



FLEXIDYNAMIC HOLDINGS BERHAD

Registration No: 201901010656 (1319984-V)
(Incorporated in Malaysia)

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

FLEXIDYNAMIC HOLDINGS BERHAD

Registration No: 201901010656 (1319984-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021⁽¹⁾

	Individual Quarter		Year To Date	
	3 months ended		12 months ended	
	31/12/2021	31/12/2020	Unaudited 31/12/2021	Audited 31/12/2020
	RM'000	RM'000	RM'000	RM'000
Revenue	30,657	21,879	105,778	56,886
Cost of sales	(26,520)	(17,007)	(88,142)	(44,313)
Gross profit	4,137	4,872	17,636	12,573
Other income	800	62	1,701	1,252
Selling and distribution expenses	(283)	(482)	(1,162)	(867)
Administrative expenses ⁽²⁾	(2,627)	(1,684)	(10,414)	(5,695)
Other expenses	(703)	(340)	(1,793)	(969)
Profit from operations	1,324	2,428	5,968	6,294
Finance costs	(36)	(12)	(120)	(73)
Profit before tax	1,288	2,416	5,848	6,221
Tax expense	(497)	(478)	(2,204)	(1,617)
Profit after tax	791	1,938	3,644	4,604
Other comprehensive income: -				
<i>Item that will be reclassified subsequently to profit or loss</i>				
Foreign currency translations differences	3	11	(76)	(11)
Total comprehensive income for the financial period/year	794	1,949	3,568	4,593
Profit attributable to: -				
Owners of the Company	628	1,823	3,252	4,528
Non-controlling interest	163	115	392	76
	791	1,938	3,644	4,604
Total comprehensive income attributable to: -				
Owners of the Company	630	1,829	3,215	4,523
Non-controlling interest	164	120	353	70
Total comprehensive income for the period/year	794	1,949	3,568	4,593
Earnings per share attributable to owners of the Company (sen): -				
Basic	0.22	3.49	1.22	34.53
Diluted	0.22	3.49	1.22	34.53

NOTES:

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements of Flexidynamic Holdings Berhad (“**Flexidynamic**” or “the Company”) and its subsidiaries (“the Group”) for the financial year ended 31 December 2020, the Accountants’ Report as disclosed in the Prospectus dated 9 March 2021 (“Prospectus”) and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021⁽¹⁾ (Cont'd)

(2) Administration expenses included one-off listing expenses of RM 2.44 million. For illustration purpose only, the Company's normalised financial performance after adjusted for once-off listing expenses is as follows:

	Individual Quarter		Year To Date	
	3 months ended		12 months ended	
	31/12/2021	31/12/2020	Unaudited	Audited
	RM'000	RM'000	31/12/2021	31/12/2020
			RM'000	RM'000
Profit before tax	1,288	2,416	5,848	6,221
Add: Listing expenses	-	-	2,440	-
Adjusted profit before tax	<u>1,288</u>	<u>2,416</u>	<u>8,288</u>	<u>6,221</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021⁽¹⁾

	Unaudited As At 31/12/2021 RM'000	Audited As At 31/12/2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	17,404	16,400
Deferred tax assets	7,829	2,164
Other receivables	52	181
Total non-current assets	25,285	18,745
Current assets		
Inventories	11,659	6,117
Trade receivables	33,532	13,793
Other receivables	12,260	4,747
Fixed deposits with a licensed financial institution	3,459	3,000
Cash and bank balances	29,374	15,344
Total current assets	90,284	43,001
TOTAL ASSETS	115,569	61,746
EQUITY AND LIABILITIES		
EQUITY		
Share capital	35,354	20,866
Merge deficit	(20,431)	(20,431)
Capital reserve	631	631
Share based payment reserve	693	-
Foreign exchange reserve	(24)	13
Retained earnings	26,559	23,307
Equity attributable to owners of the Company	42,782	24,386
Non-controlling interest	711	358
TOTAL EQUITY	43,493	24,744
LIABILITIES		
Non-current liabilities		
Bank borrowings	7,050	9,218
Lease liabilities	976	1,081
Total non-current liabilities	8,026	10,299
Current Liabilities		
Trade payables	23,159	12,771
Other payables and accruals	1,176	1,342
Contract liabilities	34,655	10,087
Bank borrowings	1,629	918
Lease liabilities	446	370
Tax payable	2,985	1,215
Total current liabilities	64,050	26,703
TOTAL LIABILITIES	72,076	37,002
TOTAL EQUITY AND LIABILITIES	115,569	61,746
Net assets per ordinary share (sen) ⁽²⁾	0.15	0.12

NOTES:

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2020, the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.

(2) Net assets per ordinary share is calculated based on the number of ordinary shares in issue of 283,891,200 shares. (2020: 208,660,200).

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021⁽¹⁾

	← Non Distributable →					→ Distributable			
	Share Capital	Merger Deficit	Capital Reserve	Share Based Payment Reserve	Foreign Exchange Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2021	20,866	(20,431)	631	-	13	23,307	24,386	358	24,744
Transactions with owners:									
Additional shares subscription	15,046	-	-	-	-	-	15,046	-	15,046
Share issuance expenses	(558)	-	-	-	-	-	(558)	-	(558)
Share based payment relating to ESOS	-	-	-	693	-	-	693	-	693
Total transactions with owners	14,488	-	-	693	-	-	15,181	-	15,181
Profit after tax	-	-	-	-	-	3,252	3,252	392	3,644
Foreign currency translations differences	-	-	-	-	(37)	-	(37)	(39)	(76)
Total comprehensive (loss)/income for the year	-	-	-	-	(37)	3,252	3,215	353	3,568
Balance at 31 December 2021 (Unaudited)	35,354	(20,431)	631	693	(24)	26,559	42,782	711	43,493
Balance at 1 January 2020	500	(65)	631	-	18	19,779	20,863	288	21,151
Transactions with owners:									
Dividend paid	-	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Acquisition of a subsidiary	(500)	(20,366)	-	-	-	-	(20,866)	-	(20,866)
Issuance of ordinary shares pursuant to acquisition of a subsidiary	20,866	-	-	-	-	-	20,866	-	20,866
Total transactions with owners	20,366	(20,366)	-	-	-	(1,000)	(1,000)	-	(1,000)
Profit after tax	-	-	-	-	-	4,528	4,528	76	4,604
Foreign currency translations differences	-	-	-	-	(5)	-	(5)	(6)	(11)
Total comprehensive (loss)/income for the year	-	-	-	-	(5)	4,528	4,523	70	4,593
Balance at 31 December 2020 (Audited)	20,866	(20,431)	631	-	13	23,307	24,386	358	24,744

NOTES:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2020, the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021⁽¹⁾

	12 months ended Unaudited 31/12/2021 RM'000	12 months ended Audited 31/12/2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,848	6,221
Adjustments for: -		
Depreciation of property, plant and equipment	958	763
Gain on disposal of investments in equity instruments	-	(305)
Gain on disposal of property, plant and equipment	(155)	-
Interest expenses	120	73
Interest income	(135)	(35)
Property, plant and equipment written off	19	*
Reversal of expected credit losses on trade receivables	-	(559)
Share based payment expenses	693	-
Unrealised gain on foreign exchange	(1,151)	(181)
Operating profit before working capital changes	6,197	5,977
Increase in inventories	(5,541)	(1,922)
Increase in receivables	(27,171)	(4,808)
Increase in payables	35,098	15,976
Cash generated from operations	8,583	15,223
Tax paid	(6,100)	(2,460)
Tax refunded	-	42
Net cash from operating activities	2,483	12,805
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(754)	(521)
Proceeds from disposal of investments in equity instruments	-	3,128
Proceeds from disposal of property, plant and equipment	155	-
Interests received	122	22
Net cash (used in)/from investing activities	(477)	2,629

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021⁽¹⁾ (Cont'd)

	12 months ended Unaudited 31/12/2021 RM'000	12 months ended Audited 31/12/2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(300)	(700)
Interests paid	(120)	(216)
Proceeds from issuance of ordinary shares	15,046	-
Share issuance expenses	(558)	-
Drawdown of bank borrowings	3,412	1,918
Repayments of bank borrowings	(5,552)	(2,041)
Repayments of lease liabilities	(353)	(175)
Net cash from/(used in) financing activities	11,575	(1,214)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,581	14,220
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	18,344	3,930
EFFECT OF EXCHANGE RATES CHANGES	908	194
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	32,833	18,344
Represented by: -		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	29,374	15,344
Fixed deposits with a licensed financial institution	3,459	3,000
	32,833	18,344

NOTES:

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2020, the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.

* *Negligible*

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021

PART A – EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134, INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial report of Flexidynamic Holdings Berhad (“Flexidynamic” or “the Company”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Boards and Paragraph 9.22 and Appendix 9B of the Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2020, the Accountants’ Report as disclosed in the Prospectus. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2021.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and presentation adopted for the interim financial statements are consistent with those adopted as disclosed in the Group’s audited financial statements for the financial year ended 31 December 2020, except for the adoption of MFRS 7 Financial Instruments. The adoption of this standard did not have any material impact on the Group’s financial statements.

The new and amended standards and interpretations that are issued, but not yet effective for 31 December 2021 reporting period are as below and have not been early adopted by the Group.

Standards	Effective for financial period beginning on or after
Amendments to MFRS 16: Leases – Covid-19-Related Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRSs – Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3: Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Provision, Contingent Liabilities and Contingent Assets – Onerous Contract – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 17: Insurance Contracts*	1 January 2023
Amendments to MFRS 17: Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information*	1 January 2023
Amendments to MFRS 101: Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure of Accounting Policies	1 January 2023

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021

A2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The new and amended standards and interpretations that are issued, but not yet effective for 31 December 2021 reporting period are as below and have not been early adopted by the Group.

Standards	Effective for financial period beginning on or after
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Income Taxes – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023
MFRS 17: Insurance Contracts*	1 January 2023
Amendment to MFRS 10 and MFRS128: Consolidated Financial Statements & Investments In Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred to a date to be determined and announced

* Not applicable to the Group's operation

The directors do not expect that the adoption of the standards and amendment listed above will have a material impact on the financial statements of the Group in the future periods.

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report for the preceding financial year ended 31 December 2020 was issued without any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The nature of the Group's business was not subject to any significant seasonal and cyclical factors during the current financial quarter and year-to-date under review.

A5. MATERIAL AND UNSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOW

There were no material and unusual items affecting assets, liabilities, equity, net income or cashflows during the current financial quarter under review.

A6. MATERIAL SUBSEQUENT EVENT

No material subsequent event to the end of the current financial quarter under review.

A7. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter under review.

A8. DIVIDEND PAID

No dividends were paid during the current financial quarter under review.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021**A9. SEGMENTAL INFORMATION**

The Group is principally engaged in the business of design, engineering, installation and commissioning of glove chlorination systems, as well as design and installation of storage tanks and process tanks for glove manufacturing industry.

For management purposes, majority of the Group's operations involves in a single operating segment, i.e. the glove manufacturing industry. Accordingly, the information by business segment is not presented.

The following table provides an analysis of the Group's revenue by geographical segment: -

	Individual Quarter		Year To date	
	3 months ended		12 months ended	
	31/12/2021	31/12/2020	Unaudited 31/12/2021	Audited 31/12/2020
	RM'000	RM'000	RM'000	RM'000
Local	19,912	12,541	64,224	42,744
Overseas ⁽¹⁾	10,745	9,338	41,554	14,142
	<u>30,657</u>	<u>21,879</u>	<u>105,778</u>	<u>56,886</u>

Notes:

(1) Includes Vietnam, Thailand and Sri Lanka.

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There has been no valuation made on any property, plant and equipment during the current financial quarter under review.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current financial quarter under review.

A12. CAPITAL COMMITMENTS

The capital commitment of the Group as at 31 December 2021 is as follow: -

	Unaudited As At 31/12/2021 RM'000	Audited As At 31/12/2020 RM'000
Authorised and contracted for: - Property, plant and equipment	<u>505</u>	<u>911</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021

A13. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following are significant related party transactions: -

	Individual Quarter		Year To date	
	3 months ended		12 months ended	
	31/12/2021	31/12/2020	Unaudited	Audited
	RM'000	RM'000	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Purchase of sawn timber	35	41	264	136
Rental expenses	-	22	-	90
Vehicle rental expenses	-	6	-	12
Sales of motor vehicle	70	-	70	-

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021**PART B – EXPLANATORY NOTES PURSUANT TO CHARTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1. PERFORMANCE REVIEW**

	Individual Quarter			Year To Date		
	3 months ended		Changes	12 months ended		Changes
	31/12/2021	31/12/2020		Unaudited	Audited	
RM'000	RM'000	%	31/12/2021	31/12/2020	%	
Revenue	30,657	21,879	40.12	105,778	56,886	85.95
Operating Profit	2,027	2,768	(26.77)	7,761	7,263	6.86
Profit before interest and tax	1,324	2,428	(45.47)	5,968	6,294	(5.18)
Profit before tax	1,288	2,416	(46.69)	5,848	6,221	(6.00)
Profit after tax	791	1,938	(59.18)	3,644	4,604	(20.85)
Profit attributable to: - Owners of the Company	628	1,823	(65.55)	3,252	4,528	(28.18)

(a) Results for current quarter

The Group recorded a revenue of RM30.66 million for the current financial quarter ended 31 December 2021, an increase of RM8.78 million or 40.12% compared to RM21.88 million recorded in the previous year's corresponding quarter. The increase in revenue was mainly due to implementation of the Enhanced Movement Control Order ("EMCO") caused by the outbreak of COVID-19 had resulted in delayed in our scheduled deliveries of products in the 3rd quarter and had been rescheduled deliveries in the current financial quarter.

The Group's revenue is derived mainly from the design, engineering, installation, and commissioning of glove chlorination system. The local and overseas markets had contributed 64.95% and 35.05% of the Group's revenue in the current financial quarter, respectively.

Although the Group's revenue increased by 40.12%, the Group recorded the profit before tax of RM1.29 million for the current financial quarter ended 31 December 2021, which decreased by approximately RM1.13 million or 46.69% from RM2.42 million in the previous year's corresponding quarter. The lower profit before tax for the current financial quarter was mainly attributable to the increase in raw material prices resulting in a lower gross profit recorded for the current financial quarter. In addition, the share-based payment expenses of approximately RM0.69 million pursuant to the Employees' Share Options Scheme implemented in December 2021 had also contributed to the lower profit before tax for the current financial quarter.

(b) Results for financial year-to-date

The Group recorded a revenue of RM105.78 million for the current financial year ended 31 December 2021, an increase of RM48.89 million or 85.95% compared to RM56.89 million recorded in the previous year's corresponding quarter. The increase in revenue was mainly attributed to the progress of projects works-on-site as our customers ramp up their expansion plans to meet increased glove demands.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021**B1. PERFORMANCE REVIEW (Cont'd)***(b) Results for financial year-to-date (cont'd)*

Although the Group recorded higher revenue and gross profit, the Group recorded a lower profit before tax for the current financial year ended 31 December 2021, which decreased by approximately RM0.37 million or 6.00% from RM6.22 million in the previous year's corresponding quarter to RM5.85 million for the current financial quarter. The said decrease in profit before tax was mainly due to listing expenses of RM2.44 million and the share-based payment expenses of RM0.69 million pursuant to the Employees' Share Options Scheme implemented in December 2021 incurred during the current financial year.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER RESULTS

	Individual Quarter		Change	
	3 months ended			
	Unaudited 31/12/2021 RM'000	Unaudited 30/9/2021 RM'000	RM'000	%
Revenue	30,657	22,781	7,876	34.57
Profit before tax	1,288	1,423	(135)	(9.49)
Profit after tax	791	1,109	(318)	(28.67)
Profit attributable to: -				
Owners of the Company	628	955	(327)	(34.24)

The Group's revenue for the current financial quarter ended 31 December 2021 increased by approximately RM7.88 million or 34.57% to approximately RM30.66 million compared to RM22.78 million in the preceding financial quarter ended 30 September 2021. The increase in revenue was mainly due to implementation of the Enhanced Movement Control Order ("EMCO") caused by the outbreak of COVID-19 had resulted in delayed in our scheduled deliveries of products in the 3rd quarter and had been rescheduled deliveries in the current financial quarter.

Despite higher revenue recorded for the current financial quarter ended 31 December 2021, the Group recorded a lower profit before tax for the current financial quarter, which decreased by approximately RM0.14 million or 9.49% from RM1.42 million in the preceding financial quarter ended 30 September 2021 to RM1.29 million. The decrease in profit before tax was mainly due to the share-based payment expenses of RM0.69 million pursuant to the Employees' Share Options Scheme implemented in December 2021 incurred during the current financial year, which partially offset by the net realised gain on foreign exchange.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021**B3. PROSPECT AND OUTLOOK FOR THE CURRENT FINANCIAL YEAR**

With the availability of vaccines for the Covid-19 virus, the usage of rubber gloves among healthcare professionals may gradually decrease from levels recorded in 2020 and 2021 at the peak of the pandemic. Nevertheless, the demand for rubber gloves are expected to remain high which is premised on the continuous usage of medical gloves among healthcare professionals worldwide during mass vaccination, especially in the near term as countries have made arrangements to procure Covid-19 vaccines and in the longer term, it will be continuously driven by heightened awareness of the usage of rubber gloves as a protection against virus and diseases due to the Covid-19 pandemic as well as the increase in demand for healthcare services due to various factors including growing accessibility to healthcare services, rising population and growing ageing population, and rising prevalence of chronic and other contagious diseases. With this anticipated growth in global demand, there will be continuous establishment of new and/or expansion and/or upgrading of glove manufacturing facilities, which creates demand for glove chlorination systems.

Due to the significant price fluctuation of raw material prices caused by global supply chain issue, our Group's profit margin has been affected despite the Group's revenue growing 85.95% compared with FY2020. As such, our Group will closely monitor the price movement of the raw material and attempt to mitigate any negative impact on our Group's profitability.

As such, the prospects for glove chlorination manufacturers, including our Group, remain positive in tandem with the growth in the glove manufacturing industry as a result of continuous growth in global demand for rubber gloves and also strengthen our existing customer base while expanding market share with new customers.

The two new factories are expected to be handed over by the developer by the first quarter of FY2022, and will be renovated with the purchase of additional machinery to enhance our manufacturing capability.

B4. VARIANCE FROM PROFIT FORECAST

The Group did not publish any profit forecast for the current quarter under review in any public documents.

B5. TAX EXPENSE

	Individual Quarter		Year To Date	
	3 months ended		12 months ended	
	31/12/2021	31/12/2020	Unaudited 31/12/2021	Audited 31/12/2020
	RM'000	RM'000	RM'000	RM'000
Income tax	4,059	(246)	7,870	3,658
Deferred tax	(3,562)	724	(5,666)	(2,041)
	<u>497</u>	<u>478</u>	<u>2,204</u>	<u>1,617</u>
Effective tax rate	38.59% ⁽¹⁾	19.78%	37.69% ⁽¹⁾	25.99%

Notes:

- (1) The Group's effective tax rate is higher than statutory tax rate for the current financial year ended 31 December 2021 due to the incurrance of certain expenses that are not deductible for tax reporting purpose, which include one-off listing expenses and depreciation.
- (2) Tax expense is recognised based on management's best estimate.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021

B6. STATUS OF CORPORATE PROPOSAL

There were no other corporate proposals announced as at the date of this report except the corporate proposal as stated below.

Proposed employees' share option scheme ("ESOS")

On 14 September 2021, the Company announced proposed establishment of an ESOS of up to 25% of the total number of issued shares of Flexidynamic at any point in time during the duration of the Proposed ESOS.

The Proposed ESOS was approved by the shareholders of the Company at an Extraordinary General Meeting held on 29 October 2021.

On 1 November 2021, the Company announced that the final copy of the By-Laws of the ESOS has been submitted to Bursa Securities and the effective date of the ESOS has been fixed.

The Company announced that the ESOS was implemented on 13 December 2021. A total of 15,013,300 ESOS options have been granted with the option exercise price of RM0.28 per share.

B7. UTILISATION OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING ("IPO")

The gross proceeds from the IPO amounting to RM15.05 million is intended to be utilised in the following manner:

Detail of Utilisation of Proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance to be Utilised RM'000	Estimate Timeframe for Utilisation Upon Listing ⁽²⁾
(1) Repayment of bank borrowings drawn to fund the acquisition of new factories ⁽¹⁾	6,380	2,500	3,880	Within 18 months
(2) Renovation of new factories ⁽¹⁾	420	-	420	Within 18 months
(3) Acquisition of machinery and equipment ⁽¹⁾	1,630	-	1,630	Within 18 months
(4) Working capital	3,616	1,800	1,816	Within 24 months
(5) Estimated listing expenses	3,000	3,000	-	Within 1 month
	<u>15,046</u>	<u>7,300</u>	<u>7,746</u>	

Note:

- (1) On 23 August 2021, the Company had announced that the Board has resolved to extend the timeframe for the utilisation of the proceeds raised from its IPO exercise in conjunction with the listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 30 March 2021. The Board has resolved to extend the timeframe for the utilisation of IPO proceeds earmarked for the repayment of bank borrowings drawn to fund the acquisition of new factories, renovation of new factories and acquisition of machinery and equipment from within 12 months to within 18 months.
- (2) The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 9 March 2021 and the announcement for the extension for timeframe for the utilisation of IPO proceeds dated 23 August 2021.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021**B8. BORROWINGS**

	Unaudited As At 31/12/2021 RM'000	Audited As At 31/12/2020 RM'000
Current:		
Bank borrowings	1,629	918
Lease liabilities	446	370
	2,075	1,288
Non-current:		
Bank borrowings	7,050	9,218
Lease liabilities	976	1,081
	8,026	10,299
Total borrowings	10,101	11,587

B9. MATERIAL LITIGATION

The Group is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

B10. PROPOSED DIVIDEND

No dividend has been declared or proposed during the current financial quarter under review and for the financial year-to-date.

B11. EARNINGS PER SHARE**(a) Basic earnings per share**

The basic earnings per share for the current financial quarter and financial year to-date are as follows: -

	Individual Quarter 3 months ended		Year To Date 12 months ended	
	31/12/2021	31/12/2020	Unaudited 31/12/2021	Audited 31/12/2020
Profit after tax attributable to owners of the Company (RM'000)	628	1,823	3,252	4,528
Weighted average number of ordinary shares in issue ('000)	283,891	52,165	265,753	13,113
Basic earnings per share (sen)	0.22	3.49	1.22	34.53

FLEXIDYNAMIC HOLDINGS BERHAD

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021**B11. EARNINGS PER SHARE (Cont'd)****(b) Diluted earnings per share**

The diluted earnings per share for the current financial quarter and financial year to-date are as follows: -

	Individual Quarter		Year To Date	
	3 months ended		12 months ended	
	31/12/2021	31/12/2020	Unaudited 31/12/2021	Audited 31/12/2020
Profit after tax attributable to owners of the Company (RM'000)	628	1,823	3,252	4,528
Weighted average number of ordinary shares in issue ('000)	283,891	52,165	265,753	13,113
Effect of dilutive potential ordinary share - ESOS ('000)	1,082	-	273	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	284,973	52,165	266,026	13,113
Diluted earnings per share (sen) ⁽¹⁾	0.22	3.49	1.22	34.53

Notes:

- (1) The diluted earnings per share of the Company has been adjusted for the dilutive effects of the potential ordinary shares, i.e., share options granted to the eligible employees on the assumption that the full exercise of the share options on the share options grant date.

FLEXIDYNAMIC HOLDINGS BERHAD

Registration No: 201901010656 (1319984-V)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021**B12. PROFIT BEFORE TAX**

	Individual Quarter		Year To Date	
	3 months ended		12 months ended	
	31/12/2021	31/12/2020	Unaudited 31/12/2021	Audited 31/12/2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting): -				
Depreciation of property, plant and equipment	263	210	958	763
Interest expenses	36	12	120	73
Property, plant and equipment written off	8	-	19	*
Realised loss on foreign exchange	490	212	902	259
Reversal for expected credit losses in trade receivables	-	-	-	(559)
Gain on disposal of investment in equity instruments	-	-	-	(305)
Gain on disposal of property, plant and equipment	(155)	-	(155)	-
Unrealised gain on foreign exchange	(418)	(35)	(1,151)	(181)
Interest income	(27)	(16)	(135)	(35)
Share based payment expenses	693	-	693	-

* *Negligible*

By Order of the Board

Flexidynamic Holdings Berhad

Dated: 25 February 2022