

Notes to Quarterly Report

1. **Basis of Accounting and Accounting Policies.**

These condensed consolidated interim financial statements for the period ended 31 Dec 2020, have been prepared in accordance with MRFS 134, Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa Securities) Listing Requirements. For the periods up to and including the year ended 31 Dec 2019, the Group prepared its financial statements in accordance with applicable Malaysian Financial Reporting Standards ("MFRS")

2. **Audit Report on Financial Statements.**

The financial statements of the Group for the financial year ended 31 December 2019 have been reported without any audit qualification.

3. **Seasonal or Cyclical Factors**

The business activities of the Group tend to have higher sales near the year end festive season but are not significantly affected by any cyclical factors.

4. **Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows**

There is no unusual item affecting the assets, liabilities, equity, net income or cash flows of the Group for the period under review.

5. **Material changes in estimates**

There is no material change in estimates for the period under review.

6. **Issuance and Repayment of Debt and Equity Securities**

There is no issuance or repayment of any debt and equity securities during the period under review.

7. **Segmental Information for the Current Financial Period**

No segmental information is presented, as the Group is principally involved in latex bedding business with operations in Malaysia and no overseas plant or office.

8. **Valuation of Property, Plant & Equipment**

All assets under the Group have not been revalued and are carried at historical cost.

9. **Effect of Changes in the Composition of the Group**

There is no change in the composition of the Group during the period under review.

10. **Status of the Corporate Proposals**

There is no corporate proposal being undertaken by the Group as at the reporting date.

11. **Profit Forecast / Guarantee**

Not applicable.

Notes to Quarterly Reports (cont'd)

12. Discussion and Analysis on Group's Financial Performance

a) Financial review for current quarter and financial year to date

The revenue of the Group for the current quarter increased by 3.0% to RM30.10 million against RM29.22 million in the previous year corresponding quarter. The profit before tax for the current quarter decreased by 40.8% to RM2.39 million from RM4.04 million in the previous year corresponding quarter.

The main factors affecting the financial performances are as follows

- i) The market condition – Both the demand for domestic as well as export market remain robust in Q4 of 2020 which resulting in higher revenue.
- ii) Level of operating activities – The Group was operating at very healthy level in Q4 with encouraging demand of our products with a record sales quarter.
- iii) Key factors affecting revenue, costs and profit margin
 - a. The surge in centrifuged latex price has taken a toll on the profit margin in the current quarter. The Group has revised its pricing starting from 2021 to pass on the cost hike.
 - b. The Group has taken an impairment charge of RM1 million on the acquisition of Italhouse furniture in the current quarter.
 - c. Volume of latex consumed in Q4 of 2020 increased by 10.3% to 1,632 tons from 1,411 tons in previous year corresponding quarter. For the full year, latex consumed increased slightly by 1.4% from 5,465 tons in 2019 to 5,543 tons in 2020, despite loss of production during the MCO 1.0 in during Q1 and Q2 of 2020.
 - d. During the period under review, the Group's operation was not affected by any natural disasters or unusual disruptions, except the Covid-19 pandemic.
 - e. There is no significant change in staff costs for the period under review.
 - f. The finance cost has decreased slightly for the period under review compared to previous year corresponding period, due to temporary moratorium imposed by Government on loan repayments.
- iv) Unusual or one-off issue – There was an impairment charge of RM1 million pursuant to the investment in Italhouse furniture retail company.
- v) Diversification or penetration into new market – there is no diversification or new market penetration for the period under review
- vi) Merger and acquisition exercises – The Group entered into an asset purchase agreement on 27 Jun 2019 to acquire the business of Italhouse furniture retail group through a 70:30 joint venture with the vendor, for a total purchase consideration of approximately RM4.9 million. The Group has paid part payment of approximately RM3 million. However, the vendor was unable to fulfill certain conditions precedent and thus the operations was not consolidated into the Group's account in the current financial year. The Group has taken an impairment charge of RM1million in the current quarter.
- vii) New contracts / termination of existing contract – there is no significant new contract or termination of existing contract for the period under review, save for item vi) above.
- viii) Impairment of Assets or receivables – there is an impairment of investment in Italhouse furniture of RM1 million for the period under review.
- ix) Fair value gain / loss on investment – there is no fair value gain or loss on investment for the period under review
- x) Foreign labour issue – the Group is facing increasing minimum wages issue. The Group is actively taking steps to mechanize and automate its operations to mitigate the issue and increase productivity and efficiencies

Notes to Quarterly Reports (cont'd)
13. Financial Review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes %
	31/12/2020	30/09/2020	
	RM' 000	RM' 000	
Revenue	30,100	29,605	+ 1.67%
Operating Profit	1,638	4,255	- 61.5%
Other Income	839	266	+ 315.41%
Finance cost	(84)	(140)	- 40.0%
Profit Before Tax	2,393	4,382	- 45.40%
Profit After Tax	1,290	3,807	- 66.12%
Profit Attributable to Ordinary Equity Holders of the Parent	1,286	3,841	- 66.52%

The revenue for current quarter increased by 1.67% to RM30.10 million from RM29.61 million in the preceding quarter. Profit before tax decreased by 61.5% from RM4.38 million to RM2.39 million against preceding quarter mainly due to higher raw material price and impairment charge of RM1 million in the current quarter.

14. Other Income / Expenses

	Current Quarter	Preceding year Corresp'g quarter
	RM' 000	RM' 000
Interest income	42.5	73.4
Other income	210	187.2
Changes in (Provision for)/recovery of doubtful debts	5.7	6.1
Gain/ (loss) on disposal of Fixed assets	8.0	-
Changes in (Provision for)/recovery of Stocks	-	-

15. Deferred Taxation

The deferred tax liabilities on deductible temporary differences recognised in the financial statements as required under the MFRS 112 were as follows: -

	YTD ended 31 Dec 2020
Tax effect of	RM' 000
Excess of capital allowance over accumulated depreciation on property, plant & equipments	(2,689)
Recognition of deferred tax assets on adjusted business loss and net balancing charge	27
	(2,662)

16. Group Borrowings

a) The Group borrowings as at the end of the reporting quarter are as follows:

	As at 4 th Quarter ended 2020					
	Long Term		Short Term		Total Borrowings	
	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000
Secured	-	4,695	-	2,820	-	7,515
Unsecured	-	-	-	-	-	-

Notes to Quarterly Reports (cont'd)

	As at 4th Quarter ended 2019					
	Long Term		Short Term		Total Borrowings	
	Foreign deno RM' 000	RM deno'n RM' 000	Foreign deno RM' 000	RM deno'n RM' 000	Foreign deno RM' 000	RM deno'n RM' 000
Secured	-	6,759	-	3,168	-	9,927
Unsecured	-	-	-	-	-	-

b) Group net gearing or net cash position

	Current Quarter	Preceding year Corresp'g quarter
	RM' 000	RM' 000
Total borrowings	(7,515)	(9,927)
Cash	24,509	21,764
Net (Borrowings)/ Cash	16,994	11,837
Net Assets	58,550	56,921
Net Gearing Ratio	Net cash	Net cash

Commentaries on Group Borrowings and Debt Securities

- i) Total borrowings decreased from RM9.93 million to RM7.52 million against previous year corresponding quarter due active repayment of borrowings.
- ii) The net cash position increased to RM17.0 million in Q4 of 2020 from RM11.84 million in previous year corresponding quarter mainly due to good sales and collection in 2020.
- iii) The interest rates range from 2.5% to 5% for the period under review. Some of the term loan interest is calculated after netting off the cash balance in specific bank accounts, thus resulting in savings in overall interest costs.
- iv) The Group occasionally financed certain import purchase denominated in USD using Foreign Currency Trade Loan (FCTL). The Group is having more USD proceeds from export than USD imports thus is practicing natural hedging for USD imports as well as settlement of FCTL.

17. Contingent Liabilities

Corporate guarantees issued to licensed banks for credit facilities granted to subsidiaries

RM' 000
7,515

18. Financial Instruments under MFRS 139

As at 31 Dec 2020, the unrealized gains or loss for the Group is as follows

	Derivatives / year end balances	Contract value (RM' 000)	Balance Sheet value (RM' 000)	Fair Value (RM' 000)	Unrealised Gain (loss) (RM' 000)
1	Foreign Exchange Contracts				
	- Less than 1 year	-	-	-	-
	- 1 year to 3 years	-	-	-	-
	- More than 3 years	-	-	-	-
2	Trade related balances	-	2,697	2,629	(68)
	Total		2,697	2,629	(68)

Notes to Quarterly Reports (cont'd)**19. Foreign Exchange Exposure / Hedging Policy**

Exports constituted approximately 50% of the Group's total revenue. The main export currency is USD. The Group has imports in USD for certain of its raw materials and trading goods. The Group practices natural hedging for export proceeds with import payments and may occasionally hedge some of the expected excess USD proceeds.

20. Trade Receivables

The Group practices prudent credit control with average debtor days of within 1-2 months. During the period under review, there is no material provision and write-off of trade receivables.

21. Related Party Transactions

There is no significant related party transactions during the period under review, save for some tenancy agreements and advertisement placements. Both the tenancy agreements and advertisement brokerage arrangement are approved Recurrent Related Parties Transactions ("RRPT") duly approved by shareholders during the last AGM.

22. Material Impairment of Assets

There is no material impairment of Assets during the period under review.

23. Prospects for the Current Financial Year

The Board expects that the changes in any of the following factors may have a direct impact on the performance of the Group in 2020 :

- i) The resurgent of the Covid-19 cases in Malaysia which resulting in the introduction of MCO 2.0 has affected the sentiments of domestic market demand.
- ii) Key Raw Material – The fluctuation of the centrifuged latex price which is the main raw materials for the Group's operation. For the period under review, the latex price was trending higher which would have negative impact on the Group's margin, nevertheless, the Group has initiated price revision in 2021 to pass on the higher cost.
- iii) Foreign Exchange - The changes in exchange rate especially the US Dollar which remains the main foreign currency for our export business, would impact on the Group's operations and margins. Nevertheless, the Group is reasonably well balanced in exposure to foreign currency fluctuation due to the following reasons
 - a. Reasonably well balanced of export and local sales of around 50:50 composition.
 - b. The natural hedging of USD by matching majority of imports and exports in same currency.
- iv) Consumer sentiment and confidence level in spending –The current domestic market is soft due to the imposition of MCO 2.0, while export market has remained resilient.
- v) Property sector - The health of the property sector will have direct impact on furnishing requirements, the re-introduction of Home Ownership Campaign "HOC" is expected to bring in positive demand for furnishing requirements from the domestic market.
- vi) Foreign workers - the Group is actively embarking on ways to mechanise and automate its operations to reduce reliance on foreign labour.

24. Material Litigation

The Group does not have any material litigation as at 26 Feb 2021.

Notes to Quarterly Reports (cont'd)
25. Dividend

For FY 2020, the Board proposes an interim tax-exempt dividend of 2.5 sen per ordinary shares amounting to approximately RM4.05 million.

For FY 2019, the interim tax-exempt dividend of 2.5 sen per ordinary shares amounting to approximately RM4.05 million was paid on 31 Mar 2020.

For FY 2018, the interim tax-exempt dividend of 2.5 sen per ordinary shares amounting to approximately RM4.08 million was paid on 04 April 2019.

26. Significant Subsequent Events

There are no material events subsequent to the end of the period under review which have not been reflected in this interim financial report.

27. Net Earnings Per Ordinary Share

The earnings per ordinary share is calculated based on the Group's profit after taxation on the number of ordinary shares of RM0.10 each of 161,755,304 in issue (net of treasury shares).

	YTD ended 31 Dec 2020
	RM' 000
Profit attributable to ordinary equity holders of the parent	6,561
No of Ordinary shares of RM0.10 each (net of treasury shares)	161,755
Net EPS - Basic (sen)	4.06
Net EPS – Diluted (sen)	4.06

By Order of the Board

Dato' Eric Lee
Managing Director

26 Feb 2021