

**SPRING ART HOLDINGS BERHAD****REGISTRATION NO: 201801016143 (1278159-A)****NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2024****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 2023 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 2023.

**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 2024:

- Amendments to MFRS 16 – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101 – Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101 – Non-current Liabilities with Covenants
- Amendments to MFRS 107 and MFRS 7 – Supplier Finance Arrangements

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 2025 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 2025**

- Amendments to MFRS 121 – Lack of Exchangeability

**(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 2023 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 01.01.2024	Allotment	Conversion	As at 31.03.2024
Ordinary shares	415,689,400	-	-	415,689,400
Warrants A	166,272,400	-	-	166,272,400

**A8. DIVIDEND PAYABLE**

A final single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2023 ("Dividend") was declared by the Board of Directors on 27 March 2024. The payment of the Dividend will be made on 20 June 2024 to shareholders whose names appeared in the Company's Record of Depositors on 31 May 2024. The dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

## 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	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000
Middle East	11,555	8,211	11,555	8,211
Asia Pacific	786	1,686	786	1,686
North America and Latin America	1,994	133	1,994	133
Europe	347	-	347	-
Africa	106	175	106	175
Oceania	-	-	-	-
<b>Total</b>	<b>14,788</b>	<b>10,205</b>	<b>14,788</b>	<b>10,205</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>
	14,716

**A14. CAPITAL COMMITMENTS**

The material capital commitments of the Group as at 31 March 2024 are as follows:

	<b>As at 31.03.2024 RM'000</b>	<b>As at 31.03.2023 RM'000</b>
<b>Authorised and Contracted for:</b>		
Application for access road	-	260
Purchase of property, plant and equipment	1,254	2,057
	<b>1,254</b>	<b>2,317</b>

**A15. RELATED PARTY TRANSACTIONS**

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

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**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 31.03.2024 RM'000	Preceding Year Corresponding Quarter 31.03.2023 RM'000	+/- %	Current Year-To-Date 31.03.2024 RM'000	Preceding Year Corresponding Period 31.03.2023 RM'000	+/- %
Revenue	14,788	10,205	44.9	14,788	10,205	44.9
PBT	3,830	532	619.9	3,830	532	619.9

The Group recorded revenue of RM14.79 million for the current financial quarter ended 31 March 2024 ("Q1 2024"), an increase of 44.9% as compare to the preceding year corresponding quarter ended 31 March 2023 ("Q1 2023").

The increase of revenue was mainly due to higher demand from the Middle East driven by robust consumer spending in anticipation of the Hari Raya festivities.

The Group's PBT increased by 619.9% from PBT of RM0.53 million in Q1 2023 to RM3.83 million in Q1 2024. The increase in profit before tax was primarily driven by improvements in production efficiency and the appreciation of the US dollar against the Malaysian ringgit.

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

	INDIVIDUAL QUARTER		CHANGES	
	Current Year Quarter 31.03.2024 RM'000	Preceding Quarter 31.12.2023 RM'000	RM'000	%
Revenue	14,788	20,092	(5,304)	(26.4)
PBT	3,830	4,334	(504)	(11.6)

The Group recorded revenue of RM14.79 million in Q1 2024 as compared to RM20.09 million recorded in the preceding quarter ended 31 December 2023 ("Q4 2023"), it was a decrease of RM5.30 million during current financial quarter.

The decrease of revenue was due to the decrease of demand for bedroom furniture in Q1 2024 compared to Q4 2023. Additionally, the shorter working period due to Chinese New Year celebrations contributed to this decrease.

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

The global economy is expected to slow down due to efforts to control inflation, which will impact business activities and create ongoing difficulties in the export market. In response to these challenges, our Group will remain focused on our core competencies, actively seek out new opportunities, and implement cost-cutting measures wherever possible. We are prepared to take swift action to mitigate the financial impact of these challenges.

We are also anticipating the completion of Factory C in Q3 2024, pending the receipt of the Certificate of Completion and Compliance (CCC). We received the Certificate of Practical Completion (CPC) on 28 March 2023. Despite this delay, we are optimistic about the improved prospects once Factory C becomes operational. The additional production capacity will allow us to enhance our products to better meet our customers' needs.

Our Group is dedicated to making prudent decisions to bolster our business. We will collaborate closely with our customers to streamline orders, manage costs effectively, expand our customer base, and utilize our workforce efficiently. The Board will continue to closely monitor the Group's performance. While we anticipate challenges in the current financial year ending on 31 December 2024, our primary objective remains to achieve positive results.

### 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	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000
Current tax expense	762	3	762	3
Deferred tax expense	67	59	67	59
<b>Total tax expense</b>	<b>829</b>	<b>62</b>	<b>829</b>	<b>62</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 31.03.2024 RM'000</b>	<b>As At 31.03.2023 RM'000</b>
<b>Non-current :</b>		
Term loan	13,369	14,241
	<b>13,369</b>	<b>14,241</b>
<b>Current :</b>		
Term loan	1,347	1,385
	<b>1,347</b>	<b>1,385</b>
<b>Total borrowings</b>	<b>14,716</b>	<b>15,626</b>

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

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**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>31.03.2024</b>	<b>31.03.2023</b>	<b>31.03.2024</b>	<b>31.03.2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Foreign currency contracts				
Less than one year	4,484	2,871	8	99

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 31 March 2024.

**B11. DIVIDEND**

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

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**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>31.03.2024</b>	<b>31.03.2023</b>	<b>31.03.2024</b>	<b>31.03.2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property, plant and equipment	528	552	528	552
Depreciation of right-of-use assets	70	68	70	68
Fair value loss on derivative financial instruments	8	99	8	99
Gain on disposal of property, plant and equipment	(120)	-	(120)	-
Gain on foreign exchange				
Realised	(35)	(131)	(35)	(131)
Unrealised	(311)	(275)	(311)	(275)
Interest income	(132)	(41)	(132)	(41)
Finance costs	146	149	146	149

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## 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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
Profit after tax attributable to owners of the Company (RM'000)	3,001	470	3,001	470
Weighted average number of ordinary shares in issue ('000) (a)	415,689	415,689	415,689	415,689
<b>Basic earnings per share (sen)</b>	<b>0.72</b>	<b>0.11</b>	<b>0.72</b>	<b>0.11</b>
Profit after tax attributable to owners of the Company (RM'000)	3,001	470	3,001	470
Weighted average number of ordinary shares for diluted earnings per ordinary share computation ('000) (b)	415,689	415,689	415,689	415,689
<b>Diluted earnings per share (sen)</b>	<b>0.72</b>	<b>0.11</b>	<b>0.72</b>	<b>0.11</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 31 March 2024 and year-to-date ended 31 March 2024 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**  
**23<sup>rd</sup> May 2024**