

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 Cyclicity 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"), received and accepted the second and final Fire Consequential Loss compensation payment of RM319,074.25 on 9 April 2024, which was recognised during the financial quarter under review. Together with the interim payment of RM400,000 received on 21 December 2023, the total compensation received was RM719,074.25. The payments were compensation for the loss of gross profit resulting from the fire damage to buildings, machinery, and inventories. SKFI has utilised the compensation received for general working capital requirements.
- 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-Mar-24</u>					
Revenue					
External revenue	31,751	327,305	-	-	359,056
Inter-segment revenue	650	6,061	1,485	(8,196)	-
	<u>32,401</u>	<u>333,366</u>	<u>1,485</u>	<u>(8,196)</u>	<u>359,056</u>
Results					
(Loss)/Profit before taxation	(5,365)	2,711	737	-	(1,917)
Taxation	(23)	(564)	(170)	-	(757)
(Loss)/Profit after taxation	<u>(5,388)</u>	<u>2,147</u>	<u>567</u>	<u>-</u>	<u>(2,674)</u>
<u>31-Mar-23</u>					
Revenue					
External revenue	34,007	249,053	-	-	283,060
Inter-segment revenue	347	2,386	1,485	(4,218)	-
	<u>34,354</u>	<u>251,439</u>	<u>1,485</u>	<u>(4,218)</u>	<u>283,060</u>
Results					
(Loss)/Profit before taxation	(11,221)	11,000	328	-	107
Taxation	(31)	(3,244)	(147)	-	(3,422)
(Loss)/Profit after taxation	<u>(11,252)</u>	<u>7,756</u>	<u>181</u>	<u>-</u>	<u>(3,315)</u>

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-Mar-24 RM'000	As at 31-Mar-23 RM'000
<u>Contingent Liabilities</u>		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries - utilised	<u>99,499</u>	<u>68,194</u>

A14. Capital commitments

	As at 31-Mar-24 RM'000	As at 31-Mar-23 RM'000
Property, plant and equipment		
- Contracted but not provided for	<u>5,431</u>	<u>3,745</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-Mar-24	31-Mar-23	
	RM'000	RM'000	
Revenue	104,368	87,833	16,535 19%
Operating Profit	1,748	5,875	(4,127) -70%
Loss on inventory and property, plant and equipment due to fire incident	-	(47)	47 -100%
(Loss)/Profit Before Interest and Taxation	(1,140)	3,193	(4,333) -136%
(Loss)/Profit Before Taxation	(2,525)	2,197	(4,722) -215%
(Loss)/Profit After Taxation	(2,839)	1,093	(3,932) -360%
(Loss)/Profit attributable to Owners of the Company	(2,467)	1,170	(3,637) -311%

The Group recorded revenue of RM104 million and a loss before taxation of RM2.5 million for the period ended 31 March 2024, compared to revenue of RM88 million and a profit before taxation of RM2 million respectively in the preceding year corresponding quarter.

Revenue was recorded at RM16 million higher for the quarter under review as the result of increased demand for tropical wood in the processing and trading of wood segment.

During the quarter under review, the loss before taxation of RM2.5 million was primarily attributed to reduced product margin aimed at boosting sales volume in the current financial quarter.

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-Mar-24	31-Dec-23	
	RM'000	RM'000	RM'000/%
Revenue	104,368	117,550	(13,182) -11%
Operating Profit	1,748	4,170	(2,422) -58%
Insurance compensation received	319	400	(81) -20%
(Loss)/Profit Before Interest and Taxation	(1,140)	1,597	(2,737) -171%
(Loss)/Profit Before Taxation	(2,525)	185	(2,710) -1465%
(Loss)/Profit After Taxation	(2,839)	114	(2,953) -2590%
(Loss)/Profit attributable to Owners of the Company	(2,467)	288	(2,755) -957%

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 RM104 million compared to the RM118 million recorded in the immediate preceding quarter ended 31 December 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.

The Company's wholly-owned subsidiary, Sern Kou Furniture Industries Sdn. Bhd. ("SKFI"), received and accepted the second and final Fire Consequential Loss compensation payment of RM319,074.25 on 9 April 2024, which was recognised during the financial quarter under review. Together with the interim payment of RM400,000 received on 21 December 2023, the total compensation received was RM719,074.25. The payments were compensation for the loss of gross profit resulting from the fire damage to buildings, machinery, and inventories. SKFI has utilised the compensation received for general working capital requirements.

The combination of reduced recorded revenue and lower product margins has led to a loss before taxation being recorded during the quarter under review.

The Group is currently undertaking a review of its property, plant, and equipment ("PPE"). The review may lead to an impairment charge in the fourth quarter for the financial year ending 30 June 2024. Further information and any financial impact will be provided once the review is finalised and the results are ascertained.

B2. Prospects

In the face of adversities leading to a recorded loss in the financial period, the Group remains dedicated to stakeholders and persistent in efforts for sustainable advancement and profitability, emphasising the need to view these results within the context of strategic initiatives and long-term objectives. The Group has strengthened foundations, enhancing operational efficiencies and resource allocation to mitigate adverse market conditions, demonstrating a commitment to prudent financial management and resilience.

Looking forward, the Group is confident that strategic initiatives and investments will yield positive results, supported by the resilience of our business model, dedication of our workforce, and adaptable strategies to navigate market dynamics. Our commitment to transparency, accountability, and long-term shareholder value remains unwavering, upheld through the highest standards of corporate governance and operational excellence, ensuring sustained growth and shareholder prosperity.

B3. Profit Forecast

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

B4. Taxation

The tax charges comprise:-

	Individual Quarter Ended 31-Mar-24 (RM'000)	Year to Date Ended 31-Mar-24 (RM'000)
Income Tax		
- Current year	143	586
- Under provision in prior year	171	171
	<u>314</u>	<u>757</u>

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 March 2024 are as follows:

As at 31-Mar-24	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	79,822	79,822
Bank Overdrafts	-	8,557	8,557
Term Loans	9,304	1,816	11,120
Total	9,304	90,195	99,499
As at 31-Mar-23	Long term	Short term	Total borrowing
RM'000	RM denomination	RM denomination	RM denomination
Secured			
Banker Acceptances	-	43,164	43,164
Bank Overdrafts	-	12,056	12,056
Term Loans	11,110	1,864	12,974
Total	11,110	57,084	68,194

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 March 2024 are as follows:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Quarter	Current Year-To-Date	Preceding Year-To-Date
	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23
(Loss)/Profit attributable to owners of the Company (RM'000)	(2,467)	1,170	(2,081)	(3,398)
Weighted average number of ordinary shares in issue ('000)	1,078,098	1,003,362	1,078,098	1,030,934
Adjusted weighted average number of ordinary share in issue ('000)	1,078,098	1,003,362	1,078,098	1,030,934
Basic (loss)/profit per ordinary share (Sen)	(0.23)	0.12	(0.19)	(0.33)
Diluted (loss)/profit per ordinary share (Sen)	(0.23)	0.12	(0.19)	(0.33)

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-Mar-24 RM'000	31-Mar-24 RM'000
After Charging:-		
Interest expenses	1,385	3,996
Depreciation	1,685	4,871
Realised loss on foreign exchange	-	67
Loss on disposal of property, plant and equipment	-	3
After Crediting:-		
Interest income	88	424
Rental income	275	828
Realised gain on foreign exchange	79	112
Gain on disposal of property, plant and equipment	314	314

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 on 23 May 2024 by the Board of Directors.

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