



SENG FONG HOLDINGS BERHAD

(Registration No. 202101022910 (1423210-X))

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST (1ST)
QUARTER ENDED 30 SEPTEMBER 2022**

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾

	Note	Individual Quarter		Cumulative Quarter	
		(Unaudited) Current Year Quarter 30/09/2022 RM'000	(Unaudited) Preceding Year Corresponding Quarter 30/09/2021 RM'000	(Unaudited) Current Year To Date 30/09/2022 RM'000	(Unaudited) Preceding Year To Date 30/09/2021 RM'000
Revenue		251,653	212,492	251,653	212,492
Cost of Sales		(236,350)	(191,958)	(236,350)	(191,958)
Gross Profit		15,303	20,534	15,303	20,534
Other Income		2,175	441	2,175	441
Selling Expenses		(4,514)	(4,562)	(4,514)	(4,562)
Administrative Expenses		(2,238)	(1,256)	(2,238)	(1,256)
Other Expenses		(1)	(328)	(1)	(328)
Finance Costs		(512)	(165)	(512)	(165)
Profit Before Tax	B12	10,213	14,664	10,213	14,664
Taxation	B5	(1,563)	(3,517)	(1,563)	(3,517)
Total comprehensive income		8,650	11,147	8,650	11,147
Profit After Tax Attributable To:					
Owners of the Company		8,650	11,147	8,650	11,147
Total Comprehensive Income Attributable To:					
Owners of the Company		8,650	11,147	8,650	11,147
Attributable to Equity Holders of the Company:					
Basic earnings per share (sen) ⁽²⁾	B11	1.67	2.15	1.67	2.15
Diluted earnings per share (sen) ⁽³⁾	B11	1.67	2.15	1.67	2.15

Notes:

- (1) The basis of preparation of the Unaudited Condensed Combined Statements of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statement for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic earnings per share is calculated based on the Company's weighted average number of ordinary shares as referred to in Note B11.
- (3) Diluted earnings per share of the Company is equivalent to the basic earnings per share as the Company does not have convertible options at the end of the reporting period.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**UNAUDITED CONDENSED COMBINED STATEMENTS OF FINANCIAL POSITION ⁽¹⁾**

	Note	Unaudited As at 30/09/2022 RM'000	Audited As at 30/06/2022 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	A10	41,977	42,284
Right-of-use assets		4,481	4,516
Prepaid lease		2,331	2,331
		<u>48,789</u>	<u>49,131</u>
Current Assets			
Inventories		90,728	130,059
Trade and other receivables		70,635	74,013
Deposits, bank and cash balances		30,657	8,869
		<u>192,020</u>	<u>212,941</u>
TOTAL ASSETS		<u>240,809</u>	<u>262,072</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		143,923	77,845
Merger reserve		(71,845)	(71,845)
Retained profits		97,954	104,873
TOTAL EQUITY		<u>170,032</u>	<u>110,873</u>
Non-Current Liabilities			
Bank borrowings	B8	5,899	6,163
Deferred tax liabilities		5,541	5,541
		<u>11,440</u>	<u>11,704</u>
Current Liabilities			
Trade and other payables		11,321	52,975
Bank borrowings	B8	45,216	83,713
Derivative liabilities	B9	-	8
Current tax liabilities		2,800	2,800
		<u>59,337</u>	<u>139,496</u>
TOTAL LIABILITIES		<u>70,777</u>	<u>151,200</u>
TOTAL EQUITY AND LIABILITIES		<u>240,809</u>	<u>262,073</u>
NET ASSETS PER ORDINARY SHARE (RM) ⁽²⁾		0.33	0.26

Notes:

- (1) The basis of preparation of the Unaudited Condensed Combined Statements of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statement for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per ordinary share is calculated based on the Company's number of ordinary shares at the end of the reporting year (2023: 518,960,000 shares; 2022: 428,145,300 shares).

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED COMBINED STATEMENTS OF CHANGES IN EQUITY⁽¹⁾

	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total Equity</u>
	<u>Share Capital</u>	<u>Merger Reserve</u>	<u>Retained Profits</u>	
	RM'000	RM'000	RM'000	
Unaudited				
As at 1 July 2022 (Audited)	77,845	(71,845)	104,873	110,873
Contributions by and distributions to owners of the Group				
- Issuance of shares	68,111	-	-	68,111
- Capitalised of listing expense	(2,033)	-	-	(2,033)
Total transactions with owners of the Group	66,078	-	-	66,078
Total comprehensive income for the period	-	-	8,650	8,650
Dividends	-	-	(15,569)	(15,569)
As at 30 September 2022 (Unaudited)	143,923	(71,845)	97,954	170,032

Unaudited				
As at 1 July 2021 (Audited)	6,000	-	81,845	87,845
Contributions by and distributions to owners of the Group				
Total comprehensive income for the period	-	-	11,147	11,147
Dividends	-	-	(10,000)	(10,000)
As at 30 September 2021 (Unaudited)	6,000	-	82,992	88,992

Note:

- (1) The basis of preparation of the Unaudited Condensed Combined Statements of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statement for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS ⁽¹⁾**

	Unaudited Current Year 3 Months Ended 30/09/2022 RM'000	Unaudited Preceding Corresponding 3 Months Ended 30/09/2021 RM'000
Cash Flow From Operating Activities		
Profit before tax	10,213	14,664
Adjustments for:		
Depreciation of property, plant and equipment	628	551
Depreciation of right-of-use assets	35	35
Fair value (gain)/loss on derivative	(4)	-
Listing expense	657	135
Property, plant and equipment written off	1	1
Unrealised gain on foreign exchange	(102)	(367)
Interest expenses	512	165
Interest income	(156)	(46)
Operating profit before working capital changes	11,784	15,138
Changes in working capital		
Inventories	39,331	23,034
Trade and other receivables	3,852	(38,024)
Trade and other payables	(41,339)	3,972
Cash For Operations	13,628	4,120
Interest paid	(512)	(165)
Interest received	156	46
Tax paid	(1,564)	(3,625)
Net Cash For Operating Activities	11,708	376
Cash Flows For Investing Activities		
Capitalised of listing expense	-	-
Proceeds from issuance of ordinary shares	68,111	-
Purchase of property, plant and equipment	(228)	(7,594)
Net Cash For Investing Activities	67,883	(7,594)
Cash Flows From Financing Activities		
Advance for ultimate holding company	(510)	10
Dividend paid	(15,569)	(10,000)
Drawdown of term loan	-	9,372
Net movement in trade bills	(40,110)	(1,070)
Payment of listing expense	(657)	(135)
Repayment of term loans	(957)	(3,139)
Net Cash Flows From Financing Activities	(57,803)	(4,962)
Net Changes In Cash and Cash Equivalents	21,788	(12,180)
Cash and Cash Equivalents at Beginning of the Financial Period	8,869	13,452
Cash and Cash Equivalents at End of the Financial Period	30,657	1,272

Note:

- (1) The basis of preparation of the Unaudited Condensed Combined Statements of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statement for the financial year ended 30 June 2022 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS
("MFRS") 134: INTERIM FINANCIAL REPORTING**

A1 Basis of Preparation

The interim financial statements of Seng Fong Holdings Berhad ("**Company**"), which are the combination or aggregation of the financial statements of the Company and SFT Group ("**Group**") are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("**MFRS**") 134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("**MASB**") and Chapter 9.22 of the Listing Requirements.

This is the third interim financial report on the Company's unaudited condensed combined financial results for the first (1st) quarter ended 30 September 2022 announced in compliance with the Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statement for the financial year ended 30 June 2022 and the accompanying explanatory note attached to this interim financial report.

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 audited financial statement for the financial year ended 30 June 2022, except for the adoption of the following new amendments to MFRSs:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
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
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
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
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The Group has not applied in advanced any accounting standards and / or interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the financial year ending 30 June 2023.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

A3 Auditors' Report on Preceding Annual Financial Statements

There was no qualified report issued by the auditors in the financial statements of the Group for the financial year ended 30 June 2022.

A4 Seasonality or Cyclicity of Operations

There were no material seasonal or cyclical factors affecting the business operations of the Group in the current quarter.

A5 Unusual Items

There were no material unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current financial period under review.

A6 Material Changes in Estimates

There were no material changes in estimates for the current financial period under review.

A7 Debt and Equity Securities

Save as disclosed in B6, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter under review.

A8 Dividend Paid

On 24 August 2022, the Company had declared an interim dividend of approximately RM15.57 million which of 3.0 sen per ordinary share in respect of the financial year ended 30 June 2022 and was paid on 23 September 2022.

A9 Segment Information

The operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely processing and sale of natural block rubber.

Segment assets is not presented, as all non-current assets are located in Malaysia.

Segmental revenue is presented based on the geographical location of the customers.

	Individual Quarter		Cumulative Quarter	
	Unaudited 30/09/2022 RM'000	Unaudited 30/09/2021 RM'000	Unaudited 30/09/2022 RM'000	Unaudited 30/09/2021 RM'000
China	121,320	103,761	121,320	103,761
Hong Kong (Republic of China)	46,349	42,235	46,349	42,235
Singapore	78,451	63,566	78,451	63,566
Taiwan	3,254	2,066	3,254	2,066
Others	2,279	864	2,279	864
Total	251,653	212,492	251,653	212,492

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

A10 Valuation of Property, Plant and Equipment

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

A11 Capital Commitments

The material capital commitments of the Group as at 30 September 2022 are as follow:

Contracted but not provided for:	RM'000
Solar System	639
Biomass System	2,383

A12 Material Subsequent Event

There were no material events subsequent to the end of the current financial period that have not been reflected in the interim financial reports for the said period as at the date of this report.

A13 Changes in the Composition of the Group

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

A14 Contingent Liabilities

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

A15 Significant Related Party Transactions

	Individual Quarter		Cumulative Quarter	
	Unaudited	Unaudited	Unaudited	Unaudited
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
	RM'000	RM'000	RM'000	RM'000
Companies in which person(s) connected to director has substantial financial interests				
Purchase of indirect materials	86	79	86	79
Sundry supplies	30	21	30	21
Transport service	1,367	984	1,367	984

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UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1 Review of Performance**

The Group's performance for the first quarter ended 30 September 2022 (Q1FY2023) compared with the previous corresponding first quarter ended 30 September 2021 (Q1FY2022) are tabled below:

Description	Q1FY2023 RM'000	Q1FY2022 RM'000	Variance %
Revenue	251,653	212,492	18.4
Profit before tax ("PBT")	10,213	14,664	(30.3)

The Group recorded a revenue of RM251.7 million for the Q1FY2023 increased by RM39.2 million or approximately 18.4% compared to RM212.5 million in the Q1FY2022. The production in Q1FY2022 was affected due to the reduction of the workforce to 60% of the total workforce in view of the MCO imposed by the government. The increase in Q1FY 2023 was mainly due to higher revenue contribution from Processing Segment.

The Group's PBT for the Q1FY2023 decreased by RM4.5 million or approximately 30.3% to RM10.2 million compared to RM14.7 million in the Q1FY2022. The decrease in PBT was mainly due to higher diesel cost of RM3.8 million (Q1FY2022: RM1.8 million) and listing expense of RM0.6 million (Q1FY2022: RM0.1 million) as well as higher finance cost due to interest rate hikes in the current financial quarter under review.

B2 Comparison with Immediate Preceding Quarter's Results

The Group's performance for the first quarter ended 30 September 2022 (Q1FY2023) compared with the preceding financial quarter ended 30 June 2022 (Q4FY2022) are tabled below:

Description	Q1FY2023 RM'000	Q4FY2022 RM'000	Variance %
Revenue	251,653	259,929	(3.2)
Profit before tax ("PBT")	10,213	11,241	(9.1)

The Group's revenue for the Q1FY2023 decreased by RM8.2 million or approximately 3.2% to RM251.7 million compared to RM259.9 million in the Q4FY2022. The decline in revenue was mainly driven to the lower average selling price as a result of decreased in natural rubber price in the current financial quarter under review.

The Group's PBT for the Q1FY2023 decreased by RM1.0 million or approximately 9.1% to RM10.2 million compared to RM11.2 million in the Q4FY2022. The decrease in PBT was mainly due to higher diesel cost of RM3.8 million (Q4FY2022: RM3.4 million) and listing expense of RM0.6 million (Q4FY2022: RM0.1 million) in the current financial quarter under review.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

B3 Prospects and Outlook for the Current Financial Year

The ongoing geopolitical tensions and aggressive interest rate hikes by major central banks to combat inflationary pressures have exacerbated global economic outlook. The Group will continue to take effective measures by diversifying the customer base and cost efficiency to provide a sustainable profitable result for the financial year ended 30 June 2023.

In order to capture opportunities arising from increasing demand, the Group has optimised the utilisation of our production capacity in financial year 2023 by increasing the production hours in Factory 3 by adding a second working shift, thus increasing our production hours from 10.5 hours a day to 17 hours a day. The Group also intends to increase the production hours in Factory 2 and Factory 1 by adding a second working shift, thus increasing our production hours from 12 hours a day to 17 hours a day. Therefore, our total annual capacity is expected to increase from approximately 142,000 MTS in financial year 2022 to achieve approximately 166,000 MTS in financial year 2023 and thereafter approximately 190,000 MTS in financial year 2024.

To reduce our diesel expenses, the Group will install 2 units of wood chip gasification hot air systems, which is a Biomass System, to generate gas from wood chips as a fuel source for our dryer system, thus replacing the consumption of diesel as a fuel source. The Biomass System will have an installed capacity of 4.8 million kCal ("Biomass 1") and 7.2 million kCal ("Biomass 2") respectively. Biomass 2 will be used to support the operations of Factory 2 and Factory 3 which is expected to be fully commissioned by the 4th quarter of 2022 while Biomass 1 will be used to support the operations of Factory 1 which is expected to be fully commissioned by the 1st quarter of 2023. The installation of the Biomass System is aimed at achieving cost-saving measures by reducing overall diesel expenses while consuming the same amount of energy used by our dryer system.

The manufacturing sector has been evolving rapidly in recent years. With the advent of Industry 4.0 lately, cutting-edge technologies will play a key role in the manufacturing sector. The Group's processing activities at its factories are partially automated, with the aim of looking at further value-added automation & advancement in near future.

B4 Variance of Actual Profit from Forecast Profit

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

B5 Tax Expense

The effective tax rate is lower than statutory tax rate principally attributable to the green investment tax incentive on solar system which can be utilised to offset against 70% of statutory income in the year of assessment 2023.

	Individual Quarter		Cumulative Quarter	
	Unaudited 30/09/2022 RM'000	Unaudited 30/09/2021 RM'000	Unaudited 30/09/2022 RM'000	Unaudited 30/09/2021 RM'000
Current tax expense	1,563	3,517	1,563	3,517
Deferred tax expense	-	-	-	-
	<u>1,563</u>	<u>3,517</u>	<u>1,563</u>	<u>3,517</u>

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

B6 Status of Corporate Proposals

Save for the IPO as disclosed in Note A12, there were no other corporate proposals announced and/or not implemented as at the date of this report.

B7 Utilisation of Proceeds Raised from the IPO

The gross proceeds from the IPO amounting to RM68.11 million is intended to be utilised in the following manner:

Details of Use of Proceeds	Proposed Utilisation	Actual Utilisation	Deviation	Balance	Estimated Timeframe for Utilisation Upon Listing ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000	
Working Capital	19,722	(19,722)	-	-	Within 12 months
Repayment or bank borrowings	37,862	(27,862)	-	10,000	Within 6 months
Installation of Biomass System	6,250	(3,867)	-	2,383	Within 12 months
Listing Expenses	4,277	(4,405)	(128)	-	Within 2 months
	68,111	(55,856)	(128)	12,383	

Note:

(1) From the date of listing of the Company on the Main Market of Bursa Securities on 7 July 2022.

B8 Group's Borrowings and Debt Securities

The Group's borrowings are as follows:

	Unaudited As At 30/09/2022 RM'000	Audited As At 30/06/2022 RM'000
Non-current		
Unsecured - Term loans in USD	5,899	6,163
	<u>5,899</u>	<u>6,163</u>
Current		
Unsecured - Trade bills in RM	2,300	5,000
Unsecured - Trade bills in USD	40,599	76,509
Unsecured - Term loans in USD	2,317	2,204
	<u>45,216</u>	<u>83,713</u>
Total borrowings	<u>51,115</u>	<u>89,876</u>

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

B9 Financial Instruments - Derivatives

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

Derivative financial assets and liabilities are initially recognised and subsequently measured at fair value. The fair values of derivatives are determined based on market data (primarily exchange rate) to calculate the present value of all estimated flows associated with each derivative at the balance sheet date. Foreign exchange forward contracts of the Group have been measured at fair value and the changes in the fair value are recognised in profit or loss.

	Unaudited		Audited	
	As at 30/09/2022		As at 30/06/2022	
	Contract/ Notional Amount RM'000	Derivative Liabilities Amount RM'000	Contract/ Notional Amount RM'000	Derivative Liabilities Amount RM'000
Forward currency contracts				
Less than one year	-	-	2,856	(8)

B10 Material Litigation

There were no material litigation involving the Group as at the date of this report.

B11 Earnings Per Share

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

		Unaudited Current Quarter 30/09/2022 RM'000	Unaudited Current Year To Date 30/09/2022 RM'000
Profit after tax attributable to			
owners of the Company	(RM)	8,650	8,650
Number of ordinary shares ('000)	(shares)	518,960	518,960
Basic earnings per share ⁽¹⁾	(sen)	1.67	1.67
Diluted earnings per share ⁽²⁾	(sen)	1.67	1.67

Notes:

- (1) Basic earnings per share is calculated based on the Company's enlarged issued share capital of 518,960,000 ordinary shares upon listing.
- (2) The diluted earnings per share of the Company is equivalent to the basic earnings per share as the Company does not have convertible options at the end of the reporting period.

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

B12 Profit Before Tax

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

	Unaudited Current Quarter 30/09/2022 RM'000	Unaudited Current Year To Date 30/09/2022 RM'000
Fair value (gain) / loss on derivative	(4)	(4)
Interest income	(156)	(156)
Realised (gain) / loss on foreign exchange	(1,832)	(1,832)
Depreciation		
- property, plant and equipment	628	628
- right-of-use assets	35	35
Interest expenses	512	512
Listing expenses	657	657
Property, plant and equipment written off	1	1

B13 Proposed Dividends

The Board of Directors declared the payment of first interim single tier dividend of 1.0 sen per share of approximately RM5.19 million in respect of the financial year ending 30 June 2023, payable on 5 January 2023 to depositors registered in the Records of Depositors at close of business on 15 December 2022.

BY ORDER OF THE BOARD

SENG FONG HOLDINGS BERHAD

22 November 2022

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