

Notes to Quarterly Report

1. Basis of Accounting and Accounting Policies.

These condensed consolidated interim financial statements for the period ended 31 Mar 2024, have been prepared in accordance with MRFS 134, Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa Securities) Listing Requirements. The Group prepared its financial statements in accordance with applicable Malaysian Financial Reporting Standards ("MFRS")

2. Audit Report on Financial Statements.

The financial statements of the Group for the financial year ended 31 December 2023 have been reported without any audit qualification.

3. Seasonal or Cyclical Factors

The business activities of the Group tend to have higher sales near the year end festive season but are not significantly affected by any cyclical factors.

4. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There is no unusual item affecting the assets, liabilities, equity, net income or cash flows of the Group for the period under review.

5. Material changes in estimates

There is no material change in estimates for the period under review.

6. Issuance and Repayment of Debt and Equity Securities

There is no issuance or repayment of any debt and equity securities during the period under review.

7. Segmental Information for the Current Financial Period

No segmental information is presented, as the Group is principally involved in latex bedding business with operations in Malaysia and no overseas plant or office.

8. Valuation of Property, Plant & Equipment

All assets under the Group have not been revalued and are carried at historical cost.

9. Effect of Changes in the Composition of the Group

There is no change in the composition of the Group during the period under review.

10. Status of the Corporate Proposals

There is no corporate proposal being undertaken by the Group as at the reporting date.

11. Profit Forecast / Guarantee

Not applicable.

Notes to Quarterly Reports (cont'd)

12. Discussion and Analysis on Group's Financial Performance

a) Financial review for current quarter and financial year to date

The revenue of the Group for the current quarter increased by 21.4% to RM36.044 million against RM29.693 million in the previous year corresponding quarter. The profit before tax for the current quarter increased by 14.9% to RM4.627 million from RM4.026 million in the previous year corresponding quarter.

The main factors affecting the financial performances are as follow

- i) The market condition – The Group experienced robust sales for quarter with the domestic revenue in Q1 of 2024 increased by about 23.1% compared to corresponding period in Q1 of 2023. The export division experienced rebound in sales with an increase of 22.9% against previous year corresponding period.
- ii) Level of operating activities – The Group was operating at satisfactory level in Q1 of 2024 for our mattress division for domestic market. The latex division for the export market experienced recovery in sales from both existing and new customers from the Group's continue marketing activities.
- iii) Key factors affecting revenue, costs and profit margin
 - a. The average latex price was much higher in Q1 of 2024 by 20.3% compared to Q1 of 2023, which affected the margin of the current quarter under review.
 - b. The finance cost was lower due to the active repayment of bank borrowing
- iv) Unusual or one-off issue – there is no unusual or one-off issue for the quarter under review.
- v) Diversification or penetration into new market – there is no diversification or significant new market penetration for the period under review
- vi) Merger and acquisition exercises – There is no Merger and acquisition exercise during the period under review.
- vii) New contracts / termination of existing contract – there is no significant new contract or termination of existing contract for the period under review.
- viii) Impairment of Assets or receivables – the Group took an impairment on trade receivable of RM0.902 million and provision for expected credit loss of approximately RM0.250 million for the Cuckoo Napure rental division for the year under review.
- ix) Fair value gain / loss on investment – there is no fair value gain or loss on investment for the period under review.
- x) Foreign labour issue – the Group is having sufficient workforce for our operating activities.

13. Financial Review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes %
	31/03/2024	31/12/2023	
	RM' 000	RM' 000	
Revenue	36,044	34,212	+ 5.4%
Operating Profit	4,261	5,039	-15.4%
Other Income	422	422	+ 0%
Finance cost	(56)	(265)	-78.9%
Profit Before Tax	4,627	5,196	-11.0%
Profit After Tax	3,783	4,112	- 8.0%
Profit Attributable to Ordinary Equity Holders of the Parent	3,787	4,124	-8.2%

Notes to Quarterly Reports (cont'd)

The revenue for current quarter increased by 5.4% to RM36.044 million from RM34.212 million in the preceding quarter mainly due higher sales from overall operations. Profit before tax decreased by 11.0% from RM5.196 million to RM4.627 million against preceding quarter mainly due to higher latex price recorded in the current quarter.

14. Other Income / Expenses

	Current Quarter	Preceding year Corresp'g quarter
	RM' 000	RM' 000
Interest income	130.0	95.6
Other income / (Expenses)	292.5	202.5
Changes in (Provision for)/recovery of doubtful debts	-	-
Gain/ (loss) on disposal of Fixed assets	-	52.5
Changes in (Provision for)/recovery of Stocks	-	-

15. Deferred Taxation

The deferred tax liabilities on deductible temporary differences recognised in the financial statements as required under the MFRS 112 were as follows: -

	YTD ended 31 Mar 2024
	RM' 000
Tax effect of	
Timing difference between excess of capital allowance over accumulated depreciation on property, plant & equipments	3,360
Timing difference on taxability of interest / service income recognition	2,176
Total	5,536

16. Group Borrowings

a) The Group borrowings as at the end of the reporting quarter are as follows:

	As at 1 st Quarter ended 2024					
	Long Term		Short Term		Total Borrowings	
	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000
Secured	-	2,413	-	2,046	-	4,459
Unsecured	-	-	-	-	-	-

	As at 1 st Quarter ended 2023					
	Long Term		Short Term		Total Borrowings	
	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000	Foreign deno' RM' 000	RM deno'n RM' 000
Secured	-	3,435	-	3,582	-	7,017
Unsecured	-	-	-	-	-	-

b) Group net gearing or net cash position

	Current Quarter	Preceding year Corresp'g quarter
	RM' 000	RM' 000
Total borrowings	(4,459)	(7,017)
Cash	24,304	16,560
Net (Borrowings)/ Cash	19,845	9,543
Net Assets	80,277	66,339
Net Gearing Ratio	Net cash	Net cash

Notes to Quarterly Reports (cont'd)

Commentaries on Group Borrowings and Debt Securities

- i) Total borrowings decreased from RM7.017 million to RM4,459 million against previous year corresponding quarter due to positive cashflow from operations.
- ii) The net cash position increased to RM19.845 million in Q1 of 2024 from RM9.543 million in previous year corresponding quarter due to positive cashflows from operations as well as timing difference in payment of 2023 dividend in Apr 2024 against payment of 2022 dividend in Mar 2023.
- iii) The interest rates are stable for the period under review.
- iv) The Group occasionally financed certain import purchase denominated in USD using Foreign Currency Trade Loan (FCTL). The Group is having more USD proceeds from export than USD imports thus is practicing natural hedging for USD imports as well as settlement of FCTL.

17. Contingent Liabilities

Corporate guarantees issued to licensed banks for credit facilities granted to subsidiaries

RM' 000
4,459

18. Financial Instruments under MFRS 139

As at 31 Mar 2024, the unrealized gains or loss for the Group is as follows

	Derivatives / year end balances	Contract value (RM' 000)	Balance Sheet value (RM' 000)	Fair Value (RM' 000)	Unrealised Gain (loss) (RM' 000)
1	Foreign Exchange Contracts				
	- Less than 1 year	-	-	-	-
2	Trade related balances	-	(1,994.2)	(2,006.6)	(12.3)
	Total		(1,994.2)	(2,006.6)	(12.3)

19. Foreign Exchange Exposure / Hedging Policy

The main export currency is USD. The Group has imports in USD for certain of its raw materials and trading goods. The Group practices natural hedging for export proceeds with import payments and may occasionally hedge some of the expected excess USD proceeds.

20. Trade Receivables

The Group practices prudent credit control with average debtor days of within 1-2 months. The increase in total trade receivables compared to previous year corresponding quarter was mainly due to the financing of Cuckoo Napure mattress collaboration under the rental model. Under this rental sharing model, the collection would be spread over up to 60 months and the Group would recognize profit spreading over the period.

For the period under review, the Group took an impairment of approximately RM0.902 million on trade receivables and provision for expected credit loss of RM0.250 million pursuant to the Cuckoo Napure rental sales.

21. Related Party Transactions

There is no significant related party transactions during the period under review, save for some tenancy agreements.

Notes to Quarterly Reports (cont'd)

22. Material Impairment of Assets

There is no material impairment of Assets during the period under review.

23. Prospects for the Current Financial Year

The Board expects that the changes in any of the following factors may have a direct impact on the performance of the Group in 2024 :

- i) The recovery of demand from oversea market, which had been low for the past two years.
- ii) Key Raw Material – The fluctuation of the centrifuged latex price which is the main raw materials for the Group's operation.
- iii) The Cuckoo Napure mattress collaboration – this division contributed about 22% of total group revenue. The performance is dependent on the demand on our Cuckoo Napure mattress through the Cuckoo distribution network.
- iv) Foreign Exchange - The changes in exchange rate especially the US Dollar which remains the main foreign currency for our export business, would impact on the Group's operations and margins.
- v) Consumer sentiment and confidence level in spending.
- vi) Property sector - The health of the property sector will have direct impact on furnishing requirements, any recovery in the residential property sector would have positive impact on the Group performance.
- vii) Workers – Any revision to the minimum wages or the labour law that may cause the labour cost to hike.

24. Material Litigation

The Group does not have any material litigation as at 27 May 2024.

25. Dividend

For FY 2023, the Board proposes an interim dividend of 3.5 sen per ordinary shares amounting to approximately RM5.65 million. The Board also proposes a special interim share dividend by distributing the treasury shares on a basis of 1 for every 25 existing ordinary shares. In order to reduce the issue of odd lots, shareholders with holdings of less than 2,500 shares, whom would entitle to less than 100 share dividend, would be paid cash dividend in lieu of treasury shares.

The above interim cash dividend and special treasury shares dividend were paid in April 2024.

26. Significant Subsequent Events

There are no material events subsequent to the end of the period under review which have not been reflected in this interim financial report.

27. Net Earnings Per Ordinary Share

The earnings per ordinary share is calculated based on the Group's profit after taxation on the number of ordinary shares of RM0.10 each of 161,357,304 in issue (net of treasury shares).

	YTD ended 31 Mar 2024
	RM' 000
Profit attributable to ordinary equity holders of the parent	3,787
No of Ordinary shares of RM0.10 each (net of treasury shares)	161,357
Net EPS - Basic (sen)	2.35



Notes to Quarterly Reports (cont'd)

Net EPS – Diluted (sen)	2.35
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On Behalf of the Board

Dato' Eric Lee
Managing Director

27 May 2024