

A. EXPLANATORY NOTES

A1. Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 June 2023.

A2. Accounting Policies

The accounting policies and presentation adopted for this interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2023, except for the adoption of the following new MFRS and Amendments to MFRSs.

a) New MFRS adopted during the financial year

On 1 July 2023, the Group adopted the following Standard and Amendments to the Standards that are mandatory for annual financial periods beginning on or after 1 January 2023:

<u>Title</u>	<u>Effective Date</u>
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i> (Amendment to MFRS 17 <i>Insurance Contract</i>)	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
<i>Definition of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
<i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i> (Amendments to MFRS 112 <i>Income Taxes</i>)	1 January 2023
<i>International Tax Reform - Pillar Two Model Rules</i> (Amendments to MFRS 112 <i>Income Taxes</i>)	Refer paragraph 98M of MFRS 112

Adoption of the above standards and Amendments did not have any material impact on the financial statements of the Group.

b) New MFRSs that have been issued, but only effective for annual financial periods beginning on or after 1 January 2024:

The following are Standards and Amendments of the MFRS Framework that have been issue by the MASB but have not been early adopted by the Group:

<u>Title</u>	<u>Effective Date</u>
<i>Lease liability in a sale and leaseback</i> (Amendments to MFRS 16 <i>Leases</i>)	1 January 2024
<i>Classification of Liabilities as Current or Non-current</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2024
<i>Non-current Liabilities with Covenants</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2024
<i>Supplier Finance Arrangements</i> (Amendments to MFRS 107 <i>Statement of Cash Flow and MFRS 7 Financial Instruments: Disclosures</i>)	1 January 2024
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to MFRS 10 <i>Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures</i>)	Deferred

The Group is in the process of assessing the impact of implementing these Standard and Amendments, since the effects would only be observable in future financial years.

- A3. Auditors' Report on the Most Recent Audited Financial Statements**
The auditors' report on the most recent audited financial statements was not subject to any qualification.
- A4. Seasonality or Cyclical Factors**
The performance of the Group is generally not affected by any seasonal or cyclical factors.
- A5. Unusual Items**
The Company's wholly-owned subsidiary, Sern Kou Furniture Industries Sdn. Bhd. ("SKFI"), had on 21 December 2023 received and has accepted an offer from the lead insurer, Lonpac Insurance Berhad, for an interim payment of RM400,000. The compensation constitutes the first interim payment under the Fire Consequential Loss for the loss of gross profit resulting from the fire damage to building, machinery and inventories.
- SKFI will utilise the compensation received for general working capital requirements and will continues to collaborate closely with the loss adjusters and insurer to finalise the claim for consequential loss.
- A6. Changes in Estimates**
There were no major changes in estimates that had a material effect in the current quarter.
- A7. Issuance, Cancellations, Repurchase, Resale and Repayment of Debt and Equity Securities**
There were no issuance or repayment of debt and equity securities, share buy-back, share cancellations and sale of treasury for the financial period under review.
- A8. Dividend**
There was no dividend paid for the financial period under review.

A9. Segmental and Geographical Reporting

Geographical segment has not been presented as the Group operates wholly in Malaysia.

Business Segment	Manufacturing and Trading of Furniture RM'000	Processing and Trading of Wood	Investment Holding RM'000	Inter-Company Elimination RM'000	Total RM'000
		RM'000			
<u>31-Dec-23</u>					
Revenue					
External revenue	20,247	234,441	-	-	254,688
Inter-segment revenue	555	4,511	990	(6,056)	-
	20,802	238,952	990	(6,056)	254,688
Results					
(Loss)/Profit before taxation	(2,276)	2,297	587	-	608
Taxation	(14)	(375)	(54)	-	(443)
(Loss)/Profit after taxation	(2,290)	1,922	533	-	165
<u>31-Dec-22</u>					
Revenue					
External revenue	25,533	169,694	-	-	195,227
Inter-segment revenue	223	1,811	990	(3,024)	-
	25,756	171,505	990	(3,024)	195,227
Results					
(Loss)/Profit before taxation	(9,397)	7,120	187	-	(2,090)
Taxation	(23)	(2,185)	(110)	-	(2,318)
(Loss)/Profit after taxation	(9,420)	4,935	77	-	(4,408)

A10. Valuation of Property, Plant and Equipment, Right-of use Assets and Investment Property

The valuations have been brought forward without amendment from the audited financial statements for the financial year ended 30 June 2023.

A11. Material Subsequent Events

There were no material events subsequent to the end of the current financial period that have not been reflected in the interim financial statements.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group in the financial period under review.

A13. Contingent Liabilities

Since the last annual statement of financial position as at 30 June 2023, there were no material changes in contingent liabilities for the Group as at the date of this report. The changes in contingent liabilities of the Company are as follows:

	As at 31-Dec-23 RM'000	As at 31-Dec-22 RM'000
<u>Contingent Liabilities</u>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries - utilised	<u>94,982</u>	<u>68,282</u>

A14. Capital commitments

	As at 31-Dec-23 RM'000	As at 31-Dec-22 RM'000
Property, plant and equipment		
- Contracted but not provided for	<u>4,885</u>	-

B. SELECTED EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

Financial review for current quarter compared with preceding year corresponding quarter

	Individual Quarter		(Amount/ %)
	Current Year Quarter	Preceding Year Quarter	
	31-Dec-23	31-Dec-22	
	RM'000	RM'000	
Revenue	117,550	83,193	34,357 41%
Operating Profit	4,170	4,514	(344) -8%
Loss on inventory and property, plant and equipment due to fire incident	-	(5,845)	5,845 -100%
Profit/(Loss) Before Interest and Taxation	1,597	(4,444)	6,041 -136%
Profit/(Loss) Before Taxation	185	(5,291)	5,476 -103%
Profit/(Loss) After Taxation	114	(6,450)	6,564 -102%
Profit/(Loss) attributable to Owners of the Company	288	(6,604)	6,892 -104%

The Group recorded revenue of RM118 million and profit before taxation of RM185,000 for the period ended 31 December 2023, compared to revenue of RM83 million and a loss before taxation of RM5 million respectively in the preceding year corresponding quarter.

Revenue was recorded at RM34 million higher for the quarter under review a result of increased demand for tropical wood in the processing and trading of wood segment.

In the preceding year corresponding quarter, a profit before taxation of RM554,000 was recorded by excluding the loss on inventory and property, plant, and equipment of RM5.8 million due to a fire incident. This figure surpasses the profit before tax of RM185,000 recorded in the current financial quarter under review. The lower recorded result primarily stems from a reduced product margin during the current financial quarter, aimed at boosting sales volume.

B1. Review of Performance - Continued

Financial review for current quarter compared with immediate preceding quarter

	Individual Quarter		Changes (Amount/ %)
	Current Year Quarter	Immediate Preceding Quarter	
	31-Dec-23	30-Sep-23	
	RM'000	RM'000	RM'000/%
Revenue	117,550	137,138	(19,588) -14%
Operating Profit	4,170	4,894	(724) -15%
Insurance compensation received	400	-	400 100%
Profit Before Interest and Taxation	1,597	1,622	(25) -2%
Profit Before Taxation	185	423	(238) -56%
Profit After Taxation	114	51	63 124%
Profit attributable to Owners of the Company	288	98	190 194%

In contrast to the higher revenue recorded during the quarter under review compared to the corresponding period of the preceding year, the revenue for this quarter, however, was lower at RM118 million compared to the RM137 million recorded in the immediate preceding quarter ended 30 September 2023. The decrease in recorded revenue was due to lower demand for products across all segments compared to the demand in the immediate preceding quarter.

Sern Kou Furniture Industries Sdn. Bhd. ("SKFI"), received and has accepted an offer from the lead insurer, Lonpac Insurance Berhad, for an interim payment of RM400,000 on 21 December 2023. The compensation constitutes the first interim payment under the Fire Consequential Loss for the loss of gross profit resulting from the fire damage to building, machinery and inventories.

SKFI will utilise the compensation received for general working capital requirements and will continue to collaborate closely with the loss adjusters and insurer to finalise the claim for consequential loss.

The decrease in recorded revenue has led to a lower profit before taxation during the quarter under review.

B2. Prospects

The first half of the financial year ending on 30 June 2024, was challenging for the Group, with our financial performance affected by the rising cost of raw materials, a decrease in demand for furniture mainly due to interest rate hikes in the US, which has driven up debt levels and weakened households' furniture spending, as well as lower product margins across all segments within the Group.

Despite the prevailing challenges, the Group remains optimistic about long-term business prospects and will continue actively pursuing various business strategies to increase revenue, focus on improving efficiency, implement automation across operations, and implement cost control measures.

B3. Profit Forecast

There is no profit forecast for the current financial period under review.

B4. Taxation
The tax charges comprise:-

	Current Quarter (RM'000)	Current Year-to-Date (RM'000)
Income Tax		
- Current year	71	443

B5. Status of Corporate Proposals
There were no corporate proposals announced for the current quarter.

B6. Group Borrowings and Debt Securities
The Group's borrowings as at 31 December 2023 are as follows:

As at 31-Dec-23	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	78,638	78,638
Bank Overdrafts	-	4,742	4,742
Term Loans	9,786	1,816	11,602
Total	9,786	85,196	94,982
As at 31-Dec-22	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	45,552	45,552
Bank Overdrafts	-	9,292	9,292
Term Loans	11,573	1,865	13,438
Total	11,573	56,709	68,282

B7. Material Litigation
The Group did not engage in any material litigation for the current financial period to date.

B8. Dividend Paid
No dividends were paid during the financial period under review.

B9. Earnings per Share

The earnings per share for the current quarter and financial period ended 31 December 2023 are as follows:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Quarter	Current Year-To-Date	Preceding Year-To-Date
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Profit/(Loss) attributable to owners of the Company (RM'000)	114	(6,450)	165	(4,408)
Weighted average number of ordinary shares in issue ('000)	1,078,098	913,853	1,078,098	884,726
Adjusted weighted average number of ordinary share in issue ('000)	1,078,098	1,023,591	1,078,098	995,274
Basic profit/(loss) per ordinary share (Sen)	0.01	(0.71)	0.02	(0.50)
Diluted profit/(loss) per ordinary share (Sen)	0.01	(0.63)	0.02	(0.44)

B10. Notes to the Statement of Profit or Loss

The following items have been included in the Statement of Profit or Loss:-

	Individual Quarter Ended	Year to date Ended
	31-Dec-23 RM'000	31-Dec-23 RM'000
After Charging:-		
Interest expenses	1,412	2,611
Depreciation	1,657	3,185
Realised loss on foreign exchange	53	67
Loss on disposal of property, plant and equipment	3	3
After Crediting:-		
Interest income	159	336
Rental income	277	553
Realised gain on foreign exchange	2	33

B11. Significant Related Party Transactions

There were no significant related party transactions during the financial quarter under review.

B12. Authorised for Issue

The interim financial statements were authorised for issue 23 February 2024 by the Board of Directors.

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