

**SPRING ART HOLDINGS BERHAD****REGISTRATION NO: 201801016143 (1278159-A)****NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2023****PART A – EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING  
STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING****A1. BASIS OF PREPARATION**

The interim financial report of SPRING ART HOLDINGS BERHAD (“**SPRING**” or “**the Company**”) and its subsidiaries (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) No. 134: Interim Financial Reporting and Rule 9.22 of Listing Requirements.

This interim financial report should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2022 and the accompanying notes attached to this interim financial report.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the Group’s annual audited financial statements for the year ended 31 December 2022.

**Adoption of new or revised MFRSs**

The Group and the Company have applied the following standards, amendments to published standards and IC Interpretation approved by Malaysian Accounting Standards Board (“MASB”) for the first time for the financial year beginning on 1 January 2023:

- MFRS 17 – *Insurance Contracts*
- Amendments to MFRS 17 – *Insurance Contracts*
- Amendments to MFRS 101 – *Disclosure of Accounting Policies*

The adoption of the above MFRSs, amendments to published standards and IC Interpretation did not have any material impact on the current and prior year financial statements of the Group and of the Company.

**Standards issued but not yet effective**

The following are MFRSs, Amendments to MFRSs and IC Interpretations with effective dates on or after 1 January 2024 issued by MASB and they have not been early adopted by the Group. The Group intends to adopt these new standards, amendments to the published standards and interpretations, if applicable, when they become effective.

**(a) MFRS and amendments effective for financial period beginning on or after 1 January 2024**

- Amendment to MFRS 16 – *Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101 – *Classification of Liabilities as Current or Non-current*
- Amendment to MFRS 101 – *Non-current Liabilities with Covenants*

**(b) Amendments effective for a date yet to be confirmed**

- Amendments to MFRS 10 and MFRS 128 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the MFRSs and amendments to the published standards and interpretations is not expected to have any material impact on the financial statements of the Group and of the Company.

**A3. AUDITORS' REPORT**

The audited financial statements for the financial year ended 31 December 2022 was not subject to any qualification.

**A4. SEASONAL OR CYCLICAL FACTORS**

Our operations are not significantly affected by seasonal or cyclical patterns as our furniture products are exported to several regions globally, where the differing sales and promotion period of furniture sales in different regions allow us to benefit from consistent sales throughout the year.

**A5. EXTRAORDINARY AND EXCEPTIONAL ITEMS**

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter under review.

**A6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED**

There were no material changes in estimates of amounts reported in prior interim periods or prior financial year that have a material effect during the current financial quarter under review.

**A7. CHANGES IN DEBT AND EQUITY SECURITIES**

There were no issuances, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares during the current financial quarter under review.

Type of Securities	As at 01.04.2023	Allotment	Conversion	As at 30.06.2023
Ordinary shares	415,689,400	-	-	415,689,400
Warrants A	166,272,400	-	-	166,272,400

**A8. DIVIDENDS PAID**

There were no dividends paid for the current financial quarter under review.

## A9. SEGMENTAL INFORMATION

For management purposes, majority of the operations of the Group is involved in the manufacturing of office and household furniture. There were no separate business units for the purpose of making decisions about resource allocation and performance assessment by the Managing Director.

The Group operates only in Malaysia hence there is no disclosure of geographical segments on the non-current assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Middle East	4,950	8,015	13,161	16,670
Asia Pacific	4,777	1,158	6,463	4,318
North America and Latin America	963	548	1,096	2,095
Europe	123	117	123	440
Africa	428	-	603	-
Oceania	107	221	107	335
<b>Total</b>	<b>11,348</b>	<b>10,059</b>	<b>21,553</b>	<b>23,858</b>

## A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment during the current financial quarter under review.

## A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL QUARTER

There were no other material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

## A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

## A13. CHANGES IN CONTINGENT LIABILITIES/ASSETS

As at the date of this report, the Group has contingent liabilities as follows:

Corporate guarantees for credit facilities granted to subsidiaries (unsecured)	<b>RM'000</b>
	15,356

#### A14. CAPITAL COMMITMENTS

The material capital commitments of the Group as at 30 June 2023 are as follows:

	As at 30.06.2023 RM'000	As at 30.06.2022 RM'000
<b>Authorised and Contracted for:</b>		
Application for access road	260	260
Purchase of property, plant and equipment	2,057	15,986
	<b>2,317</b>	<b>16,246</b>

#### A15. RELATED PARTY TRANSACTIONS

There were no related party transactions in the current financial quarter under review.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

**PART B - EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. PERFORMANCE REVIEW**

- Results for current quarter and financial year-to-date

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter 30.06.2023 RM'000	Preceding Year Corresponding Quarter 30.06.2022 RM'000	+/- %	Current Year-To-Date 30.06.2023 RM'000	Preceding Year Corresponding Period 30.06.2022 RM'000	+/- %
Revenue	11,348	10,059	12.8	21,553	23,858	(9.7)
PBT	484	623	(22.3)	1,017	2,240	(54.6)

The Group recorded revenue of RM11.35 million for the current financial quarter ended 30 June 2023 ("Q2 2023"), an increase of 12.8% as compare to the preceding year corresponding quarter ended 30 June 2022 ("Q2 2022").

The increase revenue was mainly due to the increased demand from Asia Pacific especially from local demand. Meanwhile, the order from Middle East dropped in current quarter mainly due to slow-down in economy and weakening consumers spending power.

The Group's PBT decreased by 22.3% from PBT of RM0.62 million in Q2 2022 to RM0.48 million in Q2 2023. The decrease in profit before tax was mainly attributable to the higher operating cost and implementation of working hours to 45 hours a week.

**B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER RESULTS**

	INDIVIDUAL QUARTER		CHANGES	
	Current Year Quarter 30.06.2023 RM'000	Preceding Quarter 31.03.2023 RM'000	RM'000	%
Revenue	11,348	10,205	1,143	11.2
PBT	484	532	(48)	(9.0)

The Group recorded revenue of RM11.35 million in Q2 2023 as compared to RM10.21 million recorded in the preceding quarter ended 31 March 2023 ("Q1 2023"), it was an increase of RM1.14 million during current financial quarter.

The increase of revenue was due to the increase of demand for living room, kitchen and bathroom furniture in Q2 2023 compared to Q1 2023.

### B3. PROSPECT AND OUTLOOK FOR THE CURRENT FINANCIAL YEAR

The global economy is expected to slow down, remaining weaker than usual due to efforts to control inflation impacting economic activity. As a result, the Group foresees a persistently challenging landscape within the export market, characterized by customer adjustments to procurement practices stemming from elevated stock levels housed within their respective warehouses.

Despite this, our Group will focus on what we do best, keep an eye out for opportunities, cut costs where we can, and take quick actions to lessen the impact of these challenges on our finances.

The completion of Factory C will be postponed to Q4 2023 due to the delay of electricity supply from Tenaga Nasional Berhad to our Factory C's electricity substation. However, the Group has obtained Certificate of Practical Completion ("CPC") on 28 March 2023. The Group is optimistic that our prospects will improve after Factory C is up and running. With more production capacity, the Group is putting more effort into improving our products to better match what our customers need.

The Group will continue to make thoughtful choices to ensure our business remains resilient. The Group will collaborate with customers to streamline orders, efficient cost management, expanding our customer base, and optimizing workforce utilisation will remain our focus. The Board will diligently monitor the Group performance and progress. Although the Board anticipates challenges in the current financial year ending on 31 December 2023, the Group goal is to achieve positive outcomes.

### B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee during the current financial quarter under review.

### B5. INCOME TAX EXPENSE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense	283	6	286	356
Deferred tax expense	(129)	(136)	(70)	(181)
<b>Total tax expense</b>	<b>154</b>	<b>(130)</b>	<b>216</b>	<b>175</b>

### B6. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced but not completed for the current financial quarter under review.

**B7. UTILISATION OF PROCEEDS RAISED FROM THE IPO**

The estimated gross proceeds arising from Public Issue of approximately RM24.42 million shall accrue entirely to us and will be utilised in the following manner:

<b>Utilisation of proceeds</b>	<b>Estimated timeframe for utilisation</b>	<b>Proposed utilisation</b>	<b>Actual utilisation (a)</b>	<b>Unutilised Amount</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Machinery for Factory C	24 months	17,550	17,550	-
General working capital	24 months	3,672	3,672	-
Estimated listing expenses	1 month	3,200	3,200	-
		<b>24,422</b>	<b>24,422</b>	<b>-</b>

**Note:**

- (a) The utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of the Company dated 16 October 2019.

**B8. GROUP'S BORROWINGS AND DEBT SECURITIES**

The Group's borrowings are as follows:

	<b>As At</b>	<b>As At</b>
	<b>30.06.2023</b>	<b>30.06.2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current :</b>		
Term loan	13,865	11,846
	<b>13,865</b>	<b>11,846</b>
<b>Current :</b>		
Term loan	1,492	1,115
	<b>1,492</b>	<b>1,115</b>
<b>Total borrowings</b>	<b>15,357</b>	<b>12,961</b>

All the Group's borrowings are secured and denominated in Ringgit Malaysia.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

**B9. FINANCIAL INSTRUMENTS - DERIVATIVES**

The Group uses derivative financial instruments, mainly foreign currency forward contracts to hedge its exposure to fluctuations in foreign exchange arising from sales. The Group does not hold or issue derivative financial instruments for trading purposes.

The details of the outstanding foreign currency forward contracts are as follows: -

	<b>NOTIONAL AMOUNT AS AT</b>		<b>FAIR VALUE LOSS AS AT</b>	
	<b>30.06.2023</b>	<b>30.06.2022</b>	<b>30.06.2023</b>	<b>30.06.2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Foreign currency contracts				
Less than one year	5,378	4,185	50	141

The above instruments are executed with credit worthy financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength. There are also no cash requirements risks as the Group only uses foreign currency forward contracts as its hedging instruments. The fair value changes have been recognised in the profit and loss.

**B10. MATERIAL LITIGATION**

There were no material litigation involving the Group as at 30 June 2023.

**B11. DIVIDEND**

No dividend has been proposed for the current quarter under review.

**B12. DISCLOSURE ON SELECTED EXPENSE/ INCOME ITEMS AS REQUIRED BY THE LISTING REQUIREMENTS**

Profit before tax is arrived after charging / (crediting): -

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>30.06.2023</b>	<b>30.06.2022</b>	<b>30.06.2023</b>	<b>30.06.2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property, plant and equipment	544	523	1,095	1,079
Depreciation of right-of-use assets	68	226	136	453
Fair value (gain)/loss on derivative financial instruments	(49)	109	50	141
(Gain) on disposal of property, plant and equipment	-	(33)	-	(33)
Loss/(Gain) on foreign exchange				
Realised	8	(59)	(123)	(82)
Unrealised	-	(156)	(275)	(275)
Interest income	(47)	(28)	(88)	(88)
Finance costs	151	114	301	208



## B13. EARNINGS PER SHARE

### **Basic earnings per share**

Basic earnings per share amount are calculated by dividing the profit attributable to Owners of the Parent by the weighted average number of ordinary shares outstanding during the period.

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>30.06.2023</b>	<b>30.06.2022</b>	<b>30.06.2023</b>	<b>30.06.2022</b>
Profit after tax attributable to owners of the Company (RM'000)	330	753	801	2,065
Weighted average number of ordinary shares in issue ('000) <b>(a)</b>	415,689	415,689	415,689	415,689
<b>Basic earnings per share (sen)</b>	<b>0.08</b>	<b>0.18</b>	<b>0.19</b>	<b>0.50</b>
Profit after tax attributable to owners of the Company (RM'000)	330	753	801	2,065
Weighted average number of ordinary shares for diluted earnings per ordinary share computation ('000) <b>(b)</b>	415,689	415,689	415,689	415,689
<b>Diluted earnings per share (sen)</b>	<b>0.08</b>	<b>0.18</b>	<b>0.19</b>	<b>0.50</b>

#### **Notes:**

- (a) Basic earnings per share is calculated based on the Company's number of ordinary shares at the end of the reporting period which is 415,689,400 shares.
- (b) Diluted earnings per share of the Company for the individual quarter ended 30 June 2023 and year-to-date ended 30 June 2023 is equivalent to the basic earnings per share as the Company does not have any convertible options as at the end of the reporting period.

**Board of Directors**  
**Spring Art Holdings Berhad**  
**24<sup>th</sup> August 2023**