

Notes to Quarterly Report

1. Basis of Accounting and Accounting Policies.

These condensed consolidated interim financial statements for the period ended 30 Jun 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

The Group has completed its bonus issue of up to 83,907,852 new ordinary shares on the basis of 1 new bonus shares for every two existing ordinary shares in Jun 2024. The exercise increased the ordinary shares of the Group from 167,815,704 to 251,723,504 as at June 2024.

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

The Group disposed off its 60% interest in Homeplus Furniture Sdn Bhd for a consideration of RM0.3 million. The transaction does not have any material impact on the Group.

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 remain flat at around RM31 million as compared to previous year corresponding quarter. The profit before tax for the current quarter decreased by 32.5% to RM2.187 million from RM3.242 million in the previous year corresponding quarter mainly due to impairment of property plant & equipment and Cuckoo receivables as explained below.

The main factors affecting the financial performances are as follow

- i) The market condition – The Group has low sales for the domestic division in Q2 of 2024 against previous year corresponding period, with slow down in direct retail sales. The export division experienced rebound in sales with an increase of 45.3% against previous year corresponding period.
- ii) Level of operating activities – The Group was operating at satisfactory level in Q2 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 Q2 of 2024 by 18% compared to Q2 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 – The Group disposed off its 60% interest in Homeplus Furniture Sdn Bhd for a consideration of RM0.3 million. The disposal resulted in a small capital gain of RM0.143 million for 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 about RM2.0 million and provision for expected credit loss of approximately RM0.012 million for the Cuckoo Napure rental division, as well as impairment of property plant & equipment of RM0.935 million for the period under review. Higher impairment on Cuckoo receivable involved writing off of the principal amount of those accounts that had been blacklisted as at June 2024.
- 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 %
	30/06/2024	31/03/2024	
	RM' 000	RM' 000	
Revenue	31,054	36,044	- 13.8%
Operating Profit	1,796	4,261	-57.9%
Other Income	437	422	+ 3.6%

Notes to Quarterly Reports (cont'd)

Finance cost	(47)	(56)	-16.1%
Profit Before Tax	2,187	4,627	-52.7%
Profit After Tax	2,031	3,783	- 46.3%
Profit Attributable to Ordinary Equity Holders of the Parent	2,038	3,787	- 46.2%

The revenue for current quarter decreased by 13.8% to RM31.054 million from RM36.044 million in the preceding quarter mainly due to lower sales from domestic operations as well as written off of the principal amount on blacklisted accounts pursuant to the Cuckoo rental sales, which is offset against the revenue. Profit before tax decreased by 52.7% from RM4.627 million to RM2.187 million against preceding quarter mainly due to the impairment of the principal amount of the Cuckoo blacklist accounts, as well as impairment of property, plant and equipment of RM0.935 million in the current quarter.

14. Other Income / Expenses

	Current Quarter	Preceding year Corresp'g quarter
	RM' 000	RM' 000
Interest income	58.2	68.2
Other income / (Expenses)	378.02	209.6
Changes in (Provision for)/recovery of doubtful debts	1.0	-
Gain/ (loss) on disposal of Fixed assets	-	-
Changes in (Provision for)/recovery of Stocks	-	-

The other income in the current quarter includes a capital gains of RM0.143 million pursuant to the disposal of Homeplus Furniture Sdn Bhd.

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 30 Jun 2024
	RM' 000
Tax effect of	
Timing difference between excess of capital allowance over accumulated depreciation on property, plant & equipments	3,004
Timing difference on taxability of interest / service income recognition	2,514
Total	5,518

16. Group Borrowings

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

	As at 2 nd 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	-	2,212	-	1,633	-	3,845
Unsecured	-	-	-	-	-	-

	As at 2 nd 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	-	2,653	-	3,601	-	6,254
Unsecured	-	-	-	-	-	-

Notes to Quarterly Reports (cont'd)

b) Group net gearing or net cash position

	Current Quarter	Preceding year Corresp'g quarter
	RM' 000	RM' 000
Total borrowings	(3,845)	(6,254)
Cash	19,534	17,673
Net (Borrowings)/ Cash	15,689	11,419
Net Assets	76,517	68,981
Net Gearing Ratio	Net cash	Net cash

Commentaries on Group Borrowings and Debt Securities

- i) Total borrowings decreased from RM6.254 million to RM3.845 million against previous year corresponding quarter due to positive cashflow from operations.
- ii) The net cash position increased to RM15.689 million in Q2 of 2024 from RM11.419 million in previous year corresponding quarter due to positive cashflows from operations.
- 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
3,845

18. Financial Instruments under MFRS 139

As at 30 Jun 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	-	(1,968.5)	(1,948.8)	19.7
	Total		(1,968.5)	(1,948.8)	19.7

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 from 36 up to 84 months and the Group would recognize profit spreading over the period.

Notes to Quarterly Reports (cont'd)

For the period under review, the Group took an impairment of approximately RM2.0 million on trade receivables and provision for expected credit loss of RM0.023 million pursuant to the Cuckoo Napure rental sales.

21. Related Party Transactions

Sales to Rezttec Industries Sdn Bhd of RM1.988 million for the half year period under review.

22. Material Impairment of Assets

There is an impairment of RM0.935 million for PPE 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.
- 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 20% 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 Aug 2024.

25. Dividend

For FY 2023, the Board proposed an interim dividend of 3.5 sen per ordinary shares amounting to approximately RM5.65 million. The Board also proposed a special interim share dividend by distributing the treasury shares on a basis of 1 for every 25 existing ordinary 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.

Notes to Quarterly Reports (cont'd)
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 251,653,024 in issue (net of treasury shares). The number of ordinary shares has been increased pursuant to the bonus issue of one share for every two ordinary shares which was completed in Jun 2024.

	YTD ended 30 Jun 2024
	RM' 000
Profit attributable to ordinary equity holders of the parent	5,825
No of Ordinary shares of RM0.10 each (net of treasury shares)	251,653
Net EPS - Basic (sen)	2.31
Net EPS – Diluted (sen)	2.31

On Behalf of the Board

Dato' Eric Lee
Managing Director

27 Aug 2024