

SYNERGY HOUSE BERHAD

(Registration No: 202101025778 (1426078 - V))

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾

	Individual Quarter 3-Month Ended		Cumulative Quarter 3-Month Ended	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To-Date	Corresponding
	31.03.2023	31.03.2022 ⁽²⁾	31.03.2023	31.03.2022 ⁽²⁾
	RM'000	RM'000	RM'000	RM'000
Revenue	51,582	N/A	51,582	N/A
Operating expenses	(47,906)	N/A	(47,906)	N/A
Other income	949	N/A	949	N/A
Finance costs	(1,074)	N/A	(1,074)	N/A
Profit before tax	3,551	N/A	3,551	N/A
Income tax expense	(932)	N/A	(932)	N/A
Profit after tax and total comprehensive income for the financial period	2,619	N/A	2,619	N/A
Earnings per share ⁽³⁾				
- Basic/Diluted earnings per share (sen)	0.62	N/A	0.62	N/A

Notes:

- (1) The basis of preparation of the Unaudited Consolidated Statements of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 12 May 2023 and the accompanying explanatory notes attached to this interim financial report.
 - (2) There are no comparative figures for the preceding quarter and preceding year's corresponding period available as this is the first interim financial report for the financial period ended 31 March 2023 announced by the Company in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").
 - (3) Basic/Diluted earnings per share ("EPS") is calculated based on the Company's total number of 420,000,000 ordinary shares as at 31 March 2023. Basic EPS and diluted EPS are the same as the Company does not have any outstanding convertible securities as at the end of the current quarter and financial period under review.
- N/A Not applicable

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾

	Unaudited as at 31.03.2023 RM'000	Audited as at 31.12.2022 RM'000
Assets		
Non-current assets		
Property, plant and equipment	32,970	32,271
Right-of-use assets	22,592	22,462
Total non-current assets	<u>55,562</u>	<u>54,733</u>
Current assets		
Inventories	32,062	26,889
Trade receivables	18,790	15,404
Other receivables, deposits and prepayments	5,238	5,908
Current tax assets	1,650	584
Deposits with licensed banks	15,223	12,704
Cash and bank balances	13,394	14,723
Total current assets	<u>86,357</u>	<u>76,212</u>
Total assets	<u>141,919</u>	<u>130,945</u>
Equity and liabilities		
Equity		
Share capital	2,610	2,610
Reserves	45,659	43,740
Total equity	<u>48,269</u>	<u>46,350</u>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONT'D) ⁽¹⁾**

	Unaudited as at 31.03.2023 RM'000	Audited as at 31.12.2022 RM'000
Non-current liabilities		
Bank borrowings	38,326	37,749
Lease liabilities	569	561
Deferred tax liabilities	2,688	2,688
Total non-current liabilities	41,583	40,998
Current liabilities		
Trade payables	12,418	9,772
Other payables and accruals	7,070	6,616
Bank borrowings	29,571	25,241
Lease liabilities	509	401
Current tax liabilities	2,499	1,567
Total current liabilities	52,067	43,597
Total liabilities	93,650	84,595
Total equity and liabilities	141,919	130,945
Net assets per share (RM)	0.11 ⁽²⁾	17.76 ⁽²⁾

Notes:

- (1) The basis of preparation of the Unaudited Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 12 May 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on the Company's number of ordinary shares as at the end of the reporting period/year (As at 31.03.2023: 420,000,000 shares; As at 31.12.2022: 2,610,000 shares).

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY ⁽¹⁾⁽²⁾

	Share capital RM'000	Invested capital RM'000	Non-distributable		Distributable	Total equity RM'000
			Reorganisation reserve RM'000	Revaluation reserve RM'000	Retained profits RM'000	
Unaudited						
At 1 January 2023	*	2,610	-	7,655	36,085	46,350
Profit after tax for the financial period	-	-	-	-	2,619	2,619
Total comprehensive income for the financial period	-	-	-	7,655	2,619	2,619
Contributions by and distributions to owners of the Company:						
- Acquisition of subsidiaries	-	(2,610)	(31,788)	-	-	(34,398)
- Issuance of ordinary shares pursuant to acquisition of subsidiaries	34,398	-	-	-	-	34,398
- Dividends	-	-	-	-	(700)	(700)
	-	-	-	-	-	-
At 31 March 2023	34,398	-	(31,788)	7,655	38,004	48,269

Notes:

- (1) The basis of preparation of the Unaudited Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 12 May 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) There are no comparative figures for the preceding year's corresponding period available as this is the first interim financial report for the financial period ended 31 March 2023 announced by the Company in compliance with the Listing Requirements.
- * Represents RM2

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	Current Year To-Date 31.03.2023 RM'000	Preceding Year Corresponding Period 31.03.2022 ⁽²⁾ RM'000
Cash flows for operating activities		
Profit before tax	3,551	N/A
Adjustments for:		
Depreciation of property, plant and equipment	300	N/A
Depreciation of right-of-use assets	179	N/A
Gain on reassessment and modification of leases	(2)	N/A
Unrealised loss on foreign exchange	593	N/A
Interest expenses	1,058	N/A
Interest income	(31)	N/A
Operating profit before working capital changes	5,648	N/A
Changes in working capital:		
Inventories	(5,173)	N/A
Trade and other receivables	(2,825)	N/A
Trade and other payables	3,140	N/A
Cash generated from operations	790	N/A
Interest received	31	N/A
Tax paid	(1,066)	N/A
Net cash used in operating activities	(245)	N/A
Cash flows for investing activities		
Addition to right-of use assets	(32)	N/A
Net increase in fixed deposit pledged	(3,111)	N/A
Purchase of property, plant and equipment	(999)	N/A
Net cash used in investing activities	(4,142)	N/A
Cash flows from financing activities		
Dividends paid	(700)	N/A
Drawdown of borrowings (net)	4,964	N/A
Interest paid	(1,058)	N/A
Repayment of lease liabilities	(159)	N/A
Net cash from financing activities	3,047	N/A
Net decrease in cash and cash equivalents	(1,340)	N/A
Effects of foreign exchange translation	(581)	N/A
Cash and cash equivalents at beginning of period	16,800	N/A
Cash and cash equivalents at end of period	14,879	N/A

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D) ⁽¹⁾

	Current Year To-Date 31.03.2023 RM'000	Preceding Year Corresponding Period 31.03.2022⁽²⁾ RM'000
Cash and cash equivalents comprise the following:		
Deposits with licensed banks	15,223	N/A
Cash and bank balances	13,394	N/A
	<hr/> 28,617	<hr/> N/A
Less:		
Deposits pledged to licensed banks	(13,738)	N/A
	<hr/> 14,879	<hr/> N/A

Notes:

- (1) The basis of preparation of the Unaudited Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 12 May 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) There are no comparative figures for the preceding year's corresponding period available as this is the first interim financial report for the financial period ended 31 March 2023 announced by the Company in compliance with the Listing Requirements.
- N/A Not applicable

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PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

The interim financial statements of Synergy House Berhad (“Synergy” or the “Company”) and its subsidiaries (“Group”) are unaudited and have been prepared in accordance with MFRS 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 and Appendix 9B of the Listing Requirements.

This is the first interim financial report on the Group’s results for the first quarter ended 31 March 2023 announced in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period.

The interim financial reports should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of the Company dated 12 May 2023 and the accompanying explanatory notes attached to this interim financial report.

A2 Significant Accounting Policies

The accounting policies and presentations adopted by the Group in this interim financial statement are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2022 as disclosed in the Accountants’ Report in the Prospectus of the Company dated 12 May 2023.

The Group has not applied in advance the following accounting standards and/or interpretation (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the financial year ended 31 December 2022:

MFRSs and/or Interpretations Committee (“IC”) Interpretations (Including the Consequential Amendments)

	Effective Date
MFRS 17 : Insurance Contracts	1 January 2023
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 : Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17 : Insurance Contracts	1 January 2023
Amendment to MFRS 17 : Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101 : Classification of Liabilities as Current or Noncurrent	1 January 2024
Amendments to MFRS 101 : Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 101 : Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 108 : Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group.

A3 Auditors’ Report

There was no qualification on the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

A4 Seasonal and Cyclical Factors

The business operations of the Company are not materially affected by any seasonal or cyclical factors during the current financial quarter and current financial year-to-date.

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A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and the current financial year-to-date.

A6 Material Changes in Estimates

There were no material changes in estimates that have a material effect on the current financial quarter and current financial year-to-date.

A7 Debt and Equity Securities

On 20 January 2023, the Company issued a total of 419,999,998 new ordinary shares in the Company ("Shares") pursuant to the acquisition of the entire equity interest in Synergy House Furniture Sdn. Bhd., Synergy House International Sdn. Bhd., and Sunny & Ker Furniture Industries Sdn. Bhd. in conjunction with its initial public offering ("IPO").

Save as disclosed above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

A8 Dividends Paid

On 16 January 2023, the Group paid an interim dividend amounting to RM0.70 million for the financial year ended 31 December 2022.

Save as disclosed above, there were no other dividends paid during the current quarter and financial period under review.

A9 Segmental Reporting

The Group is principally engaged in the design, development and sale of ready-to-assemble ("RTA") home furniture. RTA home furniture is a form of furniture where furniture parts are in flat-packed form for ease of storage and transportation. RTA home furniture requires customers to assemble themselves upon purchase.

Segmental assets is not presented, as all non-current assets are located in Malaysia. Segmental revenue is presented based on geographical location of the customers.

	Individual Quarter 3-Month Ended		Cumulative Quarter 3-Month Ended	
	Current Year Quarter 31.03.2023 RM'000	Preceding Year Corresponding Quarter 31.03.2022 RM'000 ⁽¹⁾	Current Year To-Date 31.03.2023 RM'000	Preceding Year Corresponding Period 31.03.2022 RM'000 ⁽¹⁾
Asia (excluding Malaysia)	471	N/A	471	N/A
United Arab Emirates	5,506	N/A	5,506	N/A
United Kingdom	17,416	N/A	17,416	N/A
United States of America	25,518	N/A	25,518	N/A
Malaysia	2,671	N/A	2,671	N/A
Total	51,582	N/A	51,582	N/A

Notes:

(1) There are no comparative figures for the preceding quarter available as this is the first interim financial report for the first quarter ended 31 March 2023 announced in compliance with Listing Requirements.

N/A Not applicable

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A10 Capital Commitments

There were no material capital commitments in respect of property, plant and equipment as at 31 March 2023.

A11 Material Events after the End of the Reporting Period

In conjunction with the Company's listing on the ACE Market of Bursa Securities, on 12 May 2023, the Company issued its Prospectus for its IPO comprising:

- (I) the public issue of 80,000,000 new Shares allocated in the following manner:
- (a) 25,000,000 new Shares to the Malaysian public;
 - (b) 12,500,000 new Shares to eligible persons;
 - (c) 30,000,000 new Shares by way of private placement to selected investors; and
 - (d) 12,500,000 new Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").
- (II) offer for sale of 50,000,000 existing Shares made available by way of private placement to Bumiputera investors approved by the MITI,

at an IPO price of RM0.43 per Share.

Upon completion of the IPO, the issued share capital of the Company will increase to RM67,419,002 comprising 500,000,000 Shares.

Pursuant thereto, the Company's entire enlarged share capital is expected to be listed and quoted on the ACE Market of Bursa Securities on 1 June 2023.

Save as disclosed above, 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

Save as disclosed in Note A7, there were no changes in the composition of the Group for the current financial quarter and the financial year-to-date.

A13 Contingent Liabilities and Contingent Assets

There were no contingent assets and contingent liabilities as at the date of this interim financial report.

A14 Significant Related Party Transactions

	Individual Quarter 3-Month Ended		Cumulative Quarter 3-Month Ended	
	Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000	Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000
Holding company				
Dividend paid	700	N/A	700	N/A
Companies in which certain directors have substantial financial interest				
Rental expenses	26	N/A	26	N/A

Note:

N/A Not applicable

PART B - ADDITIONAL INFORMATION REQUIRED BY APPENDIX 9B OF THE LISTING REQUIREMENTS

B1 Review of Group's Performance

The Group recorded revenue of RM51.6 million and profit before tax of RM3.6 million for the current financial quarter. The Group's revenue is derived from the business-to-business ("B2B") and the business-to-consumer ("B2C") market segment. The B2B segment recorded a revenue of RM27.4 million or approximately 53.10% of the Group's total revenue while the B2C segment recorded a revenue of RM24.2 million or approximately 46.90% of the Group's total revenue.

United States of America ("USA") was the Group's largest market, contributing to approximately 49.47% of the Group's revenue in the current financial quarter. Revenue in the USA market was mainly derived from B2C sales in that market during the current financial quarter.

No comparative figures for the preceding year's corresponding quarter are available as this is the first interim financial report for the first quarter ended 31 March 2023 announced in compliance with the Listing Requirements.

B2 Comparison with Immediate Preceding Quarter

No comparative figures for the preceding quarter are available as this is the first interim financial report for the first quarter ended 31 March 2023 announced in compliance with the Listing Requirements.

B3 Prospects

As disclosed in the Prospectus of the Company dated 12 May 2023, the Group intends to focus on the following future plans and business strategies for the future growth and expansion of its business:

- (i) to continue growing the Group's B2C sales segment with the following strategies:
 - (a) expansion of customer reach through listing and selling products on more third party e-commerce platforms with new market focus;
 - (b) enhancement of revenue through advertisement and promotions;
 - (c) establishment of new warehouses in Muar, Johor in 2023 and Port Klang, Selangor in 2027 respectively as e-commerce fulfilment centres; and
 - (d) purchase of inventories for third party e-commerce fulfilment centres in overseas countries and proposed new warehouse in Muar, Johor in anticipation of increasing B2C sales.
- (ii) to continue to expand the Group's range of home furniture through continuous design and development efforts.

The Group is cautiously optimistic on the potential of the global furniture e-commerce market and believes that with its strategies, the Group will be able to capitalize on such potential and increase its market share. The Group also views that the current strategies undertaken currently will be positively supporting the growth and expansion of its B2C segment in the long term.

While the present global economic outlook remains challenging, the Group expects this to have lesser impact on the Group's business as its home furniture are in the affordable price range. Besides that, the Group is well positioned in the B2C sales segment having established its presence in the third party e-commerce platforms in the United States of America, United Kingdom and Canada.

B4 Profit Forecast

The Group did not issue any profit forecast or guarantee during the current financial quarter under review and the financial year to-date.

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B5 Taxation

	Individual Quarter 3-Month Ended		Cumulative Quarter 3-Month Ended	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter 31.03.2023 RM'000	Corresponding Quarter 31.03.2022 ⁽¹⁾ RM'000	To-Date 31.03.2023 RM'000	Corresponding Period 31.03.2022 ⁽¹⁾ RM'000
Current tax expense	932	N/A	932	N/A
Deferred tax expense	-	N/A	-	N/A
	<u>932</u>	<u>N/A</u>	<u>932</u>	<u>N/A</u>
Effective tax rate	26% ⁽²⁾	N/A	26% ⁽²⁾	N/A

Notes:

- (1) There are no comparative figures for the preceding quarter available as this is the first interim financial report for the third quarter ended 31 March 2023 announced in compliance with the Listing Requirements.
- (2) The Group's effective tax rate was higher than the statutory tax rate of 24% mainly due to unrealised foreign exchange losses and interest expenses for certain term loans which are not tax-deductible during the financial quarter under review.

B6 Status of Corporate Proposals

Save as disclosed in Note A11, there were no other corporate proposals announced by the Company but not completed as at the date of this report.

B7 Utilisation of Proceeds

The gross proceeds from the Company's IPO amounting to RM34.40 million is intended to be utilised in the following manner:

Details of Utilisation of Proceeds	Proposed Utilisation RM'000	Actual Utilisation ⁽¹⁾ RM'000	Estimated Timeframe for Utilisation upon Listing ⁽¹⁾
E-commerce fulfilment centres in Muar, Johor and overseas countries			
- Purchase of inventories	10,000	-	Within 18 months
E-commerce fulfilment centre in Muar, Johor			
- Purchase of racking system and forklifts	1,500	-	Within 18 months
E-commerce advertising and promotions	1,000	-	Within 18 months
Repayment of borrowings	10,000	-	Within 6 months
Working capital	7,700	-	Within 12 months
Estimated listing expenses	4,200	-	Within 1 month
Total	<u>34,400</u>	<u>-</u>	

Note:

- (1) From the date of listing of the Company on the ACE Market of Bursa Securities. The use of proceeds as disclosed above should be read in conjunction with the Company's Prospectus dated 12 May 2023. As at the date of this interim financial report, the IPO is pending completion and hence there was no utilisation of proceeds from the IPO.

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B8 Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2023 are as follows:

	Unaudited as at 31.03.2023 RM'000	Audited as at 31.12.2022 RM'000
Non-current		
<u>Secured</u>		
Bank borrowings	38,326	37,749
Lease liabilities	189	122
	38,515	37,871
<u>Unsecured</u>		
Lease liabilities	380	439
	38,895	38,310
Current		
<u>Secured</u>		
Bank borrowings	29,571	25,241
Lease liabilities	208	81
	29,779	25,322
<u>Unsecured</u>		
Lease liabilities	301	320
	30,080	25,642
Total borrowings	68,975	63,952

Included in the Group's borrowings are foreign currency denominated borrowings as follows:

	Amount denominated in foreign currency As at 31.03.2023 '000	As at 31.03.2023 RM'000	Amount denominated in foreign currency As at 31.12.2022 '000	As at 31.12.2022 RM'000
USD	879	3,940	1,102	4,981
MYR	-	65,035	-	58,971
Total	879	68,975	1,102	63,952

B9 Derivatives

The Group has no outstanding derivatives as at 31 March 2023.

B10 Material Litigation

There were no material litigations pending as at the date of this interim financial report.

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B11 Earnings Per Share

The basic and diluted earnings per share for the current and cumulative quarter is computed as follows:

		Individual Quarter 3-Month Ended		Cumulative Quarter 3-Month Ended	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-Date	Preceding Year Corresponding Period
		31.03.2023	31.03.2022 ⁽²⁾	31.03.2023	31.03.2022 ⁽²⁾
Profit after tax	(RM'000)	2,619	N/A	2,619	N/A
Number of ordinary shares	('000)	420,000	N/A	420,000	N/A
Basic/Diluted earnings per share ⁽¹⁾	(sen)	0.62	N/A	0.62	N/A

Notes:

- (1) Basic/Diluted earnings per share is calculated based on the Company's total number of 420,000,000 ordinary shares as at 31 March 2023. Basic EPS and diluted EPS are the same as the Company does not have any outstanding convertible securities as at the end of the current quarter and financial period under review.
- (2) There are no comparative figures for the preceding quarter available as this is the first interim financial report for the first quarter ended 31 March 2023 announced in compliance with the Listing Requirements.

N/A Not applicable

B12 Notes to the Statement of Profit and Loss and Other Comprehensive Income

Profit before tax has been arrived at after (crediting) / charging:

	Individual Quarter 3-Month Ended		Cumulative Quarter 3-Month Ended	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-Date	Preceding Year Corresponding Period
	31.03.2023 RM'000	31.03.2022 ⁽¹⁾ RM'000	31.03.2023 RM'000	31.03.2022 ⁽¹⁾ RM'000
Depreciation of property, plant and equipment	300	N/A	300	N/A
Depreciation of right-of-use assets	179	N/A	179	N/A
Unrealised loss on foreign exchange	593	N/A	593	N/A
Realised gain on foreign exchange	(428)	N/A	(428)	N/A
Interest expenses	1,058	N/A	1,058	N/A
Gain on reassessment and modification of leases	(2)	N/A	(2)	N/A
Interest income	(31)	N/A	(31)	N/A

Save as disclosed above, the other disclosure items as required under paragraph 16 of Appendix 9B of the Listing Requirements are not applicable.

Notes:

- (1) There are no comparative figures for the preceding quarter available as this is the first interim financial report for the first quarter ended 31 March 2023 announced in compliance with the Listing Requirements.

N/A Not applicable

B13 Dividends

The Board of Directors of the Company did not declare or recommend any dividend during the current financial quarter.

BY ORDER OF THE BOARD

SYNERGY HOUSE BERHAD

25th May 2023