b) Significant Related Party Transactions and Balances

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

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	01.01.2018 to 31.12.2018 RM'000	01.01.2019 to 31.12.2019 RM'000	01.01.2020 to 31.08.2020 RM'000	01.01.2019 to 31.08.2019 RM'000
Companies in which a director has substantial financial interest					
Sale of goods	(171)	-	-	-	-
Subcontract charges	4,947	-	-	-	-
Purchase of goods	269	-	-	-	-
Rental expenses	45	-	-	-	-
Purchase of property, plant and equipment	480	-	-	-	-
Related party					
Rental expenses	135	240	240	60	160
Purchase of property, plant and equipment	-	-	-	110	-
Directors					
Rental expenses	79	93	93	22	62
Shareholder					
Sale of property, plant and equipment	-	(2,680)	-	-	-
Rental expenses	84	211	381	95	254

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27. RELATED PARTY DISCLOSURES (CONT'D)

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

28. CAPITAL COMMITMENTS

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Construction of office and factory buildings	29,500	22,500	11,700	8,600
Purchase of property, plant and equipment	848	985	13	13
	30,348	23,485	11,713	8,613

29. OPERATING SEGMENTS

(a) Business Segments

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

(b) Geographical Information

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

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

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	**01.01.2018 to 31.12.2018** RM'000	**01.01.2019 to 31.12.2019** RM'000	**01.01.2020 to 31.08.2020** RM'000	**01.01.2019 to 31.08.2019** RM'000
Asia (excluding Malaysia)	11,834	12,953	16,240	7,744	11,384
Australasia	397	1,261	680	390	407
Europe	4,703	6,511	8,702	3,726	6,548
East Africa	-	-	99	-	99
North America	12,219	16,352	21,893	20,454	16,264
North Africa	62	-	118	-	-
South America	1,691	1,737	2,438	511	1,988
Malaysia	24,824	27,690	25,419	11,904	17,273
	55,730	66,504	75,589	44,729	53,963

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29. OPERATING SEGMENTS (CONT'D)

(c) Major Customers

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

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	**01.01.2018 to 31.12.2018** RM'000	**01.01.2019 to 31.12.2019** RM'000	**01.01.2020 to 31.08.2020** RM'000	**01.01.2019 to 31.08.2019** RM'000
Customer A	16,670	19,724	20,582	8,373	14,039
Customer B	5,834	-	-	-	-
Customer C	-	-	8,869	-	8,088
Customer D	-	-	-	9,190	-
	22,504	19,724	29,451	17,563	22,127

30. FINANCIAL INSTRUMENTS

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

30.1 Financial Risk Management Policies

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

(a) Market Risk

(i) Foreign Currency Risk

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

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of each reporting period is summarised below:

Foreign Currency Exposure

Audited	**USD**	**RM**	**Others**	**Total**
31.12.2017	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Trade receivables	1,966	1,387	-	3,353
Cash and bank balances	2,995	2,903	35	5,933
	4,961	4,290	35	9,286
Financial Liability				
Trade payables	(58)	(3,494)	-	(3,552)
	(58)	(3,494)	-	(3,552)
Net financial assets	4,903	796	35	5,734
Less : Net financial assets denominated in the entity's functional currency	-	(796)	-	(796)
Currency Exposure	4,903	-	35	4,938

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited 31.12.2018	USD RM'000	RM RM'000	Others RM'000	Total RM'000
Financial Assets				
Trade receivables	5,453	794	-	6,247
Cash and bank balances	704	3,817	54	4,575
	6,157	4,611	54	10,822
Financial Liability				
Trade payables	(137)	(4,526)	-	(4,663)
	(137)	(4,526)	-	(4,663)
Net financial assets	6,020	85	54	6,159
Less : Net financial assets denominated in the entity's functional currency	-	(85)	-	(85)
Currency Exposure	6,020	-	54	6,074

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited 31.12.2019	USD RM'000	RM RM'000	Others RM'000	Total RM'000
Financial Assets				
Trade receivables	4,215	433	-	4,648
Cash and bank balances	1,027	5,274	18	6,319
	5,242	5,707	18	10,967
Financial Liability				
Trade payables	(241)	(4,828)	-	(5,069)
	(241)	(4,828)	-	(5,069)
Net financial assets	5,001	879	18	5,898
Less : Net financial assets denominated in the entity's functional currency	-	(879)	-	(879)
Currency Exposure	5,001	-	18	5,019

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	**USD**	**RM**	**Others**	**Total**
31.08.2020	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Trade receivables	5,075	2,384	-	7,459
Cash and bank balances	4,870	4,847	18	9,735
	9,945	7,231	18	17,194
Financial Liabilities				
Trade payables	(20)	(4,985)	-	(5,005)
Other payables and accruals	(140)	(2,221)	-	(2,361)
	(160)	(7,206)	-	(7,366)
Net financial assets	9,785	25	18	9,828
Less : Net financial assets denominated in the entity's functional currency	-	(25)	-	(25)
Currency Exposure	9,785	-	18	9,803

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

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

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Effects on profit after tax				
USD/RM				
- strengthened by 5%	186	229	190	372
- weakened by 5%	(186)	(229)	(190)	(372)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

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

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

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

Interest Rate Risk Sensitivity Analysis

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

(iii) Equity Price Risk

Equity price risk arises from the Group's financial investments at fair value through other comprehensive income in quoted securities.

Equity Price Risk Sensitivity Analysis

Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

(b) Credit Risk

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(i) Credit Risk Concentration Profile

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

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Number of customers	2	3	2	2
Percentage of trade receivables	61%	80%	65%	46%

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

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Asia (excluding Malaysia)	466	330	367	308
Australasia	-	148	-	-
Europe	113	186	270	95
North America	155	1,467	1,221	4,229
South America	-	-	69	-
Malaysia	2,619	4,116	2,721	2,827
	3,353	6,247	4,648	7,459

(ii) Exposure to Credit Risk

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

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(b) Credit risk (Cont'd)

(iii) Assessment of Impairment Losses

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

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

Trade receivables

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

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

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

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 90 days, are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 1 year from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade receivables (Cont'd)

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

Audited **31.12.2017**	**Gross amount** RM'000	**Individual impairment** RM'000	**Carrying amount** RM'000
Not past due	2,732	-	2,732
Past due but not impaired			
- less than 90 days	583	-	583
- more than 90 days	38	-	38
	3,353	-	3,353

Audited **31.12.2018**	**Gross amount** RM'000	**Individual impairment** RM'000	**Carrying amount** RM'000
Not past due	5,064	-	5,064
Past due but not impaired			
- less than 90 days	1,165	-	1,165
- more than 90 days	18	-	18
	6,247	-	6,247

Audited **31.12.2019**	**Gross amount** RM'000	**Individual impairment** RM'000	**Carrying amount** RM'000
Not past due	4,097	-	4,097
Past due but not impaired			
- less than 90 days	551	-	551
	4,648	-	4,648

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade receivables (Cont'd)

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

Audited 31.08.2020	**Gross amount** RM'000	**Individual impairment** RM'000	**Carrying amount** RM'000
Not past due	6,894	-	6,894
Past due but not impaired			
- less than 90 days	565	-	565
	7,459	-	7,459

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with a Licensed Bank, Cash and Bank balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk

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

Maturity Analysis

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

Audited **31.12.2017**	Weighted average effective interest rate % per annum	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1-5 years RM'000	Over 5 years RM'000
Non-derivative Financial Liabilities						
Trade payables	-	3,552	3,552	3,552	-	-
Other payables and accruals	-	1,808	1,808	1,808	-	-
Bank borrowings						
- Bankers' acceptances	3.70	1,439	1,439	1,439	-	-
- Term loans	4.20 - 6.20	7,893	9,290	1,421	5,597	2,272
Lease liabilities	4.46 - 6.55	459	492	181	311	-
		15,151	16,581	8,401	5,908	2,272

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

Audited **31.12.2018**	Weighted average effective interest rate % per annum	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1-5 years RM'000	Over 5 years RM'000
Non-derivative Financial Liabilities						
Trade payables	-	4,663	4,663	4,663	-	-
Other payables and accruals	-	2,258	2,258	2,258	-	-
Bank borrowings						
- Bankers' acceptances	3.66 - 3.73	2,552	2,552	2,552	-	-
- Term loans	4.45 - 6.15	6,366	7,939	964	3,638	3,337
Lease liabilities	4.50 - 6.00	1,467	1,608	777	831	-
		17,306	19,020	11,214	4,469	3,337

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

Audited **31.12.2019**	Weighted average effective interest rate % per annum	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1-5 years RM'000	Over 5 years RM'000
Non-derivative Financial Liabilities						
Trade payables	-	5,069	5,069	5,069	-	-
Other payables and accruals	-	4,303	4,303	4,303	-	-
Bank borrowings						
- Bankers' acceptances	3.37 - 3.46	3,041	3,041	3,041	-	-
- Term loans	3.19 - 6.35	17,490	20,200	2,687	11,818	5,695
Lease liabilities	4.40 - 6.00	1,959	2,176	629	1,547	-
		31,862	34,789	15,729	13,365	5,695

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

Audited 31.08.2020	Weighted average effective interest rate % per annum	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1-5 years RM'000	Over 5 years RM'000
Non-derivative Financial Liabilities						
Trade payables	-	5,005	5,005	5,005	-	-
Other payables and accruals	-	2,361	2,361	2,361	-	-
Bank borrowings						
- Bankers' acceptances	1.98 - 3.44	8,013	8,013	8,013	-	-
- Term loans	3.19 - 6.35	21,009	25,316	3,347	12,373	9,596
Lease liabilities	4.44 - 7.33	1,786	1,977	556	1,421	-
		38,174	42,672	19,282	13,794	9,596

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Capital Risk Management

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

The Group manages its capital based on gearing ratio. The gearing ratio is calculated as total borrowings from financial institutions divided by total equity.

The gearing ratio of the Group at the end of the reporting period is as follows:

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Bank borrowings	9,332	8,918	20,531	29,022
Lease liabilities	459	1,467	1,959	1,786
Total borrowings	9,791	10,385	22,490	30,808
Total equity	19,915	22,658	23,578	28,190
Gearing ratio (times)	0.49	0.46	0.95	1.09

There was no change in the Group's approach to capital management during the financial year.

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 Classification of Financial Instruments

	Audited			
	31.12.2017 RM'000	**31.12.2018** RM'000	**31.12.2019** RM'000	**31.08.2020** RM'000
Financial Assets				
Mandatorily at Fair Value through Profit or Loss				
Quoted investment	-	72	72	72
Amortised Costs				
Trade receivables	3,353	6,247	4,648	7,459
Other receivables	61	76	54	31
Fixed deposits with a licensed bank	-	3,072	2,129	3,585
Cash and bank balances	5,933	4,575	6,319	9,735
	9,347	13,970	13,150	20,810
Financial Liabilities				
Amortised Costs				
Trade payables	3,552	4,663	5,069	5,005
Other payables and accruals	1,808	2,258	4,303	2,361
Bank borrowings	9,332	8,918	20,531	29,022
Lease liabilities	459	1,467	1,959	1,786
	15,151	17,306	31,862	38,174

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Gain or Loss arising from Financial Instruments

	Audited				Unaudited
	01.01.2017 to 31.12.2017 RM'000	01.01.2018 to 31.12.2018 RM'000	01.01.2019 to 31.12.2019 RM'000	01.01.2020 to 31.08.2020 RM'000	01.01.2019 to 31.08.2019 RM'000
Financial Assets					
Mandatorily at Fair Value through Profit or Loss					
Net gain recognised in profit or loss	1	1	1	1	1
Amortised Costs					
Net (loss)/gain recognised in profit or loss	(160)	(95)	186	(16)	85
Financial Liabilities					
Amortised Costs					
Net loss recognised in profit or loss	(355)	(558)	(675)	(610)	(406)

30.5 Fair Value Information

At the end of each reporting period, there are no financial instruments carried at fair values in the combined statements of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximates their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

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

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31. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

(a) Mobilia Design was transferring its entire business operations including all its physical assets, human resources and clientele to Mobilia International between January and March 2020. The transfer was completed on 31 March 2020 and therefore Mobilia Design has ceased business operations since 1 April 2020. On 12 June 2020, Mobilia Design commenced members' voluntary winding up.

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

Nonetheless, the Covid-19 global pandemic has not resulted in any material impairment to the Group's assets (including inventories and receivables) for the financial period ended 31 August 2020 or affected the Group's ability to continue its business as a going-concern. The Covid-19 global pandemic did not have any material impact on the Group's operations and financial performance for the financial period ended 31 August 2020.

The Group will continue to pay close attention to the development of, and the disruption to its business activities caused by the prolonged effect of the Covid-19 pandemic and/or any subsequent MCO or similar measure imposed by Malaysia Government and continually evaluate their impact on the financial position, cash flows and operating results of the Group.

32. SIGNIFICANT EVENT OCCURING AFTER THE REPORTING PERIOD

On 23 June 2020 and 18 November 2020, the Company entered into a conditional Share Sale Agreement and Supplemental Share Sale Agreement respectively with the selling shareholders of Mobilia International, namely Exelient Sdn. Bhd., Quek Wee Seng, Quek Wee Seong, Firstchrome Sdn. Bhd., Quek Gim Hong @ Keh Gim Hong and Leong Yok Moy, to acquire the entire equity interest in Mobilia International comprising 1,250,000 ordinary shares for a purchase consideration of RM 23,595,999.9306 to be fully satisfied by the issuance of 339,999,999 new ordinary shares at an issue price of approximately RM 0.0694 per share.

The purchase consideration was arrived at on a willing-buyer-willing-seller basis, after taking into consideration of the audited net assets position of Mobilia International as at 31 December 2019 of RM 23,577,810. The acquisition of Mobilia International was completed on 18 November 2020.

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STATEMENTS BY DIRECTORS

We, Quek Wee Seng and Quek Wee Seong, being two of the directors of Mobilia Holdings Berhad., state in the opinion of the directors, the combined financial statements set out on page 4 to 72 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia so as to give a true and fair view of the combined financial position of the Group as at 31 December 2017, 31 December 2018 and 31 December 2019 and 31 August 2020, and of their combined financial performance and cash flows for the relevant reporting periods ended on those dates.

Signed in accordance with a resolution of the directors dated 07 JAN 2021

Quek Wee Seng

Quek Wee Seong

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

(i) As at the date of this Prospectus, we only have 1 class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(ii) No securities will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of the issue of this Prospectus.

(iii) None of the share capital of our Company or our subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

(iv) Save for our Issue Shares reserved for our Eligible Persons who as disclosed in Section 3.3.1(ii) of this Prospectus, there is currently no other scheme involving our Directors or employees in the capital of our Company or our subsidiaries.

(v) None of our Company or our subsidiaries has any outstanding convertible debt security as at the LPD.

15.2 CONSTITUTION

The following provisions are reproduced from our Constitution which comply with the Listing Requirements, the Act and the Rules of Bursa Depository.

The words, terms and expressions appearing in the following provision shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

(i) Transfer of shares

<u>Clause 33 - Transfers</u>

The transfer of any listed securities or class of listed securities of the Company which have been deposited with the Depository shall be by way of book entry by the Depository in accordance with the Rules, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such securities.

<u>Clause 34 – Transferor's Right</u>

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the transfer of all other shares of the Company not so deposited with the Depository (not being Deposited Securities) shall be in the manner provided in the Act (including the applicable provisions of Third Schedule to the Act) to the extent that the same is not inconsistent with this Constitution.

The instrument of transfer of the share shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered into the Register as the case may be in respect thereof. Subject to the relevant law and regulations, an instrument of transfer must be in respect of only one (1) class of Shares.

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of any shares which is legally inoperative or insufficient to pass the property of such shares to be transferred by reason of any fraud or other cause unknown to the Company or its Directors or officers.

Clause 35 - Suspension of registration

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole, thirty (30) days in any year. Ten (10) market days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned; of intention to close the Register and the reason thereof shall be given to the Exchange and published in a daily newspaper circulating in Malaysia. Such notice shall state the Books Closing Date which shall not be less than eight (8) clear market days from the date of notification to the Exchange.

Clause 36 - Reasons for closing of books

The transfer books and Record of Depositors may be closed for the purpose of determining persons entitled to dividends, interest, or new securities or rights to a priority of application for issued of securities. The Company shall request the Depository in accordance with the Rules to issue a Record of Depositors as at a date not less than three (3) market days before the occurrence of the related event.

Clause 37 – Restriction on transfer

There should be no restriction on the transfer of fully paid Shares except where required by law or the relevant regulations or where the Company has a lien and no Share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 38 – Refusal to register transfer

(1) Subject to Section 106 and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a deposited security, to a person of whom they shall not approve.

(2) The Depository may refuse to register any transfer of deposited security that does not comply with the Central Depositories Act and the Rules.

Clause 39 – Notice of refusal

If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within seven (7) days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the precise reasons thereof.

Clause 40 – Renunciation

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

(ii) Transmission of shares

Clause 43 – Death of Member

In the case of the death of a Member, the person(s) recognised by the Company as having any title to his interest in the shares shall be, where the deceased was a sole holder, the legal representative(s) of the deceased, and where the deceased was a joint holder, the survivor; but nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share which had been held by him.

Clause 44 – Notice of election

Subject to the provisions of the Act, the Central Depositories Act and the Rules, any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors shall in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy. Provided always that where the share is a Deposited Security, subject to the Rules, a transfer or withdrawal of the shares may be carried out by the person becoming so entitled. Nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share which had been held by him.

Clause 45 – Share of deceased or bankrupt Member

Subject to Clause 48, if any person so becoming entitled elects to register himself, he shall deliver or send to the Company, a notice in writing signed by him and stating that he so elects, provided that where the share is a Deposited Security and the person becoming entitled elects to have the share transferred to him, the aforesaid notice must be served by him to the Depository together with such other relevant documents as may be required by the Depository. If he elects to have another person registered, he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by that Member.

Clause 46 – Person entitled may receive dividends

Where the registered holder of any share dies or becomes bankrupt, his personal representative or the assignee or his estate, as the case may be, shall, upon the production of such evidence as may from time to time be properly required by the Directors in that behalf, be entitled to the same dividends and other advantages and to which he would be entitled if he were the registered holder of the Security (whether in relation to meetings of the Company or to voting or otherwise), except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it, to exercise any right conferred by membership in relation to meetings of the Company. Provided further always that the Directors may at any time give notice requiring any such person to elect, either to be registered himself or to transfer the Security, and if the notice is not complied with within ninety (90) days, the Directors may, thereafter, withhold payment of all dividends, bonuses or other moneys payable in respect of the Security until the requirements of the notice have been complied with.

Clause 47 – Transmission of Securities

(1) Where:-

(a) the securities of the Company are listed on another stock exchange; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories)(Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a holder of securities, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the Registrar of Companies in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

(iii) Remuneration of Directors

Clause 105 – Directors' remuneration

The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine (or failing agreement, equally), PROVIDED ALWAYS that:-

(a) fee payable to Directors who hold non-executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(b) salaries payable to Directors who hold executive office in the Company may not include a commission on or percentage of turnover.

(c) fees and any benefits payable to Directors shall be subject to annual shareholder approval at a general meeting.

(d) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 106 – Reimbursement of expenses

(1) The Directors shall be entitled to be reimbursed for all their travelling and other reasonable expenses as may be incurred in attending meetings of the Directors or any committee of the Directors of the Company, in or about the business of the Company in the course of the performance of their duties as Directors.

(2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board of Directors provided that in the case of Non-Executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

(iv) Power and duties of Directors

<u>Clause 108 – Business of Company to be managed by Directors</u>

The business of the Company shall be managed by the Directors who may pay all expenses incurred in promoting and registering the Company, and exercise all such powers of the Company as are not by this Constitution required to be exercised by the Company in general meeting, subject nevertheless, to any of this Constitution, to the provisions of the Act, and to such resolutions, not being inconsistent with this Constitution or the provisions of the Act as may be prescribed by the Company in general meeting but no resolution made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been made.

<u>Clause 109 – Limitation on Directors' powers</u>

The Directors shall not without the prior approval of the Company in general meeting:-

(a) enter or carry into effect any arrangement or transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of the Company's undertaking or property;

(b) exercise any power of the Company to issue shares unless otherwise permitted under the Act; or

(c) subject to Sections 228 and 229 of the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or with a person connected with such a Director, to acquire from or dispose to such a Director or person connected, any shares or non-cash assets of the requisite value.

<u>Clause 110 – Directors' borrowing powers</u>

(1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge the Company's or the subsidiaries' undertaking, property and uncalled capital or any part thereof and to issue debentures and other securities, whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries as may be thought fit.

(2) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

(3) The Directors may borrow or raise any such money as aforesaid upon or by the issue or sale of any bonds, debentures, debenture stock, or securities, and upon such terms as to time of repayment, rate of interest, price of issue or sale; payment of premium or bonus upon redemption or repayment or upon any other terms as they may think proper.

(4) Any debenture or other security may be issued at a discount, premium or otherwise and (with the sanction of the Company in general meeting) with any special privilege as to allotment of shares, attending and voting at general meetings of the Company, appointment of Directors or otherwise.

(5) Subject to the Act, if the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors, or persons so becoming liable as aforesaid, from any loss in respect of such liability.

Clause 111 – Power to maintain pension fund

The Directors may establish or arrange any contributory or non-contributory pension or superannuation scheme for the benefit of, or pay a gratuity, pension or emolument to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and the widow, family or dependants of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such person as aforesaid and make payments for or towards any hospital or scholastic expenses and any Director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only, where the Act requires, to proper disclosure to the Members and the approval of the Company in general meeting.

Clause 112 – Power to use official seal

The Directors may exercise all the powers of the Company conferred by the Act in relation to any official seal for use outside Malaysia and in relation to branch registers. The Directors can use all the powers given by the Act for executing a document under Sections 66(2) and (3) of the Act instead of affixing the Seal or any other seal.

Clause 113 – Appointment of attorneys

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

Clause 114 – Signing of cheques etc.

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be in such manner as the Directors may determine by resolution.

Clause 115 – Discharge of duties

A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.

Clause 116 – Notice of disclosures

Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.

Clause 117 – Director may hold other office

Subject always to Sections 221, 228 and 229 of the Act and subject to the requirements of the Exchange, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contracts, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established but the interest must be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest.

Clause 118 – Director may act in his professional capacity

Any Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company and provided further that such shall be at normal commercial terms.

(v) Proceedings of Directors

Clause 119 – Meeting of Directors

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Any Director may at any time and the Secretary shall on the requisition of any of the Directors, summon a meeting of the Directors. A meeting of the Directors may consist of a conference between Directors who are not all in one place, but each is able, to directly or by telephonic or other electronic communications, communicate with each other simultaneously. Such participation shall be deemed to be presence in person. The matters resolved during such meeting shall be subject to confirmation by the signatures of the participating Directors on the minutes taken of such meeting.

Clause 120 – Notice of Directors' Meeting

It shall not be necessary to give any Director or alternate Director who has not got an address in Malaysia, registered with the Company, notice of a meeting of the Directors. Unless otherwise determined by the Directors from time to time, a seven (7) days' notice of all Directors' meetings shall be given to all Directors and their alternates who have a registered address in Malaysia. Except in the case of an emergency, reasonable notice of every Directors' meeting shall be given in writing and the notice of each Directors' meeting shall be served in the manner referred to in Section 322 of the Act and the said Section 322 of the Act shall apply mutatis mutandis to the service of notice of Directors' meetings on Directors as they apply to the service of notices on Members of the Company.

Clause 121 – Quorum of meetings of Directors

The quorum necessary for the transaction of business of the Directors shall be two (2) and a meeting of the Director for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally. For the purpose of determining whether the quorum for the transaction of the business of the Directors exists:

(a) in the case of a resolution agreed by Directors in telephonic communications, all such Directors shall be counted in the quorum;

(b) in the case of a meeting of Directors, in addition to the Directors present at the meeting, any Director in telephonic communication with such meeting shall be counted in the quorum.

Clause 122 – Chairman of Directors

The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office and unless otherwise determined, the Chairman shall be elected annually but if no such Chairman is elected, or if at any meeting the Chairman is not present within ten (10) minutes after the time appointed for holding the meeting the Directors present may choose one of their number to be Chairman of the meeting.

Clause 123 – Appointment of proxy

The Directors shall have full powers to appoint any person from time to time as and when necessary, as their proxies to represent them at Directors' Meetings. An instrument appointing a proxy shall be in writing in any form approved by the Directors under the hand of the appointer or his attorney duly authorised in writing.

Clause 124 – Votes by majority and Chairman not to have casting vote

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. Where at the meeting only two (2) Directors form the quorum and only such quorum is present at the meeting or are competent to vote on the question at issue, the Chairman shall not have a second or casting vote.

Clause 125 - Directors may act notwithstanding vacancy

The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to this Constitution as the necessary quorum of Directors, the continuing Director or Directors except in an emergency, may act for the purpose of increasing the number of Directors to that minimum number or of summoning a general meeting of the Company but for no other purpose.

Clause 126 – Disclosure of interest

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director of the Company.

Clause 127 – Restriction on voting

A Director may contract with and be interested in any contract or proposed contract with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS that the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required by Section 221 of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest (and if he shall do so his vote shall not be counted), nor shall he be counted for the purpose of any resolution regarding the same, in the quorum present at the meeting.

Clause 128 – Relaxation of restriction of voting

A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or whereat any decision is taken upon any contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.

Clause 129

A Director may vote in respect of:-

(a) any arrangement for giving the Director himself or any other Directors any security or indemnity or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company;

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security.

Clause 130 – Directors may become Directors of other corporation

A Director of the Company may be or become a Director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation which is directly or indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for an remuneration or other benefit received by him as a Director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation, in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid.

(vi) Share capital and variation of rights

Clause 6 – Power to issue shares with special rights

(1) Without prejudice to any special rights previously conferred on the holders of any existing shares but subject to Section 75(2) of the Act and to this Constitution, the Directors shall only upon prior approval by way of resolution by the members, exercise any power to:

(a) allot shares in the Company;

(b) grant rights to subscribe for shares in the Company;

(c) convert any securities into shares in the Company; or

(d) allot shares under an agreement or option or offer.

PROVIDED ALWAYS that:

the pricing, issuance and/or placement of shares of convertible securities shall be in compliance with and not in contravention of the provisions of the Listing Requirements; and

(2) Any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors may determine. Where the Company has different classes of shares, this Constitution will state:

(a) that the Company's share capital is divided into different classes of shares;

(b) the voting rights attached to shares in each class;

(c) any other rights attached to those shares; and

(d) any other things which Section 90 of the Act requires.

Clause 7 – Allotment of shares to Directors, etc

The Company shall not issue shares or other convertible securities to the Directors or major shareholder or chief executive of the Company and/or its holding company or the person(s) connected to them unless the Members in the general meeting have approved the specific allotment to be made to such persons.

Clause 8 – Offer of unissued original shares and new shares

Subject to any direction to the contrary that may be given by the Company in a general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. Such offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of any intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered in the manner provided under this Constitution.

Clause 9 – General mandate for issue of securities

Notwithstanding the existence of a resolution pursuant to Section 76 of the Act, but subject always to the Listing Requirements, the Company may obtain members' approval for further issues of shares where the aggregate issues during the preceding twelve (12) months do not exceed ten percent (10%) of the total number of issued capital (excluding the treasury shares) of the Company and where, in accordance with the provisions of Section 75 of the Act, there is still in effect a resolution approving the issue of shares by the Company.

Clause 10 – New shares to rank with original shares

Except so far as otherwise provided by the conditions of issue, or by this Constitution, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

Clause 11 – Rights of preference shareholders

Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders in relation to receiving notices, reports and audited financial statements and attending general meetings of the Company.

Clause 12 – Repayment of preference capital

Notwithstanding Clause 13 hereof, the repayment of preference share capital other than redeemable preference shares, or any alteration of preference shareholder's rights may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing representing not less than seventy-five percent (75%) of the total voting rights of the preference shareholders concerned obtained within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Clause 13 – Modification of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders representing not less than seventy-five percent (75%) of the total voting rights of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class pursuant to the provisions of Section 292 of the Act. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one third (1/3) of the issued shares of the class and for an adjourned meeting one (1) person holding shares of such class.

Clause 14 – Ranking of class rights

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith.

Clause 15 – Commission on subscription of shares

The Company may exercise the powers of paying commission conferred by the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and the rate of the commission shall not exceed the rate of ten percent (10%) of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten percent (10%) of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

Clause 16 – Trust not to be recognized

Except as required by law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognize (even with notice thereof) any equitable, contingent, future or partial interest in any share or any unit of share or (except only as by this Constitution or by law otherwise provided) any other right in respect of any shares, except an absolute right to the entirety thereof in the registered holder.

Clause 17 – Issue of securities

A company must ensure that all new issues of securities for which listing is sought are made by way of crediting the securities accounts of the allottees with such securities save and except where it is specifically exempted from compliance with section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this Requirement. For this purpose, the Company must notify the Depository of the names of the allottees and all such particulars required by the Depository, to enable the Depository to make the appropriate entries in the securities accounts of such allottees. The Company shall, if required by the Listing Requirements to obtain an auditors' certificate to the effect that the issue of the new securities is in accordance with the Listing Requirements and this Constitution.

Clause 18 – Allotment of securities and dispatch notices

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall allot and/or issue securities, despatch notices of allotment to the successful allottees and make an application for the quotation of such securities within the relevant periods prescribed by the Exchange.

Clause 19 – Compliance with Requirements

The Company shall duly observe and comply with the provisions of the Act and the Listing Requirements from time to time prescribed by the Exchange applicable to any allotment of its shares.

(vii) Alteration of capital

Clause 61 – Power to alter capital

(a) The shareholders may pass special resolutions to alter the Company's share capital in accordance with Section 84 of the Act as follows:

(i) to consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived;

(ii) to convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares;

(iii) to subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

(iv) cancel any shares, which at the date of the passing of the resolution, which have been forfeited, and diminish the amount of its share capital by the amount of the shares so cancelled.

(b) If any shares are consolidated or divided, the Directors may deal with any fractions of shares which result or any other problem that arises. If the Directors decide to sell any shares which represent fractions, they must sell for the best price they can reasonably obtain and distribute the net proceeds of sale among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Directors in such a manner as they deem fit at their absolute discretion and in the best interest of the Company. The Directors can sell to a person (including the Company, if the Act and Listing Requirements allow) and can authorise a person to transfer those shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money paid is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.

Clause 62 – Share buy-back

Subject to and in accordance with the provisions of the Act and such other relevant law, regulation or guideline for the time being in force, the Company is allowed and shall have power, to the fullest extent permitted, to purchase any of its own shares and other securities and thereafter, the Directors may resolve and shall have the fullest power to deal with such purchased shares or other securities in accordance with the provisions of the Act and such other relevant law, regulation or guideline.

Clause 63 – Power to reduce capital

The shareholders can pass a special resolution to reduce in any way the Company's share capital in accordance with Subdivision 4 of Division 1 of Part III of Act, whether with the confirmation of the Court or a solvency statement.

15.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

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

15.4 EXCHANGE CONTROLS

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

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15.5 CONSENTS

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

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

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

15.6 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at No. 7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr Ismail 1 Jalan Bakri 84000 Muar, Johor during normal business hours for a period of six months from the date of this Prospectus:

(i) our Constitution;

(ii) the IMR Report prepared by IMR as included in Section 7 of this Prospectus;

(iii) the Reporting Accountants' Report on the Pro Forma Statements of Financial Position of our Group as at 31 August 2020 as included to in Section 13 of this Prospectus;

(iv) the Accountants' Report as included in Section 14 of this Prospectus;

(v) the material contracts referred to in Section 5.8 of this Prospectus;

(vi) the letters of consent referred to in Section 15.5 above; and

(vii) audited financial statements of the Group for the FYE 2017, 2018, 2019 and FPE 2020.

15.7 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They individually and collectively accept full responsibility for the accuracy of the information contained in this Prospectus and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statement or other facts, the omission of which would make any statement in this Prospectus false or misleading.

KIBB as our Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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

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

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

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 3 February 2021

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 9 February 2021

Applications for the Issue Shares will open and close at the dates and times stated above.

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

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Application for Our Issue Shares by the Malaysian Public and the Eligible Persons of Our Group

Types of Application and Category of Investors	Application Method
Applications by the Eligible Persons of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

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16.2.2 Application by Selected Investors and Bumiputera Investors Approved by MITI via Private Placement

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

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

16.3 ELIGIBILITY

16.3.1 General

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

Only **ONE (1)** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST ONE HUNDRED (100) ISSUE SHARES OR MULTIPLES OF ONE HUNDRED (100) ISSUE SHARES.**

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

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

16.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:

(i) you must be one (1) of the following:

(a) a Malaysian citizen who is at least eighteen (18) years old as at the date of the application for our Issue Shares with a Malaysian address; or

(b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) you must not be a director or employee of the Issuing House, or an immediate family member of a director or employee of the Issuing House; and

(iii) you must submit Applications by using only one (1) of the following methods:

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

16.3.3 Application by the Eligible Persons

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation.

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

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

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

The FULL amount payable is RM0.23 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 697**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

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

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

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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(CONT'D)*

(ii) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

so as to arrive not later than 5.00 p.m. on 9 February 2021.

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

16.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

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

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

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

16.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

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

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

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

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16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

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

(i) reject Applications which:

(a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

(b) are illegible, incomplete or inaccurate; or

(c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

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

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

16.8 OVER/UNDER SUBSCRIPTION

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

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

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least two hundred (200) public shareholders holding not less than one hundred (100) Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 3.3.3 of our Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

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

16.9.1 For Applications by Way of Application Forms

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

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/ registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House, as per items (i) and (ii) above (as the case may be).

(iv) Our Issuing House, reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten (10) Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For Applications by Way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from our Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

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

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) our Issue Shares allotted to you will be credited into your CDS account.

(ii) a notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) in accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/ offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository; and

(iv) in accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

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

Mode of Application	Parties to Direct the Enquiries
Application Form	Issuing House Enquiry Services at telephone no. (603) 2783 9299.
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(CONT'D)*

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

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