SPRING ART™

SPRING ART HOLDINGS BERHAD

COMPANY NO.: 201801016143 (1278159-A)

(Incorporated in Malaysia under the Companies Act 2016)

ANNUAL REPORT 2019

Furnishing your dream home

WHAT'S INSIDE?

OVERVIEW

BUSINESS REVIEW

CORPORATE GOVERNANCE AND FINANCIAL STATEMENTS

OTHERS

2nd ANNUAL GENERAL MEETING

29 June 2020

11.00 A.M

Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur.

Online Version

This Annual Report can also be downloaded as a PDF file or viewed in an Interactive format at www.springart.com or by scanning the QR code given with your smart device.

CORPORATE PROFILE

Spring Art Holdings Berhad ("Spring Art Holdings" or the "Company") was incorporated in Malaysia on 25 April 2018 under the Company Act 2016 ("the Act") as a public limited company. Spring Art Holdings was incorporated as a special purpose vehicle to facilitate the listing of its wholly-owned subsidiary, Spring Art Industries Sdn Bhd ("Spring Art") on the ACE Market of Bursa Securities ("ACE Market"). Currently, the issued share capital is RM54,753,941 and divided into 415,687,000 ordinary shares.

Spring Art Holdings through its wholly-owned subsidiary, Spring Art is principally involved in the manufacturing of ready-to-assemble furniture products, where it undertakes the design and development, manufacturing as well as marketing and sales of office furniture, bedroom furniture, living room furniture as well as other types of furniture with more than 20 years of operating history in the furniture industry.

Its ready-to-assemble furniture is sold unassembled in flat pack format that include assembly instructions for the end consumer. Spring Art supplies its ready-to-assemble furniture products to distributors, furniture showroom retailers, home furnishing chain store and e-commerce companies from 35 countries such as India, United Arab Emirates ("UAE"), Saudi Arabia, Canada and Bahrain. The Company's revenue was mainly derived from overseas market.

Spring Art's ready-to-assemble furniture products comprise:

Office furniture

Furniture for office use such as office workstations, filing cabinets and pedestals.

Living room furniture

Furniture for living room use such as computer desks, television consoles, sideboards, shoe cabinets, bookshelves and drawer chests.

Bedroom furniture

Furniture for bedroom use such as beds, night stands, wardrobes, dressing tables, dressing stools and study desks.

Other furniture

Customised complementary furniture products manufactured as and when ordered by customers, such as dining tables and kitchen cabinets.

CORPORATE PROFILE

Spring Art's business activities at each stage of the furniture industry value chain can be described as below:

Design and development
- Conceptualise and produce design blueprints of furniture products
- Develop prototypes for testing prior to full scale manufacturing

Manufacturing
- Material procurement
- Manufacture of furniture products

Marketing and sales
- Develop and implement brand activities as well as promotional strategies
- Sales efforts to secure sales orders from customers

We are highly committed to our clients while protecting and promoting the business interests of Spring Art Holdings and its wholly-owned subsidiary (the "Group") to maximize shareholders value's.

OUR MISSION

Enhancing the lifestyle of people

OUR VISION

To establish a strong brand as a leading furniture manufacturer

CORE VALUES

PERSISTENT

People	We expect our people to approach everything with fire in their belly and never give up on doing what they believe is right.	**Safety**	We stress on the safety in workplace to ensure the health safety and welfare at work of employees.
Emphasis	We place high emphasis on products' quality to enhance customer satisfaction.	**Technology**	We focus on technology development to drive towards Industry 4.0 Malaysia.
Respect	We respect for and openness to cultures, views and opinions different from one's own.	**Efficiency**	We highlight on production efficiency to derive better cost management across all functions.
Sensitivity	We maintain a sensitivity to customers' needs to become more 'agile' and more responsive to customers.	**Notability**	We build our company's identity and notability to catch attention of new customers.
Innovation	We are committed to research, development, and innovation to understand customers and markets demand.	**Teamwork**	We believe teamwork enables ordinary people to achieve extraordinary things.

CORPORATE STRUCTURE

SPRING ART
HOLDINGS BERHAD

100%

SPRING ART
INDUSTRIES SDN BHD

CORPORATE INFORMATION

BOARD OF DIRECTORS

Haji Ismail Bin Tunggak
Independent Non-Executive Chairman

Lim Kok Eng
Managing Director

Kwan Chian Poh
Executive Director

Law Sang Thiam
Independent Non-Executive Director

Tan Meng Loon
Independent Non-Executive Director

AUDIT COMMITTEE

Law Sang Thiam *(Chairman)*
Haji Ismail Bin Tunggak *(Member)*
Tan Meng Loon *(Member)*

NOMINATION COMMITTEE

Tan Meng Loon *(Chairman)*
Law Sang Thiam *(Member)*
Haji Ismail Bin Tunggak *(Member)*

REMUNERATION COMMITTEE

Haji Ismail Bin Tunggak *(Chairman)*
Law Sang Thiam *(Member)*
Tan Meng Loon *(Member)*

COMPANY SECRETARIES

Ng Mei Wan (MIA 28862)
Tan Hui Khim (LS 0009936)

REGISTERED OFFICE

No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr Ismail 1, Jalan Bakri
84000 Muar, Johor Darul Ta'zim
Telephone number : +606-954 1705
Fax number: +606-954 1707
Email address: lsca-muar@lsca.com.my

HEAD/MANAGEMENT OFFICE

Lot PLO 49
Jalan Rami 4
Kawasan Perindustrian Bukit Pasir
84300 Bukit Pasir
Muar, Johor Darul Ta'zim
Telephone number : +606-985 9971
Fax number : +606-985 9972
Email address : info@springart.com
Website : www.springart.com

AUDITORS

Grant Thornton Malaysia PLT
(Member Firm of Grant Thornton International Ltd)
Chartered Accountants
Suite 28.01, 28th Floor
Menara Zurich
No.15, Jalan Dato' Abdullah Tahir
80300 Johor Bahru
Johor Darul Ta'zim
Telephone number : +607-332 8335
Fax number : +607-332 2268

PRINCIPLE BANKERS

HSBC Bank Malaysia Berhad
HSBC Amanah Malaysia Berhad
Hong Leong Bank Berhad
Public Bank Berhad
Public Islamic Bank Berhad
AmBank Islamic Berhad
United Overseas Bank (Malaysia) Berhad

SOLICITORS

Ben & Partners
Advocates & Solicitors
7-2, Level 2, Block D2
Dataran Prima
Jalan PJU 1/39
47301 Petaling Jaya, Selangor
Telephone number : +603-7805 2922
Fax number : +603-7805 3922

Soh Yok Lam & Co.
Advocates & Solicitors
No. 23, Ground Floor
Jalan Majidi
84000 Muar
Johor Darul Ta'zim
Telephone number : +606-952 5441
Fax number : +606-951 7233

PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT

M&A Securities Sdn Bhd
Level 11, No. 45 & 47, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone number : +603-2284 2911
Fax number : +603-2284 2718

SHARE REGISTRAR AND ISSUING HOUSE

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone number : +603-2783 9299
Fax number : +603-2783 9222

STOCK EXCHANGE LISTING

ACE Market of the Bursa Malaysia Securities Berhad
Stock Name: SPRING
Stock Code: 0216

SPRING ART IN THE NEWS

17. 10. 2019

每股售25仙 室特雅IPO筹2442万

M&A Securities is underwriter for Spring Art IPO

PETALING JAYA: Spring Art Holdings Bhd has signed an underwriting agreement with M&A Securities Sdn Bhd for its initial public offering (IPO) exercise on the ACE Market of Bursa Malaysia.

The ready-to-assemble furniture products designer and manufacturer is scheduled to be listed by November.

It said in a statement that M&A Securities will underwrite a total of 24.94 million new shares made available for the Malaysian Public and its eligible directors and employees as well as persons who contributed to the success of Spring Art.

The IPO exercise involves the issuance of 97.69 million new shares representing about 23.5% of its enlarged share capital.

推招股书 每股25仙

室特雅上市筹 2442 万

Spring Art to use IPO proceeds for capacity expansion

邁向工業4.0機械化生產

SpringArt首募股 料籌2442萬

Spring Art to raise RM24.42 million from IPO

KUCHING: Ready-to-assemble furniture products designer and manufacturer Spring Art Holdings Bhd (Spring Art) expects to raise RM24.42 million under its proposed listing on the ACE Market of Bursa Malaysia Securities Bhd (Bursa Securities) tentatively on November 8 this year.

The company plans to use RM17.55 million or 71.9 per cent raised from the initial public offering (IPO) to acquire new machinery to set up two additional production lines for its new manufacturing factory, Factory C.

The company will further utilise RM3.67 million for general working capital requirements

Spring Art 下月掛牌馬股 籌資2442萬買新機器

（吉隆坡17日讯）柔佛州的家具生产商Spring Art控股将于下月8日挂牌马股创业板，以筹集2442万令吉扩展业务至北美及欧洲市场。

从首发股集得的2442万令吉中，1755万令吉或71.9%将用于购买新机器，并在新制造工厂上（工厂C）建立两条额外生产线；另有367万令吉（15%）为营运资金，其余320万令吉（13.1%）为上市开销。

Spring Art控股董事经理林国荣在招股书推介礼后指出，新工厂预计于2022年7月开始运营，届时产能将倍增，可迎合北美和欧洲市场不断增长的需求。

"我相信我们将从（贸易战）中获益，因为来自美国的询问不断，且我们也与一些有兴趣与我们一起开发产品的客户保持联系。"

目前，该公司拥有3家工厂及6条生产线，总产量为每年33万7016件家具。除了层压活动，该公司的生产全在麻坡制造厂进行。

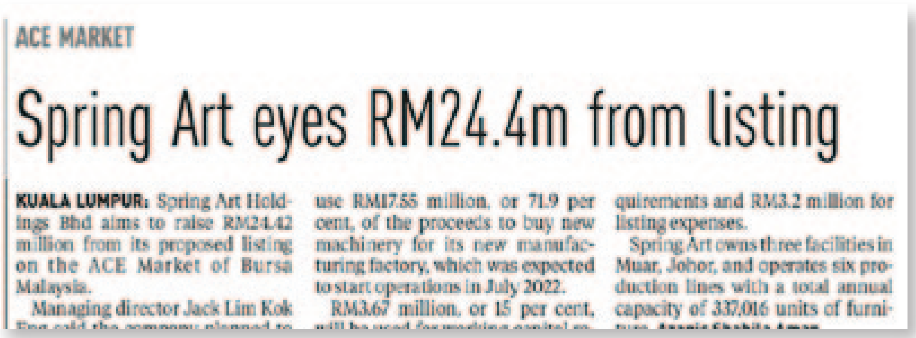
Spring Art控股的产品完全出口至西

HOME BUSINESS

M&A Securities to underwrite Spring Art's ACE Market IPO

Spring Art to raise RM24m from ACE Market

SPRING ART IN THE NEWS



ACE MARKET

Spring Art eyes RM24.4m from listing

KUALA LUMPUR: Spring Art Holdings Bhd aims to raise RM24.42 million from its proposed listing on the ACE Market of Bursa Malaysia.

Managing director Jack Lim Kok

use RM17.55 million, or 71.9 per cent, of the proceeds to buy new machinery for its new manufacturing factory, which was expected to start operations in July 2022.

RM3.67 million, or 15 per cent,

quirements and RM3.2 million for listing expenses.

Spring Art owns three facilities in Muar, Johor, and operates six production lines with a total annual capacity of 337,016 units of furni-

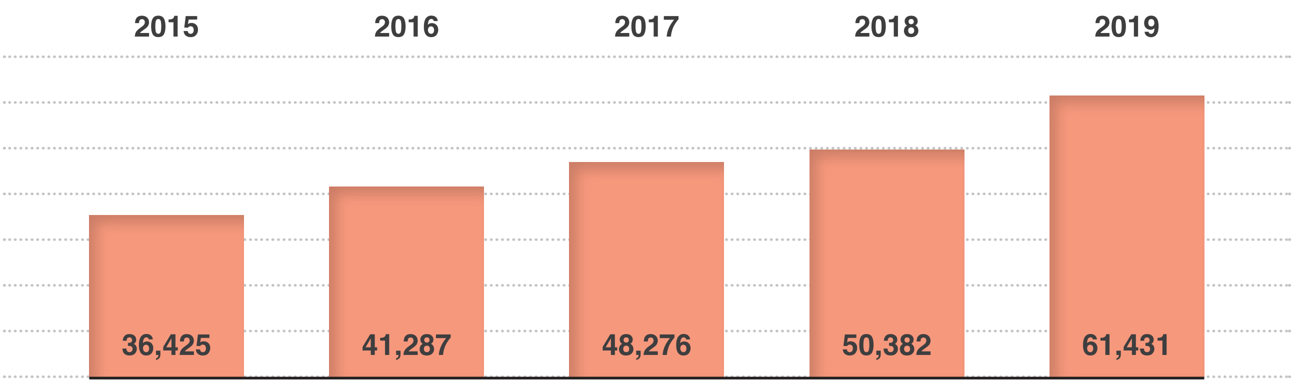
Spring Art jangka IPO jana RM24.42 juta

Furniture maker Spring Art to expand manufacturing capacity

KEY FINANCIAL HIGHLIGHTS

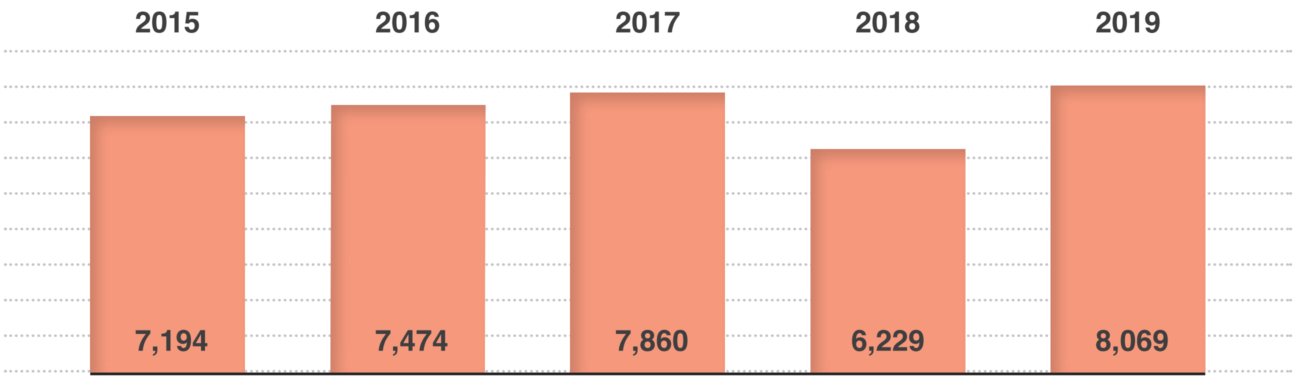
Five Years Financial Highlights	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
REVENUE	61,431	50,382	48,276	41,287	36,425
PROFIT BEFORE TAX	10,442	8,433	10,142	9,594	8,104
PROFIT AFTER TAX	8,069	6,229	7,860	7,474	7,194
NET ASSETS	63,997	36,053	26,811	18,951	17,276
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS	8,069	6,229	7,860	7,474	7,194
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE ('000)	185,446	500	500	500	500
EARNINGS PER SHARE (EPS) (sen)	4.35	1,245.45	1,571.98	1,494.89	1,438.75
NET ASSETS PER SHARE (sen)	0.15	72.11	53.62	37.90	34.55

REVENUE (RM'000)

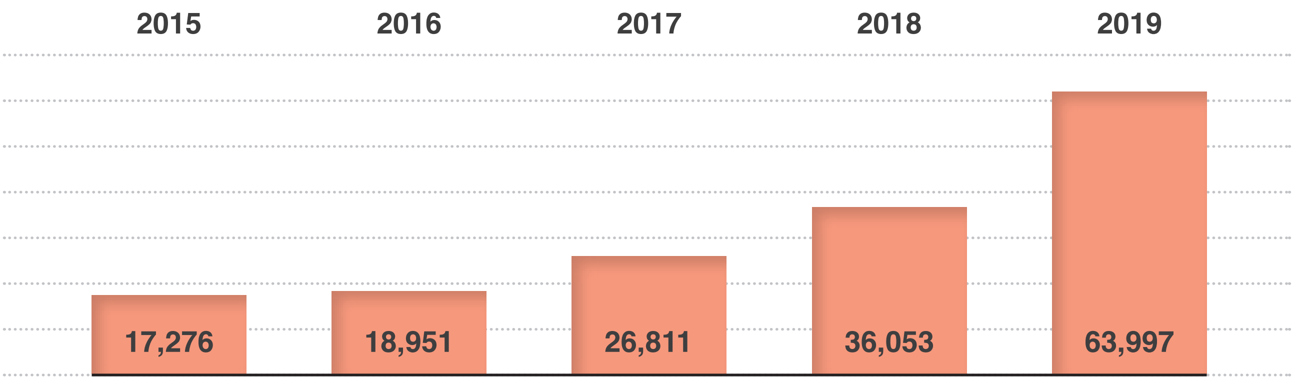


KEY FINANCIAL HIGHLIGHTS

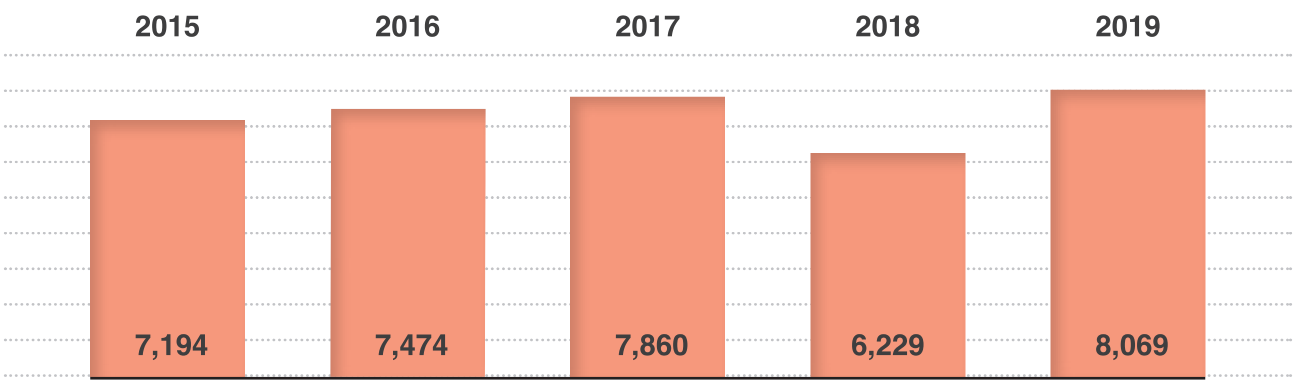
PROFIT AFTER TAX (RM'000)



NET ASSETS (RM'000)



NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (RM'000)



DIRECTORS' PROFILE

HAJI ISMAIL BIN TUNGGAK*

Gender
Male

Age
70

Nationality
Malaysian

Position
Independent Non-Executive Chairman
Chairman of Remuneration Committee
Member of Audit Committee
Member of Nomination Committee

Haji Ismail Bin Tunggak completed High School Certificate in Sekolah Menengah Kebangsaan Tinggi Batu Pahat, Johor in 1970. He was appointed to our Board on 19 November 2018.

In 1970, he started working in his family's grocery business, where he worked as a helper. In 1972, he left his family's grocery business and joined the Johor Bahru branch of Postal Services Department (now known as POS Malaysia & Services Holdings Berhad) as a Cashier. In 1976, he was promoted to the Head of Branch in Bukit Tangkak. In 1976, he was transferred to Sungai Mati as Head of Branch. As Head of Branch, he was in-charge of overseeing the entire operations of these respective branches.

In 1987, he resigned from the Postal Services Department (now known as POS Malaysia & Services Holdings Berhad). He was subsequently appointed as the Penghulu of Mukim Sri Menanti from 1987 to 1997, the Penghulu of Mukim Tangkak from 1997 to 2000, and the Penghulu of Mukim Parit Bakar from 2000 to 2007. In addition, he was appointed as a committee member of the National Anti-Drug Agency from 2000 to 2005.

Haji Ismail Bin Tunggak sat on the Board of SWS Capital Berhad as an Independent Non-Executive Director from 2003 to 2016.

Haji Ismail Bin Tunggak sat on the Board of Muar Ban Lee Group Berhad, a company listed on the Main Market of Bursa Securities as an Independent Non-Executive Director from 2009 to February 2019.

He presently holds directorship in a number of private limited companies.

He has no family relationship with any other Director or major shareholder of the Company.

LIM KOK ENG*

Gender
Male

Age
54

Nationality
Malaysian

Position
Managing Director

Lim Kok Eng is responsible for our Group's strategic planning as well as overseeing the overall operations for Spring Art. He was appointed to our Board on 19 November 2018.

He graduated with Bachelor of Business Administration from Fu Jen Catholic University, Taipei, Taiwan in 1989. He has more than 20 years of experience in the furniture industry encompassing design and development, manufacturing as well as marketing and sales of furniture products.

Upon graduation, he started his career in 1989 in Spring Circle Computer Inc, Taiwan as an Export Sales Coordinator where he was responsible for the sales of computers and computer hardware in the European and Asian markets. In 1991, he left Spring Circle Computer Inc, Taiwan and returned to Malaysia. In 1992, he incorporated Deltaspring Computer Sdn Bhd together with other shareholders to sell personal computers to retail customers. In addition to selling personal computers, he also sells computer desks. He disposed his equity stake in Deltaspring Computer Sdn Bhd in 1997 and ceased to be a shareholder.

In 1996, Lim Kok Eng together with his wife, Kwan Chian Poh incorporated Spring Art Marketing Sdn Bhd to pursue opportunities in the furniture business. They started their business by way of trading and distributing ready-to-assemble computer desks in Muar, Johor. In 1999, Spring Art Marketing Sdn Bhd's name was changed to Spring Art Industries Sdn Bhd to reflect its manufacturing activities.

Save for our Group, he does not hold any directorships in any other public listed companies.

He presently holds directorship in a number of private limited companies.

DIRECTORS' PROFILE

KWAN CHIAN POH

Gender
Female

Age
52

Nationality
Malaysian

Position
Executive Director

Kwan Chian Poh is responsible for the purchasing, design, development and QC functions of Spring Art. She was appointed to our Board on 19 November 2018.

She completed Sijil Tinggi Persekolahan Malaysia in Institute Maharani, Muar in 1988. She has more than 20 years of experience in the furniture industry encompassing design and development, manufacturing as well as marketing and sales of furniture products.

In 1989, Kwan Chian Poh started her career in Customer Support in Zhang Tai Computer Sdn Bhd in the software department. She left Zhang Tai Computer Sdn Bhd in 1991. In 1992, she joined Panaaudio Industries Sdn Bhd as an Accounts Clerk where she was responsible for preparation of the accounts of the company. In 1995, she left Panaaudio Industries Sdn Bhd to set up Simple Software House, a sole proprietorship, to sell computers and computer parts to retail customers.

In 1996, Kwan Chian Poh and her husband, Lim Kok Eng incorporated Spring Art Marketing Sdn Bhd to pursue opportunities in the furniture business. In 1999, Spring Art Marketing Sdn Bhd's name was changed to Spring Art Industries Sdn Bhd to reflect its manufacturing activities.

Save for our Group, Kwan Chian Poh does not hold any directorships in any other public listed companies.

She presently holds directorship in a number of private limited companies.

LAW SANG THIAM

Gender
Male

Age
44

Nationality
Malaysian

Position
Independent Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee

Law Sang Thiam graduated with Bachelor of Accounting from the University of Malaya in 2000. He is a member of Malaysian Institute of Accountants since 2003 and Malaysian Institute of Certified Public Accountants since 2004. He has over 18 years of experience in audit and assurance, tax and advisory, as well as corporate advisory services. He was appointed to our Board on 19 November 2018.

Upon graduating, he joined Messrs Arthur Andersen & Co in 2000 as an Audit Assistant where he was responsible for audit assignments of the firm's clients. In 2002, he left Messrs Arthur Andersen & Co and joined Messrs Ernst & Young as an Audit Associate where he was involved in audit assignments of companies in various industries as well as facilitating clients in corporate exercises such as initial public offering, secondary listing and merger and acquisition in the capacity of reporting accountant for the aforementioned corporate exercises.

In 2016, he left Messrs Ernst & Young and established an accounting firm, namely Messrs Ivan Law & Co where he is presently the Managing Partner. In 2017, he established a tax advisory firm, namely Messrs Taxavenue Advisory PLT where he is presently a Managing Partner.

He has no family relationship with any other Director or major shareholder of the Company.

DIRECTORS' PROFILE

TAN MENG LOON

Gender
Male

Age
35

Nationality
Malaysian

Position
Independent Non-Executive Director
Chairman of Nomination Committee
Member of Remuneration Committee
Member of Audit Committee

Tan Meng Loon graduated with Bachelor of Law (Hons) from University of Liverpool, United Kingdom in 2007. He was admitted as an Advocate and Solicitor of High Court of Malaya in 2009. He was appointed to our Board on 19 November 2018.

In 2008, he chambered under Messrs Gooi & Azura and was retained as a litigation lawyer in the areas of civil and criminal litigation as well as conveyancing matters. In 2011, he left Messrs Gooi & Azura and joined Messrs K.H. Tan & Co as a partner where he handled various litigation and conveyancing matters.

In 2012, he left Messrs K.H. Tan & Co and established Messrs Alan Tan & Associates where he is presently the Managing Partner. Since the establishment of Messrs Alan Tan & Associates, he has been representing individual and corporate clients in the areas of litigation, conveyancing, employment and corporate governance.

He presently holds directorship in a number of private limited companies.

He has no family relationship with any other Director or major shareholder of the company.

Additional Information

Conflict of Interest
None of the Directors has any conflict of interest with the Company.

Conviction of offence
None of the Directors has been convicted of any offence within the past 10 years other than trafic offence.

* Director who are standing for re-election.

KEY MANAGEMENT'S PROFILE

TEO MIOW LOO

Chief Financial Officer

Aged 39 I Female I Malaysian

Teo Miow Loo is responsible for managing our Group's finances, including financial planning, financial reporting and administration.

She graduated with Bachelor of Accounting from the University of Malaya in 2006. She is a member of Malaysian Institute of Accountants since 2010. She has over 14 years of experience in internal control matters, cost management as well as financial reporting.

Upon graduation, Teo Miow Loo joined Messrs Pricewater houseCoopers in 2006 as an Audit Associate. During her tenure in PricewaterhouseCoopers, she was involved in audit assignments of companies in various industries as well as assisting clients in corporate exercises such as initial public offering in the capacity of reporting accountant. In 2009, Teo Miow Loo left Messrs PricewaterhouseCoopers and joined Micron Semiconductor Malaysia Sdn Bhd as an Accountant where she was responsible for internal control matters and management costing.

In 2011, she left Micron Semiconductor Malaysia Sdn Bhd as Senior Accountant and joined SWS Capital Berhad as Group Financial Controller. In 2016, she was re-designated as Chief Financial Officer and was appointed as an Executive Director in 3 subsidiaries in SWS Capital Berhad, namely SWS Industries Sdn Bhd, U.D. Panelform Sdn Bhd and U.D. Wood Products Sdn Bhd. She was responsible for the overall operations in the finance department for all the subsidiaries of SWS Capital Berhad. In addition, she was involved in overseeing the manufacturing operations in the aforementioned 3 subsidiaries.

In January 2018, she left SWS Capital Berhad and its related companies and joined our Group as Chief Financial Officer in February 2018.

PETER TEO SWEE CHYANG

Production Manager

Aged 45 I Male I Malaysian

Peter Teo Swee Chyang is responsible for managing the production and maintenance operations of our Group.

He finished his primary education in Sekolah Jenis Kebangsaan (C) Yu Jern in Muar, Johor, in 1987. He has over 32 years of experience in furniture manufacturing.

Between 1988 and 1997, he assisted in his family's furniture manufacturing business. In 1997, he joined Poh Huat Woodwork (M) Sdn Bhd as a Production Operator. He was promoted to Production Supervisor in 2000 where he was responsible for overseeing the cutting department.

In 2006, he left Poh Huat Woodwork (M) Sdn Bhd and worked as a freelance cabinet installer until 2008.

In 2008, he joined Spring Art as a Production Supervisor. He was promoted to Production Controller in 2009 and subsequently to Production Manager in 2018.

KEY MANAGEMENT'S PROFILE

LOO SOON CHUAN

Marketing Manager

Aged 55 | Male | Malaysian

Loo Soon Chuan is responsible for marketing and sales functions of our Group's furniture products.

He graduated with Bachelor of Management with Honours from Universiti Sains Malaysia in 1992.

Upon graduation, he joined D&C Bank in 1992 as a Credit Officer. He left D&C Bank in 1994 and subsequently joined Public Bank Berhad in 1995 as a Credit Officer. In 1996, he left Public Bank Berhad and joined T.A. Furniture Industries Sdn Bhd as a Human Resource Administrator. In 1998, he was then transferred to the Marketing Department and took on the role of Marketing Manager where he managed the marketing and sales activities of furniture products. In 2006, he left T.A. Furniture Industries Sdn Bhd and joined Mountrose (Malaysia) Sdn Bhd as Marketing Manager where he was responsible for managing the company's marketing and promotional activities.

In 2016, he left Mountrose (Malaysia) Sdn Bhd and joined Spring Art as a Marketing Manager.

LIM VIVIAN

Assistant Purchasing Manager

Aged 32 | Female | Malaysian

Lim Vivian is responsible for the purchasing and storage of raw materials for our Group.

She graduated with an International Diploma in Business Management from Camford International College, Singapore in 2010.

Upon graduation, she joined Spring Art in 2010 as a Purchasing Assistant where she was involved in scheduling material purchases from suppliers. In 2014, she was promoted to Purchasing Executive. In January 2017, she was promoted to Assistant Purchasing Manager where her responsibilities include sourcing new suppliers and ensuring the preparation and processing of purchasing orders in accordance with Spring Art's policies and procedures.

AHMAD MAHDZIR BIN JOFFRI

Assistant Design, Development and Quality Control Manager

Aged 41 | Male | Malaysian

Ahmad Mahdzir Bin Joffri is responsible for overseeing the design, development and QC activities of our Group's furniture products.

He completed his Sijil Pelajaran Malaysia in Sekolah Menengah Paduka Tuan, Segamat, Johor in 1996.

Upon completing secondary school, he took on several part time jobs between 1996 and 1999. In 1999, he joined Banhong Furniture Industries Sdn Bhd as a machine operator. In 2000, he decided to further his studies at Institut Kemahiran Belia Negara Jitra, Kedah. He completed the Latihan Kemahiran Jurusan Pembuat Perabot dan Hiasan Dalaman at Institut Kemahiran Belia Negara Jitra in 2001.

He then joined LY Furniture Sdn Bhd in 2002 as an Assembly Operator. In 2003, he resumed his studies at Majlis Latihan Vokasional Kebangsaan Malaysia and completed the Program Persijilan Kemahiran Kebangsaan (SKM) Dalam Bidang Pelukis Pelan Senibina in 2005. He subsequently joined Shantawood Manufacturing Sdn Bhd as Draughtsman where he was responsible for technical drawings of wooden furniture produced by the company.

In 2008, he left Shantawood Manufacturing Sdn Bhd and joined Spring Art as Draughtsman where he was responsible to produce design blueprints of wooden furniture. In 2016, he was promoted to the position of Design and Development Executive where he participated in Spring Art's design and development activities. In January 2017, he was promoted to Assistant Design, Development and Quality Control Manager.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

Dear Shareholders,

It is my pleasure to present the Annual Report of Spring Art Holdings Berhad ("Spring Art Holdings" or the "Company") for the financial year ended 31 December 2019 (FYE 2019).

A REMARKABLE YEAR

The Initial Public Offering ("IPO") was certainly a monumental milestone for the Company. On 8 November 2019, Spring Art Holdings was successfully listed on the ACE Market of Bursa Malaysia Securities Berhad. The IPO raised total proceeds of RM24.42 million for the Company from the Public Issue of 97.69 million new shares at an issue price of RM0.25 per share.

Amidst a challenging economic environment, we capitalised on the increasing demand for bedroom furniture and living room furniture to spur the growth in our sales of ready-to-assemble furniture products. Spring Art Holdings and its wholly-owned subsidiary (the "Group") continued to perform strongly as evident by the impressive financial result, which is a testament to our ability to offer products that meet the requirements of our customers.

I am pleased to state that we achieved commendable results for the year under review despite the challenging economy. We are determined to build on the upbeat momentum and to further strengthen our revenue growth and healthy returns to all our loyal shareholders.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

OPERATING ENVIRONMENT

The demand for Malaysian furniture products is expected to further grow on the back of a global growth in population, urbanization, disposable incomes and real estate. An increase in furniture demand globally signifies growth opportunities for the furniture industry in Malaysia, as consumers may opt to purchase imported furniture due to factors such as product pricing, design and quality.

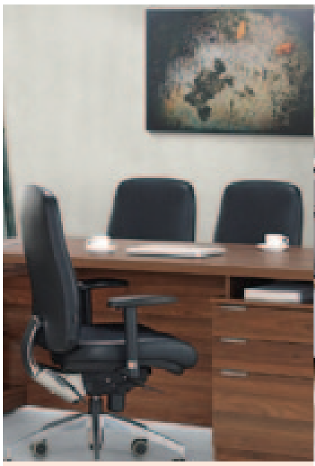
In line with the increasing furniture demand globally, demand for Malaysian furniture products has also increased globally, as depicted by Malaysia's growth in furniture exports.

Between 2010 and 2018, Malaysia's furniture exports increased from RM8.0 billion to RM9.8 billion at a Compounded Annual Growth Rate of 2.7%. Malaysia primarily exported its furniture to the US in 2018, where Malaysia's furniture exports to the US formed approximately 35.4% (RM3.5 billion) of Malaysia's total furniture exports that year. This was followed by Singapore 8.1% (RM797.5 million), Japan 7.6% (RM742.8 million), Australia 6.5% (RM641.5 million), and the United Kingdom 4.5% (RM443.9 million). The rising demand for Malaysian furniture products globally will continue to boost the furniture industry in Malaysia.

The implementation of plans, policies and initiatives such as Export Furniture Exhibition, Malaysian Furniture & Furnishings Fair and Malaysian International Furniture Fair by the Government and various trade bodies has helped propel the furniture industry in Malaysia. These initiatives may boost the country's furniture industry in terms of labour supply as well as global recognition.

BUSINESS OPERATIONS

Our Group's revenue is mainly derived from sales of ready-to-assemble furniture products which consist of:



Office furniture

such as office workstations, filing cabinets and pedestals.

Bedroom furniture

such as beds, night stands, wardrobes, dressing tables, dressing stools and study desks.

Living room furniture

such as computer desks, television consoles, sideboards, shoe cabinets, bookshelves and drawer chests.

Other furniture

which includes customised complementary furniture products manufactured as and when ordered by customers, such as dining tables and kitchen cabinets.

Our ready-to-assemble furniture is sold unassembled in flat pack format that include assembly instructions for the end consumer. Spring Art supplies its ready-to-assemble furniture products to distributors, furniture showroom retailers, home furnishing chain store and e-commerce companies from 35 countries such as India, Japan, UAE, Saudi Arabia, Canada and Bahrain.

Our revenue is generated entirely from overseas sales and the currency used in invoicing is USD and SGD. Approximately 99.5% of our revenues were denominated in USD for FYE 2019 with the remainder denominated in SGD.

BUSINESS OPERATIONS (CONT’D)

To date, Spring Art owns three facilities and operate six production lines with a total annual production capacity of 337,016 units of furniture. Currently, our manufacturing processes, save for lamination activities, are carried out at our manufacturing factories located in Muar, Johor.

We recognize that innovation and continuous improvement are pivotal to remain competitive in the furniture business. Thus, we will continue to focus on our design and development efforts to expand our product range.

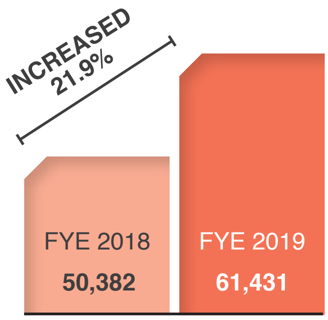
We aim to expand our product range by releasing four new collections annually, with a focus on living room furniture and bedroom furniture every year, to appeal to changing consumer preferences. With our design and development capabilities, we believe that our variety of choice in product range will contribute to increased sales for our Group.

FINANCIAL PERFORMANCE REVIEW

1. ANALYSIS OF FINANCIAL RESULTS AND FINANCIAL CONDITION

- **REVENUE**

For FYE 2019, our Group’s overall revenue increased by 21.9% to RM61.4 million as compared to RM50.4 million recorded in FYE2018. Total sales volume for the financial year under review increased by 14.0%.



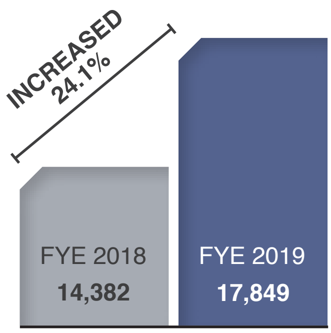
OVERALL REVENUE
(RM’000)

The revenue from bedroom furniture and living room furniture contributed 89.3% of our Group’s revenue for the financial year under review and 87.7% of total sales volume. Sales volume for bedroom furniture increased by 28.9% and living room increased by 46.0% while sales volume for office furniture decreased by 45.0%.

Overall, our revenue growth was a result of higher sales volume from repeat sales orders made by existing`customers by 53.8% as compare to the previous financial year as well as the favourable foreign exchange rate derived from our export sales. Sales volume increased from 311,894 units in FYE2018 to 355,510 units in FYE 2019, mainly due to increase in bedroom furniture from 189,417 units in FYE2018 to 244,238 units in FYE 2019 and increase in living room furniture from 46,316 units in FYE2018 to 67,616 units in FYE 2019. In FYE 2019, we experienced sales growth in Saudi Arabia of RM11.7 million or 145.3% as well as in Bahrain of RM0.4 million or 10.6% mainly due to increase in sales to RNA Resources Group Ltd. However, sales to Japan decreased by RM1.3 million or 40.5% mainly due to decrease in orders from Nitori Co Ltd.

- **COST OF SALES, GROSS PROFIT (GP) AND GROSS MARGIN**

Our Group’s cost of sales increased by RM7.6 million or 21.1% from RM36.0 million in FYE2018 to RM43.6 million in FYE 2019. This increase was mainly attributable to the increase in direct materials cost of RM7.5 million or 27.4%, direct labour cost of RM1.2 million or 27.1% and production overheads cost of RM0.6 million or 15.0%.



OVERALL GROSS PROFIT
(RM’000)

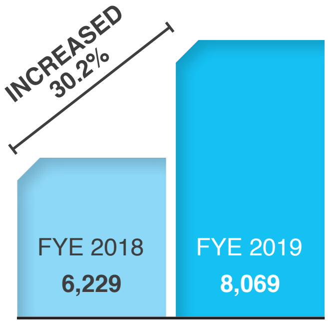
In FYE 2019, our GP increased by approximately RM3.5 million or 24.1% to RM17.9 million as compared to RM14.4 million in FYE2018 due to increase in sales volume for bedroom furniture, living room furniture and other furniture while sales volume of office furniture decreased.

Our overall GP margin recorded an improvement from 28.5% in FYE2018 to 29.1% in FYE 2019 mainly due to the favourable exchange rate in FYE 2019 and higher sales volume.

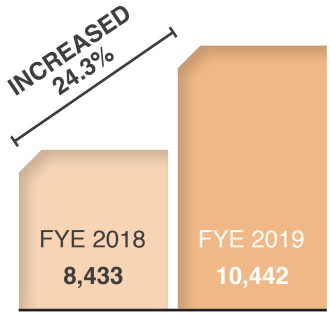
FINANCIAL PERFORMANCE REVIEW (CONT'D)

1. ANALYSIS OF FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

- **PROFIT BEFORE TAX (PBT) AND PROFIT AFTER TAX (PAT)**



OVERALL PROFIT AFTER TAX (RM'000)



OVERALL PROFIT BEFORE TAX (RM'000)

As a result of increase in revenue and GP, our PBT and PBT margin improved from approximately RM8.4 million and 16.7% for FYE2018 to approximately RM10.442 million and 17.0% for FYE 2019. Correspondingly, our PAT and PAT margin increased from approximately RM6.2 million or 12.4% for FYE 2018 to approximately RM8.07 million and 13.1% in FYE 2019.

The effective tax rate was higher at 26.1% in FYE 2018 due to as certain expenses (such as realised exchange rate loss) are not allowed for tax deduction. We recorded a decrease in the effective tax rate to 22.7% in FYE 2019 as we qualified for tax allowance claimed from increased of export and also automation capital allowance.

- **TRADE RECEIVABLES**

As at 25 February 2020, all the outstanding trade receivables as at 31 December 2019 have been collected.

Our Group's normal trade terms are cash term and credit terms of up to 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness and quantum of amount owing. We use ageing analysis to monitor the credit quality of our trade receivables. All of our outstanding debts are closely monitored by our management personnel.

Our Group has not encountered any major disputes with our debtors and hence no allowance for impairment was provided for as there were no doubtful receivables outstanding for FYE 2019.

- **TRADE PAYABLES**

The normal trade terms granted to our Group by our suppliers are cash term and credit terms of up to 90 days.

As at 1 March 2020, approximately RM4.6 million or 99.1% of our Group's total trade payables as at 31 December 2019 have been paid.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

FINANCIAL PERFORMANCE REVIEW (CONT'D)

1. ANALYSIS OF FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

- **INVENTORIES**

Our Group's inventories consist of raw materials, goods in transit, packaging materials, work-in-progress and finished goods.

Our average inventory turnover period is approximately 2 months and we keep our inventories low as we manufacture on a 'made-to-order' basis. Our Group's inventory turnover period ranges from 64 days to 59 days from FYE 2018 to FYE 2019.

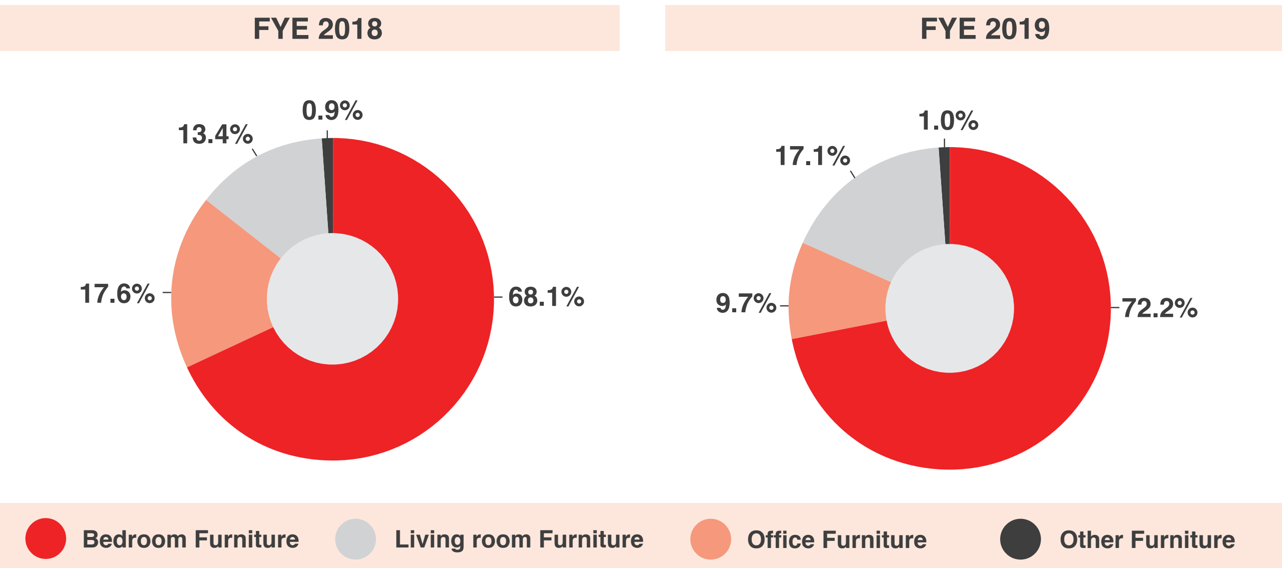
Our Group's raw materials mainly consist of boards (particle boards and MDF), metal components (screws, nuts and mounting brackets), PVC edges as well as packaging materials (corrugated cartons and packing tapes). Our Group's goods in transit are those imported boards which have left the shipping dock of the board supplier, but not yet reached our warehouse.

Our Group practices first-in-first-out basis in computing the cost of inventories, work-in-progress, and finished goods. The costs of raw materials include invoices value of goods purchased and expenditure incurred in acquiring the inventories. The cost of finished goods and work-in-progress comprises raw materials, direct labour and an appropriate proportion of production overhead.

As at 31 December 2019, the inventories of our Group amounting to approximately RM7.5 million.

2. REVIEW OF OPERATING ACTIVITIES

- **REVENUE BY PRODUCT CATEGORY**

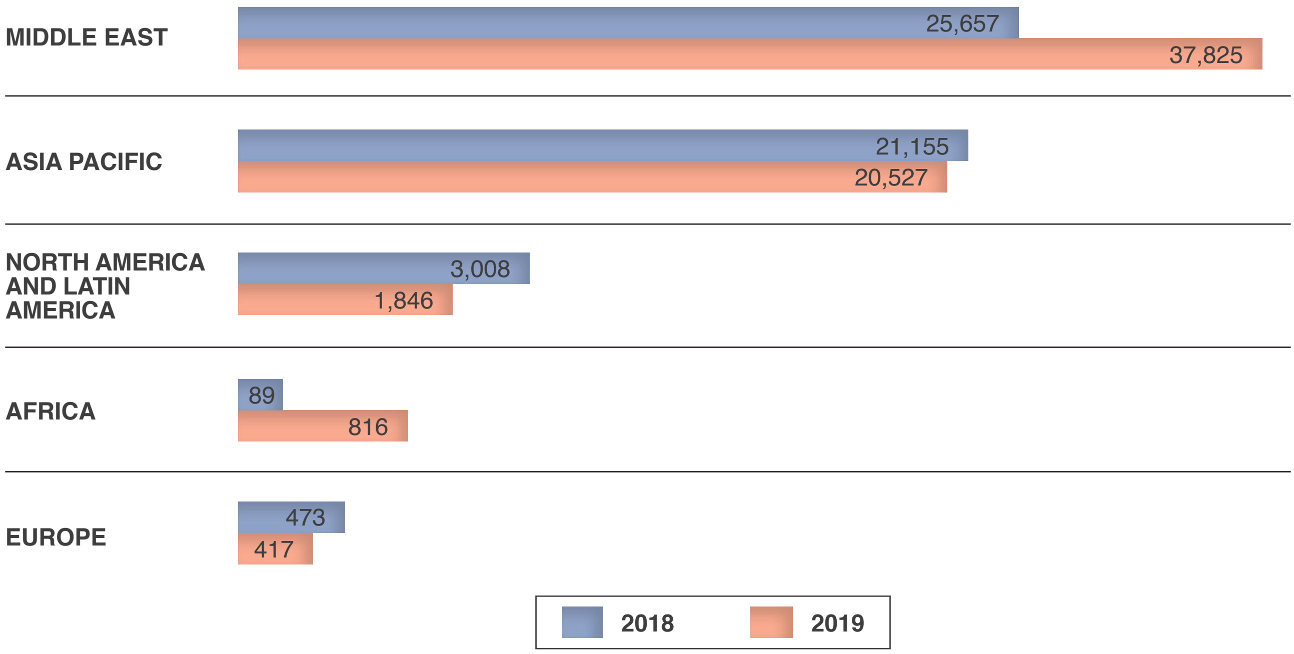


	FYE 2018		FYE 2019	
	%	RM'000	%	RM'000
Office furniture	17.6	8,846	9.7	5,968
Bedroom furniture	68.1	34,326	72.2	44,352
Living room furniture	13.4	6,766	17.1	10,533
Other furniture	0.9	444	1.0	578
	100.0	**50,382**	**100.0**	**61,431**

FINANCIAL PERFORMANCE REVIEW (CONT'D)

2. REVIEW OF OPERATING ACTIVITIES (CONT'D)

- **REVENUE BY REGION**



	FYE 2018		FYE 2019	
Region	**RM'000**	**%**	**RM'000**	**%**
Middle East	25,657	50.92	37,825	61.57
Asia Pacific	21,155	41.99	20,527	33.41
North America and Latin America	3,008	5.97	1,846	3.00
Africa	89	0.18	816	1.33
Europe	473	0.94	417	0.68
	50,382	**100**	**61,431**	**100**

RISKS OVERVIEW

- **FLUCTUATIONS IN FOREIGN EXCHANGE RATES**

Our revenue is denominated in USD and SGD as all of our furniture products are exported to foreign markets. Our export market comprises among others, UAE, India, Japan, Bahrain, Canada, Saudi Arabia and Singapore. Any significant change in foreign exchange rates may affect our Group's financial results.

We maintain foreign currency accounts arising from our sales to settle our purchases in foreign currency. Additionally, we also enter into foreign currency forward exchange contracts with banking institutions to sell the USD received from our customers at agreed exchange rates for fixed periods of time to reduce the exposure of our receivables.

RISKS OVERVIEW (CONT'D)

- **DEPENDENCE ON FOREIGN PRODUCTION WORKERS**

  We rely on foreign workers in our operations. Our foreign workers are primarily from Bangladesh and Nepal. As the standard of living in Malaysia improves over time, we have found it increasingly difficult to hire local production workers for our manufacturing operations. In addition, the costs of foreign labour may continue to increase in the future.

  Hence, we make continuous efforts to ensure that we carefully optimize our workforce at both administrative and production levels. To reduce the dependence on foreign production workers, our Group has implemented automation to our production processes where feasible.

- **VOLATILITY IN PRICES OF RAW MATERIALS**

  The prices of certain raw materials used in our manufacturing processes such as particle boards and MDF may fluctuate due to demand and supply conditions. As such, any shortage or disruption in the supply of raw materials which results in fluctuation in the prices of raw materials may adversely affect both our Group's operations and financial performance.

  With that in mind, we source our raw materials from multiple suppliers and our purchases are made upon receipt of confirmed orders from our customers. In this way, we would be able to minimize the impact of any material adverse price fluctuations.

FUTURE PLANS AND PROSPECTS

Going forward, the Group has put in place a series of future plans that are focused in expanding the Group's geographical footprint.

We plan to construct the new factory namely Factory C, with a total estimated factory built-up area of approximately 103,926 square feet to undertake the manufacturing of office furniture, bedroom furniture, living room furniture and other furniture for export to North America and Europe and for our existing customers.

We target to receive the conversion of land use and approval for building plan in July 2020 and thereafter commence the construction of Factory C. We target to commence operations in this new manufacturing factory in July 2022.

Further, we have allocated RM17.6 million from the proceeds of the IPO to acquire new machinery such as CNC panel saw machines, edge banding machines and CNC woodworking machines to set up two additional production lines in Factory C.

Currently, our total annual production capacity is 393,185 units, Factory C is expected to increase our annual capacity to reach a combined manufacturing capacity of approximately 674,000 units per annum.

Our Group has been focusing on export markets since 1998. Over the past FYEs, we exported our furniture products to 35 countries. Given our track record in penetrating these foreign markets, we will continue to focus on export markets to grow our business. We aim to further increase our presence in the North America and European markets.

In order to achieve this future plan, we intend to attend trade fairs in North America and Europe to increase the awareness of our products and to better understand the current market trends and developments in these regions.

In Response To Covid-19

The recent outbreak of Coronavirus Disease 2019 ("COVID-19") since end of year 2019 has seen significant cases increased worldwide which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysian Government imposed the Movement Control Order ("MCO") starting from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020. Consequently, these restrictions are expected to have material adverse effects on the Malaysia's economy for year 2020. The deterioration of world economy has also prompted additional uncertainties to the business of the Group in year 2020.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

In Response To Covid-19 (cont'd)

Amid the uncertainties, Management has taken precautionary measure as soon as possible to address the impact by postponing some investment plan such as the expansion of manufacturing facilities in existing factories. I am pleased that Management has also undertaken several changes to our operations and updated the health and safety procedures to further protect our employees. Nevertheless, I remain optimistic that, with the support of our staff, our management team and the Board, we will definitely get through this predicament and come out stronger.

DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. Any declaration of interim dividends and recommendation of final dividends are at the discretion of our Board and any final dividend proposed is subject to our shareholders' approval.

Upon listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to share in the profits of our Group while maintaining an optimal capital structure and ensuring sufficient funds are available for our future growth.

CORPORATE GOVERNANCE

The Board of Spring Art Holdings takes seriously on to values such as integrity, transparency and dedication, among others, high on our list of priorities. We also place much emphasis on corporate governance and are at all times looking to create the utmost value for our shareholders. The measures implemented are outlined further in our Statement on Corporate Governance, the Audit Committee Report and Statement on Internal Control found further in this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

The Group is mindful of the impact its operations have on society. The Group's key corporate social responsibility platforms continue to be in the areas of employees, stakeholders, the environment as well as the communities at large. We will continue to identify activities where our support can make a real difference.

APPRECIATION

In closing, I wish to extend my heartfelt gratitude to all my fellow Board Members who have contributed to the Group with their invaluable expertise and experience. My deepest gratitude also goes to the management and staff for their commitment and dedication throughout the years and to all our shareholders for their steadfast support and confidence in the Group. My sincere appreciation also goes to our business partners, clients, bankers and other associates for their continued support for the Group.

Tuan Haji Ismail bin Tunggak
Chairman

CORPORATE SUSTAINABILITY STATEMENT

CORPORATE SUSTAINABILITY STATEMENT

Spring Art Holdings Berhad is committed to enhancing stakeholder's long-term value and achieving the Group's sustainable growth by embedding the sustainability considerations in the business strategy and leverage sustainability to reduce risks and seeking of business opportunities at the same time.

SCOPE OF SUSTAINABILITY

This Sustainability Statement covers all subsidiaries of the Group, the scope of sustainability management shall apply to Spring Art Holdings Berhad and Spring Art Industries Sdn Bhd.

STAKEHOLDER ENGAGEMENT

SUPPLIERS

Focus Area

- Ensure sustainable supply of quality services and materials
- Ensure product quality and safety

Stakeholders Engagement Mode

- Regular visits
- Correspondences
- Supplier evaluation & appraisal
- Meeting and trade fairs

GOVERNMENT AND REGULATORS

Focus Area

- Compliance with relevant laws and regulations
- Standard and certification

Stakeholders Engagement Mode

- Correspondences
- Audit/inspection

EMPLOYEES

Focus Area

- Work-life balance
- Employee health and safety
- Employee benefits
- Career development

Stakeholders Engagement Mode

- Appraisals
- Staff orientation
- Open communication
- Meetings

INVESTORS

Focus Area

- Financial performance
- Corporate governance

Stakeholders Engagement Mode

- Annual/Extraordinary General Meetings
- Company website
- Announcement
- Annual report

CUSTOMERS

Focus Area

- Improve customer's satisfaction
- Enhance product value

Stakeholders Engagement Mode

- Regular visits
- Compliance audit
- Customer survey
- Meeting
- Exhibition

MATERIAL SUSTAINABILITY MATTERS

The following material sustainability matters are identified and relevant measurements have been taken in managing the material sustainability matters:-

ECONOMIC

LABOUR SHORTAGE

- Acquire more automated machine in the near future to reduce reliance on labour.

PRODUCT RESPONSIBILITY

- Ensure the products with no harm to the safety and health of the customers.
- Deliver sustainable value in products.
- Established quality policy, adhered to ISO 9001 certification.
- Investment in modern machineries and equipment in order to satisfy the strict requirements and specifications of customer.

SUPPLY CHAIN MANAGEMENT

- Conducting review on suppliers based on criteria such as price, payment terms, timely delivery, product and service quality.
- Evaluation and assessment on suppliers conducted on yearly basis.
- Financial stability and performance.
- Ensure the supplied products meet the Group's requirements and standard.

ENVIRONMENT

PRODUCTION EFFICIENCY

- Automated machine and equipment for safer working environment.
- New equipment in production to reduce production waste.

USAGE OF RESOURCES

- Electricity : Proper production planning to ensure machinery usage is efficient. Turn off office equipment, machinery and lights which not in use.
- Paper : Encourage employees to adopt "reduce, reuse and recycle" concept on using paper.

SOCIAL

WORKPLACE DIVERSITY

- Promotes workplace diversity via gender, race, age group.
- Annual performance appraisal to all employees and collecting feedback from employees either.
- Prohibit age, gender and race discrimination.

WORKPLACE SAFETY

- Providing safe working environment to all employees.
- Conduct periodic fire drill.

TRAINING AND DEVELOPMENT/STAFF WELFARE

- Provide diversified on-the-job trainings, internal and external trainings for employees and staff orientation program.
- Management and employees attended ISO 9001:2015 ISO Awareness Training.
- Team building, festive celebrations and annual dinner.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

TEAM BUILDING PROGRAMME



ANNUAL DINNER & SPRING ART'S GOT TALENT EVENT


BOMBA SAFETY TRAINING



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the “Board”) of Spring Art Holdings Berhad (“Spring Art Holdings” or the “Company”) is pleased to present the Corporate Governance Overview Statement for the financial year ended 31 December 2019.

This Statement provides an overview of the Corporate Governance (“CG”) framework, approach, key focus areas and practices of Spring Art Holdings and its subsidiary (collectively referred to as the “Group”) during the financial year under the leadership of the Board.

This CG Overview Statement is to be read together with the CG Report, which articulates the Company’s application of each Practice enunciated by the Malaysian Code on Corporate Governance (“MCCG”). The CG Report is made available on the Company’s website at www.springart.com as well as via an announcement made on the website of Bursa Malaysia Securities Berhad (“Bursa Securities”). The disclosures in the CG Overview Statement and CG Report are made pursuant to Paragraph 15.25 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia with additional guidance derived from Guidance Note II of AMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia.

In order to achieve a granular understanding of the Group’s governance framework and practices, this CG Overview Statement should also be read in tandem with other statements in this Annual Report, namely the Statement on Risk Management and Internal Control, Audit Committee Report, Sustainability Statement and Management Discussion and Analysis.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of providing instructive corporate governance disclosures to secure the confidence of stakeholders in the vision, mission and the overall strategic direction of the Group. As a testament to the Group’s commitment towards promoting a sound corporate governance culture, the Company has benchmarked its practices against the relevant promulgations as well as other better practices.

Spring Art Holdings has provided comprehensive and forthcoming disclosure in the CG Report on the extent of its applications of the Practices encapsulated in the MCCG. A detailed narrative on the application of individual Practices of MCCG is available in the CG Report.

In accordance with Guidance Note II of AMLR, a summary of Spring Art Holdings’ corporate governance practices with reference to the MCCG is outlined below.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1. Roles and Responsibilities of the Board

a. Board Charter and Board Committees

Spring Art Holdings is led by an experienced and dedicated Board of Directors that has put much effort in ensuring the smooth management of the Company. The Board possesses a wide range of expertise to provide the Group with both strategic and operational direction in an ultra-competitive operating environment. The Board has overall responsibility for the strategic direction of the Group. The Board meets regularly to review corporate strategies, operations and performance of business units within the Group. All Board members bring their independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary duties and leadership functions. The Board has defined its Board Charter by setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as key matters reserved for the Board’s approval. The Board Charter is made available on the Company’s website at www.springart.com.

In order to assist the Board in its oversight function on specific responsibility areas, the Board has established three (3) Board Committees, namely Audit Committee (“AC”), Nomination Committee (“NC”) and Remuneration Committee. Governed by their respective Terms of References, the Committees report to the Board on their meeting proceedings and deliberations as well as make recommendations to the Board on the matters under their purview.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Roles and Responsibilities of the Board (cont'd)

a. Board Charter and Board Committees (cont'd)

During the financial year, the respective committees have carried out their duties and activities as annunciated in their respective Terms of References. The details of Terms of References for the respective committees are available for reference on the Company's website at www.springart.com.

The roles of the Chairman and Managing Director ("MD") are clearly separated and the positions were held by different individuals. This duties segregation between the Chairman and MD ensures an appropriate balance of role, responsibility and accountability at the Board level. The Chairman is responsible for providing leadership to the Board in overseeing Management and the Group's overall strategic functions, whereas the day-to-day management of the Group's business affairs is delegated to the MD of the Company, who is further supported by the Executive Director ("ED") and Chief Financial Officer ("CFO"). The Board nevertheless reserves the decision-making authority on significant matters of the Group as encapsulated in the Board Charter. The Board Charter serves as an authoritative document that governs the conduct of the Board, Board Committees and individual Directors.

The Board reviews and updates its Charter and the respective committees' Terms of References from time to time as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives.

b. Meeting Convened and Company Secretaries

Notwithstanding that no specific quantum of time has been fixed, all the Board members are required to notify the Board before accepting any new directorship. Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) PLCs (as prescribed in Paragraph 15.06 of AMLR).

The Board ordinarily schedules 4 meetings in a year. Board and Board Committee meetings are scheduled well in advance. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Each Board member is expected to achieve at least 50% percent attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretary, where applicable.

To facilitate the Directors' time planning, an annual meeting calendar will be prepared and circulated to them before the beginning of each year. It will provide the scheduled dates for meetings of the Board and Board Committees, the Annual General Meeting ("AGM"), major briefings to be conducted by the Company, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results.

Only two (2) Board meetings and one (1) Audit Committee ("AC") meeting, one (1) Nomination Committee ("NC") meeting and one (1) Remuneration Committee ("RC") meeting were scheduled during the financial year under review given the Company was just listed on 8 November 2019. The Board and Board Committees met twice prior to the listing date for the following:

(i) to approve the registration and issuance of prospectus;
(ii) to approve the unaudited quarterly financial results;
(iii) to review business performance of the Company; and
(iv) to ensure that the proper internal control systems are in place.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Roles and Responsibilities of the Board (cont'd)

b. Meeting Convened and Company Secretaries (cont'd)

As at the date of this Statement, the attendance record of the Directors at Board of Directors and Board Committee meetings as set out as follows:

Name	Board	AC	NC	RC
Haji Ismail bin Tunggak	^2/2	1/1	1/1	^1/1
Lim Kok Eng	2/2	1/1	-	-
Kwan Chian Poh	2/2	1/1	-	-
Law Sang Thiam	2/2	^1/1	1/1	1/1
Tan Meng Loon	2/2	1/1	^1/1	1/1

^ Chairman/ Chairperson of the Board or Board Committee

In undertaking its duties, the Board is supported by (two) 2 competent and suitable qualified Company Secretaries. The Company Secretaries serve as counsels to the Board on matters relating to corporate governance. The Company Secretaries seek to ensure the Board's adherence to regulatory promulgations as well as the observance of internal policies and procedures. In addition to facilitating the flow of information between the Board and Management, the Company Secretaries also attend Board and Board Committee meetings whereby they are tasked to accurately record meeting proceedings and decisions taken by the Board and Board Committees.

c. Uphold Integrity in Financial Reporting

The Board is responsible to ensure the preparation of the financial statements for each financial year, gives a true and fair view of the state of affairs of the Group. In preparing the financial statements, the Directors also ensure that the Group has:

(i) adopted appropriate accounting policies and applied them consistently;
(ii) made judgements and estimates that are reasonable and prudent;
(iii) prepared the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business; and
(iv) ensured applicable accounting standards have been complied, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the financial statements comply with applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia. The Directors have overall responsibilities for taking reasonable steps to safeguard the assets of the Group so as to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with these requirements and having a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements. The Board has also entrusted the Audit Committee to review the Group's financial reports to ensure conformity with applicable MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia before the financial statements are recommended to the Board for consideration and approval for release to the public.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Roles and Responsibilities of the Board (cont'd)

d. Code of Conducts, Anti-Bribery and Corruption Policy

The Board acknowledges its role in propagating ethical standards and values across the different levels of the Group and thus, has taken the initiative to formalise a Code of Conducts. The aforementioned document serves as a reference for both Directors and employees in their day-to-day professional conduct and decision-making process. The Code of Conducts is an extensive document that provides guidance on matters ranging from conflict of interest situations to corruption and money-laundering.

In addition, the Board is in the mid to formalise an Anti-Bribery and Corruption Policy that outlines the Group's commitment to conduct business ethically as well as complying with all applicable laws, which include compliance with the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and any of its amendments made by the relevant authority from time to time. In this respect, the Anti-Corruption and Bribery Policy provides principles, guidance and requirements to Directors, employees and Associated Third Party on how to recognise and deal with bribery and corrupt practices that may arise in the course of daily business and operation activities within Spring Art Holdings. The Group emphasises its position in taking a zero-tolerance approach to bribery and corruption, and the Group is committed to conducting all of its business in an honest and ethical manner.

The Code of Conducts is available on the Company's website at www.springart.com. The Anti-Bribery and Corruption Policy will also publish on the Company's website once it gets the approval from the Board.

e. Whistle-blowing Policy

As an additional measure to safeguard the integrity of the Group, the Board has continually adopted a Whistle-blowing Policy and Procedures to encourage employees and other stakeholders to report legitimate ethical concerns. The Group's Whistle-blowing Policy and Procedures outlines the reporting channels available to stakeholders including reporting directly to employees' immediate superior/designated recipients and via a whistle-blowing email manage by an independent third party. The details of the Code of Conducts and Whistle-blowing Policy are available for references on the Company's website at www.springart.com.

f. Access to Information and Advice

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. As such, Board members have full and unrestricted access to all information pertaining to the Group's business and affairs. Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures set out in the Charter in furtherance of their duties.

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training. The removal of the Company Secretaries is a matter for the Board, as a whole to decide.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Roles and Responsibilities of the Board (cont'd)

f. Access to Information and Advice (cont'd)

The Directors are also notified of any corporate announcement released to Bursa Malaysia Securities Berhad ("Bursa Securities") and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly financial results.

2. Board Composition

In an economic landscape that is constantly evolving, boards are expected to be more vigilant and proactive to respond to shifting opportunities and the varying risk manifestations. In this respect, it is imperative for the Board to have an optimum mix of skills, qualifications and experience that can support the Group's quest to deliver value for its stakeholders. The NC is delegated with the responsibility of ensuring the Board's size and composition continues to be effective and relevant to the needs of the Group. The selection of candidates for directorships and recommendation for the re-election of Directors are premised on the individuals' character, skills, knowledge, expertise, experience, professionalism, competencies and integrity. Candidates for directorships and Directors are also assessed based on their willingness to devote adequate time and commitment to attend to their duties. Directors are required to notify the Chairman before accepting any new directorships and to indicate the time commitment that they are expected to expand on the slated appointments.

As at the date of this statement, the Board consists of five (5) members comprising one (1) independent Non-Executive Chairman, one (1) Managing Director, one (1) Executive Director and two (2) Independent Non-Executive Directors. The current Board composition complies with Paragraph 15.02 of AMLR that requires at least one-third (1/3) of the Board to be Independent Directors. The profile of each Director is set out on pages 10 to 14 of this Annual Report. The Directors, with their diverse backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as entrepreneurship; finance; taxation; accounting and audit; legal as well as economics.

The presence of Independent Directors though not forming a majority is sufficient to prove the necessary check and balance on the decision-making process of the Board. They possess integrity and extensive experience to provide unbiased and independent views to the Board. They constantly express their views to the Board in an effective and constructive manner and therefore are able to function as check and balance and bring in unbiased and independent views and advices to the Board. Nevertheless, the Board recognises the value of having a majority Independent Directors on the Board in promoting objectivity during boardroom deliberations and impartiality in the decision-making process.

3. NC

The NC was established by the Board on 20 November 2018, as the Board recognises the importance of the role the NC plays not only in the selection and assessment of Directors but also in other aspects of CG of which NC can assist the Board to discharge its fiduciary and leadership functions. The NC comprises exclusively of three (3) Non-Executive Directors, with a majority of them being Independent Directors which is in line with Paragraph 15.08A(1) of AMLR. The primary function of the NC is to assist the Board in identifying and recommending candidates for directorships of the Company along with the membership of the Board's various committees. The NC also undertakes in assessing on annual basis, the effectiveness of the Board as a whole, the committees of the Board, the contribution of each individual Director and also the independence of the Independent Directors.

During the FYE 2019, the NC has carried out their duties annunciated in its Terms of Reference, which is published on the Company's website and undertaken the following activities.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. NC (cont'd)

a. Appointment and Re-Election of Directors

The NC is guided by the Terms of Reference in carrying out its responsibilities in respect of the nomination, selection and appointment process, which also provides the requirements under the relevant laws and regulations on the matter.

Since the screening and evaluation process for potential candidates to be nominated as Directors are delegated to the NC, the process involves the NC's consideration and submission to the Board its recommendation of suitable candidates for the proposed appointment as Directors of the Company.

The NC may also obtain and rely upon independent sources such as a directors' registry, open advertisement or use of independent search firms in furtherance of their duties at the Company's expense, subject to approval by the Chairman or the Board, depending on the quantum of the fees involves. If the selection of candidates was solely based on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the NC will explain why other sources were not used.

The NC's review of the criteria to be used in the appointment process to the Board of the Directors largely focuses on ensuring a good mix of skills, experience and strength in the qualities that are relevant for the Board to discharge its responsibilities in an effective and competent manner. The other factors considered by the NC in its review include the candidates' ability to spend sufficient time and commitment on the Company's matters, the ability to satisfy the test of independence taking into account the candidate's character, integrity and professionalism, as well as having a balanced mix of age and diversity of Directors on the Board. The Board diversity factor as reviewed by the NC includes experience, skills, competence, race, gender, culture and nationality, to facilitate optimal decision-making by harnessing different insights and perspectives.

b. Annual Assessment

Given the Company was listed on 8 November 2019 and much of the time and resources have been channeled into attaining corporate goals, the Board unanimously agreed that the evaluation and assessment on performance of the Board and Board Committees for FYE 2019 would be based on justification and/or recommendation made by the NC and approved by the Board accordingly.

From FYE2020 onwards, the NC will carry out the annual assessment exercise on performance and effectiveness of the Board and the Board Committees annually and the Company Secretaries will facilitate the NC in carrying out the annual assessment exercise. The Board's effectiveness is assessed in the following key areas of composition, administration and process, accountability and responsibility, Board conduct, communication and relationship with Management, performance as well as the application of good governance principles to create sustainable shareholder's value. The Board, through the Questionnaires and recommendation from the NC, will examine the Board Committees, including their respective Chairman, to ascertain whether their functions and duties are effectively discharged in accordance with their respective Terms of Reference.

As a post-evaluation process, the Company Secretaries summarised the results of evaluation and reported to each Board and Board Committee member by providing with individual results on each area of assessment. Thus, allowing the Directors to know their standing and the Board to take actions on the outcome of evaluation by recommending remedial measures on areas that need improvements, if any.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. NC (cont'd)

b. Annual Assessment (cont'd)

From the annual assessment and review conducted, the NC was satisfied that all the Executive, Non-Executive and Independent Directors on the Board possess sufficient qualification to remain on the Board. Save for the NC members who are also a member of the Board and have abstained from assessing their own individual performance as Director of the Company, each of the NC Members viewed that all the Directors have good personal attributes and possess sufficient experience and knowledge in various fields that are vital to the Company's industry.

As for the Board evaluation, the NC agreed that all the Directors have discharged their stewardship duties and responsibilities towards the Company as a Director effectively.

In relation to the Independent Directors, the NC concluded that the Board and Board Committees were functioning effectively as a whole with a high level of compliance and integrity.

The Board through NC shall review the term of office and performance of the AC and each of its members at annually to determine whether the Audit Committee and its members have carried out their duties in accordance with its Terms of Reference.

c. Gender diversity policy

Insofar as board diversity is concerned, the Board does not have any specific policy on setting targets for female candidates in the Group. The Board believes that the on-boarding process of Directors should not be based on any gender discrimination. As such, the evaluation of suitable candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company, as the case may be.

d. Policy of Independent Director's Tenure

The Board has implemented a nine (9) year policy for Independent Non-Executive Directors. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In the event such Director was to be retained as an Independent Director, the Board would have to justify in the notice convening the AGM and seek shareholders' approval the retention of such Independent Director at every AGM.

The Board should seek annual shareholders' approval through a two-tier voting process if the retention of such Independent Director was after the twelfth (12th) year.

e. Diverse Board and Senior Management Team

Appointment of Board and Senior Management is based on objective criteria, merit and besides gender diversity, due regard is placed for diversity in skills, experience, age and cultural background. Please refer to the Board of Directors' Profile and the Key Senior Management's Profile of this Annual Report on pages 10 to 16 for further information.

f. Directors' Training – Continuing Education Programme

The Board, through the NC also oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, newly appointed, are encouraged to visit the Group's operating centers to have an insight on the operations which would assist the Board to make effective decisions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. NC (cont'd)

f. Directors' Training – Continuing Education Programme (cont'd)

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfill their duties as Directors. Any Director so appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") within four (4) months from the date of appointment. All the other Board members have attended and completed the MAP as at the date of this Statement.

The details of the relevant training sessions attended by each Director during the financial year under review and up to the date of this Statement are as follows: -

Name	Training Programmes	Date
Haji Ismail bin Tunggak	Quality Management System Awareness	6 – 7 August 2019
	IPO Dialogue by Securities Commission ("SC")	8 November 2019
Lim Kok Eng	Quality Management System Awareness	6 – 7 August 2019
	MAP	19 - 20 August 2019
	IPO Dialogue by SC	8 November 2019
Kwan Chian Poh	Quality Management System Awareness	6 – 7 August 2019
	MAP	19 - 20 August 2019
	IIPO Dialogue by SC	8 November 2019
Law Sang Thiam	MAP	19 - 20 August 2019
	IPO Dialogue by SC	8 November 2019
Tan Meng Loon	MAP	19 - 20 August 2019
	IPO Dialogue by SC	8 November 2019

The Company Secretaries normally circulates the relevant statutory and regulatory requirements from time to time for the Board's reference and briefs the Board on the updates, where applicable. External Auditors also brief the Board members on any changes to the MFRS that affect the Group's financial statements for the financial year under review.

4. RC

The RC was established by the Board on 20 November 2018 to assist the Board in the adoption of fair remuneration practices to attract, retain and motivate Executive Directors. The RC composition is in line with Practice 6.2 of MCCG comprising exclusively of three (3) Independent Non-Executive Directors. During the financial year, the RC has carried out their duties and activities as annunciated in its Terms of Reference which is made available on the Company's website.

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the Board Committees. Hence, the Board has established formal and transparent remuneration policies for the Board and Board Committees, and the procedures in determining the same. The RC reviews the Board remuneration policy annually and in the course of deliberating on the remuneration policy, it considers various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of Non-Executive Directors and Board Committee members, the Company's performance and market conditions.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

4. RC (cont'd)

The Remuneration Committee also takes into consideration the remuneration of Directors of other public listed companies ("PLCs") in order to ensure competitive remuneration policies that reflect the prevailing market rate.

In 2019 the Board approved the RC's recommendation on remuneration of the Executive Directors and MD, remuneration of the Non-Executive Directors, and Directors' fees for FYE 2019 for the approval of the shareholders at the Company's forthcoming annual general meeting. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board. Disclosure of each Director's remuneration, including that of the MD, is set out in the annual audited financial statements of this Annual Report.

Directors' remuneration in aggregate, with categorisation into appropriate components, distinguishing between Executive and Non-Executive Directors during the financial year under review, is as follows:

	Fees (RM)	Salaries and Other Emoluments (RM)	Total (RM)
Executive Directors	Nil	1,081,847	1,081,847
Non-Executive Directors	92,318	6,000	98,318

The number of Directors of the Company, whose total remuneration during the financial year under review fell within the following successive bands of RM50,000 is as follows:

Range of Remuneration	Numbers of Directors
Executive Directors:	
RM450,001 to RM500,000	2
Non-Executive Directors:	
Below RM50,000	3

In respect of the non-disclosure of detailed remuneration of each Director, the Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented in this Statement.

No disclosure of the top five key senior management's remuneration component on named basis is made herein due to confidentiality and sensitivity of each remuneration package.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AC and External Audit

In relation to the Step-Up 8.4 of the MCCG, the Board has a long-standing practice of having the AC comprising exclusively of Independent Directors. The independence of the AC enables it to exercise robust and impartial oversight combined with a healthy degree of professional skepticism over the Group's financial reporting and audit processes. The Chairman of the AC is distinct from the Chairman of the Board so as to promote unfettered objectivity during the Board's review of the AC's findings and recommendations. The present composition of the AC allows it to possess the requisite level of financial literacy and business acumen to have a sound understanding of the financial matters of the Group as well as an understanding of the latest developments in financial reporting, accounting and auditing standards.

The Board has put in place a Policy on External Auditors to facilitate a formal and transparent relationship with the external auditors. The Policy on External Auditors governs the selection, appointment and assessment of the external auditors as well as the provision of non-audit services by the external audit firm, amongst others. The AC has unbridled access to both the internal and external auditors, who in turn report directly to the AC on their activities, findings and recommendations. For the FYE 2019, the external auditors have provided written assurance to the Board that its personnel are and have been independent throughout the conduct of their audit, in accordance to the terms of relevant professional and regulatory requirements.

Full details of the AC's duties and responsibilities are stated in its Terms of Reference which is made available on the Company's website at www.springart.com and detailed disclosure on the role and activities undertaken by the AC during the financial year is provided in the Audit and Risk Management Committee Report on page 42 to page 45 of this Annual Report.

2. Risk Management and Internal Control Framework

a. Sound framework to manage risks

The Board is updated on the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis. On-going reviews are performed throughout the year on a quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Company's Management Team as well as the Group's independent and sufficiently resourced internal audit function. The findings of the internal audit function are regularly reported to the AC. Details of the main features of the Company's risk management and internal controls framework are further elaborated in the Audit and Risk Management Committee Report and the Statement on Risk Management and Internal Control of this Annual Report on pages 42 to 45 and pages 46 to 48 respectively.

b. Implementation of mitigating measures

The responsibilities of identifying and managing risks are delegated to the Head of Department. The AC is responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level. The AC will assist the Board in implementing and overseeing the risk management framework of the Group and reviewing the risk management policies formulated by Management and to make relevant recommendations to the Board for approval.

c. Risk management committee

As at the date of this Statement, the Company has not established a Risk management Committee. Having said that, the Board will endeavor to assess the viability of broadening the scope of duty and responsibilities of the AC to cover the risk management of the various elements of the Company's business.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

2. Risk Management and Internal Control Framework (cont'd)

d. Internal audit function

The Board of Directors has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility to the AC for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud. On-going reviews will be performed by AC throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The Company also outsources the internal audit function to an independent assurance provider ("Internal Auditors") to provide an independent appraisal over the system of internal control of the Group to the AC.

e. Competency of internal auditors

To ensure that the responsibilities of internal auditors are fully discharged, the AC shall review the adequacy of the scope, functions and resources of the internal audit function as well as the competency i.e. qualification and experience of the internal auditors on a yearly basis.

The internal auditors, NGL Tricor Governance Sdn Bhd which are led by Mr Chang Ming Chew (CIA (USA), CMIIA, CCA(UK)). The internal auditors carry out the internal audit reviews independently in accordance with a recognised framework. Prior to the commencement of internal audit assignments, the internal auditors also seek written assurance from those involved, confirming that they do not have any relationships or conflict of interest with the Company, which could impair their independence and objectivity throughout the conduct of the audit engagement. The internal auditors provide such declaration in their annual audit plan presented to the AC prior to the commencement of internal audit assignment for the ensuing year. Premised on such declaration, feedback from the Management Team as well as performance assessment conducted by the AC, the AC considers on whether to continuously outsource the internal audit function to internal auditors in providing an independent appraisal on the adequacy, efficiency and effectiveness of the Group's internal control system.

An overview of the state of internal controls function within the Group, which includes the risk and key internal control structures, are set out in the Audit and Risk Management Committee Report and the Statement on Risk Management and Internal Control of this Annual Report on pages 42 to 45 and pages 46 to 48 respectively.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART I – COMMUNICATION WITH STAKEHOLDERS

1. Continuous Communication between Company and Stakeholders

a. Effective, transparent and regular communication with its stakeholders

The Board recognises the importance of an effective communication channel between the Board, shareholders and general public, and at the same time, full compliance with the disclosure requirements as set out in the AMLR. The annual reports, press releases, quarterly results, Annual Audited Financial Statements and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

The Managing Director is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board. The Group maintains a corporate website: www.springart.com for shareholders and the public to access information on, amongst others, the Group's background and products, financial performance, Frequently-Asked Questions (FAQs) and updates on its various sponsorships and promotions. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the Group's corporate website. The corporate website will also post all press releases made by the Group together with latest news on the Group and the industry.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART I – COMMUNICATION WITH STAKEHOLDERS (CONT'D)

1. Continuous Communication between Company and Stakeholders (cont'd)

b. Integrated reporting

The Company has provided concise information in relation to its strategy, performance, governance and prospects through the Management Discussion and Analysis Statement and Corporate Sustainability Statement in this Annual Report on pages 18 to 25 and pages 26 to 28 respectively. This is to ensure that the stakeholders are well informed of the business and performance of the Company and to promote transparency and accountability of the Company.

PART II – CONDUCT OF GENERAL MEETINGS

2. Strengthen Relationship Between The Company and Shareholders

a. Encourage shareholder participation at general meetings

The AGM represents the principal forum for dialogue and interaction with shareholders. At every AGM, the Board sets out the progress and performance of the Group since the last meeting held. Shareholders are encouraged to participate in the subsequent Question & Answer ("Q&A") session wherein the Directors, Company Secretaries, Head of Department as well as the Group's external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder. Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution.

The Company dispatched its notice of AGM to shareholders at least twenty-eight (28) days before the AGM under the Act, AMLR and Practice 12.1 of the MCCG. The Board believes the current practice would still allow the shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

At the commencement of all general meetings, the Chairman will inform the shareholders of their rights in voting. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman will declare the number of proxy votes received, both for and against each separate resolution where appropriate. The outcome of a general meeting will be announced to Bursa Securities on the same meeting day.

b. Effective communication and proactive engagements

All the Directors shall endeavor to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the AGM.

Before the commencement of AGM, the Directors and Management will join the shareholders together with a dedicated team of employees to assist the shareholders on the queries they may have. The proceedings of the second AGM will include the chairman's briefing on the Company's overall performance for FYE 2019, the presentation of the external auditors' unqualified report to the shareholders, and Q&A session during which the chairperson will invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting before putting a resolution to vote. The Chairman will share the Company's responses to questions posed by the Minority Shareholders Watchdog Group, if any before engaging the shareholders on Q&A session.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART II – CONDUCT OF GENERAL MEETINGS (CONT'D)

2. Strengthen Relationship Between The Company and Shareholders (cont'd)

c. Facilitate greater shareholder participation at general meetings

Under Paragraph 8.31A(1) of the AMLR, a PLC must, among others, ensure that any resolution set out in the notice of any general meeting, is voted by poll. For this purpose, the share registrar will be appointed as the Poll Administrator and an independent scrutineer will be appointed to validate the votes cast at the forthcoming First AGM.

The Company will always make sure that its general meeting is to be held at an accessible location but not in remote areas in order to encourage shareholders to attend and participate in the meeting. Having considered that the shareholder base of the Company is not that large, the Board is of the view that there is no immediate need for the Company to leverage on technology to facilitate electronic poll voting and remote shareholder participation at this juncture of time.

The Board will consider leveraging on technology to facilitate voting in absentia from time to time, to more fairly reflect shareholders' views and to ensure accurate and efficient outcomes of the voting process.

COMPLIANCE STATEMENT

The Board shall continue to strive for highest possible standards of corporate governance throughout the Group. The Board considers and is satisfied that save and except for Practice Notes 4.5, 6.1, 7.1, 7.2, 7.3, 9.3 & 12.1 which are partially departed and/or not adopted as disclosed herein and in the CG Report, the Company has in all material aspects satisfactorily complied with the principles and recommendations of the Code, the relevant chapters of MCCG and all applicable laws and regulations throughout FYE 2019.

This Statement is made in accordance with the resolution of Board dated 14 May 2020.

AUDIT COMMITTEE ("AC") REPORT

The Board of Directors (the "Board") of Spring Art Holdings Berhad ("Spring Art Holdings" or the "Company") is pleased to present the AC Report for the financial year ended 31 December 2019.

AC was established on 20th November 2018 by the Board as the prime body to ensure a high standard of corporate responsibility, integrity and accountability to shareholders.

1. AC Members

The Committee members, of whom all are Independent Non-Executive Directors (and their respective designations) who have served during the financial year under review are as follows: -

Name	Designation	Directorate
Law Sang Thiam	Chairman	Independent Non-Executive Director
Haji Ismail bin Tunggak	Member	Independent Non-Executive Chairman
Tan Meng Loon	Member	Independent Non-Executive Director

The principal objective of the AC is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the AC shall also oversee compliance with laws and regulations and observance of a proper code of conduct.

The AC is formally constituted with written terms of reference. All members of the AC have a working familiarity with basic finance and accounting practices, and one of its members i.e. Mr Law Sang Thiam, is a member of the Malaysian Institute of Accountants.

2. Composition Compliance

The Committee shall be appointed by the Board from amongst the Directors and shall consist no fewer than three (3) members, all of them must be Non-Executive Directors, with a majority of them being Independent Directors. The member of the AC shall elect a chairman from among their members who shall be an independent Director. An alternate Director must not be appointed as a member of the AC.

At least one (1) member of the Committee:

- Must be a member of the Malaysian Institute of Accountants; or

- If he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience and;

    - He must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1976; or
    - He must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act 1976.

If a member of the AC resigns, dies, or for any reason ceases to be a member with the results that the number of members is reduced to less than three (3), the Board of Directors shall, appoint such number of members as may be required to make up the minimum number of three (3) members.

The current AC composition meets the requirements of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad as well as the financial literacy and independence enumerations outlined in the Malaysian Code on Corporate Governance ("MCCG").

3. **Authority**

The AC is authorized by the Board to investigate any activities within its terms of reference and shall have unlimited access to external auditors as well as the employees of the Group. All employees are directed to co-operate with any request made by the AC.

The AC shall have the authority to obtain independent legal or other professional advice as it considers necessary.

It shall also have the power to establish Sub-Audit Committee to carry out certain investigations on behalf of the AC and such manner, as the AC shall deem fit and necessary.

4. **Number of Meetings Held and Details of Attendance**

The AC shall meet at least four (4) times in a year, and such additional meetings as the Chairman shall decide in order to fulfill its duties. The agenda for the AC meetings shall be circulated before each meeting to members of the AC. Upon request of any of its members or the Internal or External Auditors, the Chairman of the AC shall convene a meeting of the AC.

The Chairman of the AC should engage, on a continuous basis, with senior management and the External Auditors in order to be kept informed of matters affecting the Company.

Only one (1) AC meeting were scheduled during the financial year under review given the Company was just listed on 8 November 2019. As at the date of this Statement, the attendance record of the Directors at AC meetings as set out as follows:

Name	Designation	Attendance	Percentage (%)
Law Sang Thiam	Chairman	1/1	100%
Haji Ismail bin Tunggak	Member	1/1	100%
Tan Meng Loon	Member	1/1	100%

Quorum

The quorum for the AC meeting shall consist of two (2) members of whom the majority of the members present shall be Independent Directors.

Attendance at Meetings

The Company Secretaries shall be the Secretaries of the AC and shall be responsible for the coordination of administrative details including sending out notice of meetings, preparing and keeping minutes of meetings. The minutes of the AC meetings are to be extended to the Board.

A representative of the outsourced Internal Auditors, a representative of the External Auditors and CFO shall normally attend meetings. The AC may invite any person to be in attendance to assist in its deliberations. Other Board members may attend meetings upon the invitation of the AC. The AC shall meet with the external auditors without Executive Board members present at least twice a year.

5. **Duties and Responsibilities of AC**

The duties and responsibilities of the AC shall be as follows and will cover the Group:

- Review and assess the adequacy and effectiveness of the system of internal control and accounting control procedures by reviewing the External Auditors' management letters and management response.
- Consider the nomination and appointment of External Auditors, their terms of appointment and reference, the audit fees, any questions of resignation or dismissal and other related matters.

AUDIT COMMITTEE ("AC") REPORT

5. **Duties and Responsibilities of AC (cont'd)**

The duties and responsibilities of the AC shall be as follows and will cover the Group (cont'd):

- Review the adequacy of the scope, functions, competency, resources of the internal audit functions and that it has the necessary authority to carry out its work.
- Review the quarterly results and year-end financial statements prior the Board's approval, focusing particularly on:
  - any changes in or implementation of major accounting policies and practices.
  - significant adjustments and unusual events arising from the audit.
  - the going-concern assumption.
  - compliance with accounting standards, Listing Requirements of Bursa Securities and other legal requirements.
- Review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises question of management integrity.
- Review with the External Auditors the nature and scope of their audit plan, prior to the commencement of audit work.
- Discuss the problems and reservations arising from the interim and final audits and any matter the External Auditors may wish to discuss.
- Review the assistance and co-operation given by the officers of the Group to the External Auditors.
- Report promptly to Bursa Securities if it is of the view that a matter reported by it to the Board not been satisfactorily resolved resulting in breach of the AMLR of Bursa Securities.
- Carry out any other functions as may be determined by the Board from time to time.
- Review and recommend to the Board for approval, the AC Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control for inclusion in the Annual Report as well as Corporate Governance Report for announcement and publication on the website of Bursa Securities.
- Review and approve the whistle blowing policy from time to time and significant changes to risk management policies and strategies.

SUMMARY OF ACTIVITIES AND WORK OF AC

During the financial year under review, the activities of the AC included the following: -

- Reviewed and discuss the memorandum of matters and issues raised by the External Auditors and management's response to all pertinent issues and findings raised and noted by the External Auditors during their audit of the financial statements, together with recommendations in respect of their findings.
- Reviewed the audit planning memorandum prepared by the External Auditors covering audit objectives and approach, audit plan, key audit area and relevant technical pronouncements and accounting standards.
- Reviewed the interim unaudited and annual audited financial statements of the Group prior to recommending for approval by the Board.
- Reviewed and discussed the AC Report and Statement on Risk Management and Internal Control for inclusion in the annual report.
- Reviewed internal audit's resource requirements, scope, adequacy and function.
- Reviewed the internal audit's plan and programs, Internal Audit reports, recommendations and Management responses. Improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the internal auditors were discussed together with the Management Team in a separate forum as well as review of implementation of these recommendations through follow up audit reports.
- Briefed the Board on any major issues discussed at the AC meeting for further deliberation or decision as the case may be.
- Reviewed the related parties' transactions that arose within the Company or the Group.
- Considered the nomination of External Auditors for recommendation to the Board for re-appointment.
- Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the MCCG.
- Reviewed and approve the whistle-blowing policy and the risk management framework from time to time and significant changes to risk management policies and strategies.
- Suggested on additional improvement opportunities in the areas of internal control, systems and efficiency improvement.

SUMMARY OF ACTIVITIES AND WORK OF AC (CONT'D)

- Reviewed the unaudited financial results announcements before recommending them for Board's approval, focusing particularly on:
  - any change in accounting policies and practices
  - significant adjustments arising from the audit
  - the going concern assumption
  - compliance with applicable financial reporting standards and other legal requirements

SUMMARY OF THE WORK OF INTERNAL AUDITORS

The AC obtains reasonable assurance on the effectiveness of the Group's system of internal controls via the internal audit function which is responsible for the regular review and appraisal of the effectiveness of the risk management, system of internal controls and governance processes of the Group.

The Group's internal audit function has been outsourced to a reputable professional service provider firm which assists the AC and the Board in evaluating the Group's risk management and internal control system and to provide their recommendations for further improvement. To ensure that the responsibilities of internal auditors are fully discharged, the AC reviews the adequacy of the scope, functions and resources of the IA function as well as the competency of the internal auditors on a yearly basis.

The IA activities will be carried out based on an annual risk-based audit plan presented by the outsourced internal auditors to the AC for approval. The establishment of the Annual Risk-based Audit Plan will take into consideration the corporate risk profile and input from Senior Management and the AC members. The results of the audits provided in the internal audit reports will be reviewed by the AC. The relevant Head of Department of the specific audit subject is made responsible for ensuring that corrective actions on reported weaknesses are taken within the required timeframe. Internal auditors conduct follow-up audits to ensure that Management's corrective actions were implemented appropriately.

The Company was listed on the ACE Market of Bursa Securities on 8 November 2019. In preparation for the listing exercise, the Company had on 9 February 2018 engaged NGL Tricor as its Internal Control Consultant to review the key components and procedures of risk management and system of internal controls of the Group as well as to assess the adequacy and sufficiency thereof. NGL Tricor reported directly to the AC and the Board the audit findings and recommendations which required follow-up action by Management as well as outstanding audit issues which required corrective action to ensure an adequate and effective internal control system within the Group. Total cost incurred during the financial year under review was RM45,000.

Premised on the performance assessment conducted by the AC, written declaration from the internal auditors on their independence and objectivity throughout the conduct of the audit engagement as well as feedback by the Management Team, the AC is of the view that NGL Tricor is free from any relationships or conflicts of interest with those involved and is capable of carrying out the internal audit reviews. Accordingly, the AC approved for the Group to continuously outsource the internal audit function to NGL Tricor in providing an independent appraisal on the adequacy, efficiency and effectiveness of the Group's internal control system for FYE2018. This Report was made in accordance with the resolution of AC dated 14 May 2020.

Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on page 46 to page 48 of the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed towards maintaining a sound system of risk management and internal control and is pleased to provide the following Statement on Risk Management and Internal Control ("Statement") which outlines the scope and nature of risk management for and the internal controls of the Group for the financial year ended 31 December 2019 ("FYE"). For the purpose of disclosure, this Statement is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines") pursuant to Paragraph 15.26(b) of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Principle B(II) of the new Malaysian Code on Corporate Governance ("MCCG").

BOARD'S RESPONSIBILITY

The Board acknowledges its overall responsibility for the adequacy and integrity of the Group's risk management and system of internal control including the review of its effectiveness. The system covers risk management, financial, operational, management information systems and compliance with relevant laws, rules, directives and guidelines.

However, the Board also takes cognizance of the inherent limitation in any system of internal control, which designed to manage, rather than eliminate, the risk of failure and therefore can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The responsibilities of the Board in relation to the system extend to all subsidiaries of the Group.

RISK MANAGEMENT FRAMEWORK

The Group has in place an on-going process which is regularly reviewed by the Board for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives. The key elements of the Group's Risk Management Framework are described below:

- **Structure**

  The Group adopts a de-centralised approach to risk management, whereby all employees take ownership and accountability for risks at their respective levels. The process of risk management and treatment is the responsibilities of the Heads of Department ("HOD").

  A working group, the Risk Management Committee ("RMC") is planned to be set-up in FYE 2020, which provides risk management support to Management for the Group as a whole. The role of RMC includes reporting, of the status of risk mitigation actions, new risks identified and risks that have changed characteristics together with corresponding controls.

  The RMC comprising key persons from all departments, submits its reports to both the Management and the AC. Minutes of the RMC meetings will be recorded and presented to the AC. The AC will then report to the Board on any significant changes in the business and external environment which affect key risks.

- **Risk Assessment**

  The Group maintains a database of risks specific to the Group together with their corresponding controls, which are categorised as follows:

  a) Strategic risk - which are risks that affect the overall direction of the business.
  b) Operational risk - which are risks that impact the delivery of the Group's products.
  c) Financial risk - which are risks associated with financial processes and reporting.
  d) Compliance risk - which are risks associated in relation to legal, statutory and corporate governance.
  e) Foreign currency risk - which are risks associated with the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

SYSTEM OF INTERNAL CONTROL

The Group maintains a system of internal control that serves to safeguard its assets; identify and manage risk; ensure compliance with statutory and regulatory requirements; and to ensure operational results are closely monitored and substantial variances are promptly explained.

Salient features of the framework of the system of internal control are as follows:

- Operating procedures that set out the policies, procedures and practices adopted by the Group are properly documented and communicated to staff member so as to ensure clear accountabilities. The effectiveness of internal control procedures are subject to continuous assessments, reviews and improvements.

- The organisational structure is well defined; with clear line of responsibilities and delegation of authorities. Key responsibilities are properly segregated.

- The Board meets regularly and is kept updated on the Group's activities and operations and significant changes in the business and external environment, if any, which may result in significant risks.

- Financial results are reviewed quarterly by the Board and the AC.

- Executive Directors and HOD meet regularly to discuss operational, corporate, financial and key management issues.

- An effective reporting system, which provides for a documented and auditable trail of accountability to ensure timely generation of information for management review, has been put in place.

- There are guidelines within the Group for hiring and termination of staff. Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development are provided for selected employees to enhance their competency in carrying out their responsibilities.

- A formal staff appraisal to evaluate and measure staff's performance and their competency is performed at least once a year.

INTERNAL AUDIT FUNCTION

The Internal audit function has the primary objective of carrying out reviews of the system of internal control to determine if the internal control procedures have been complied with as well as to make recommendations to strengthen the system of internal control so as to foster a strong management control environment.

The Board is fully aware of the importance of the internal audit function and outsourced its internal audit function to an independent professional service provider ("Internal Auditors"). The Internal Auditors report directly to the AC and assist the AC in discharging their duties and responsibilities. The internal audit team provides an independent assessment on the adequacy and effectiveness of the Group's internal control system. The internal audit focuses on regular and systematic reviews of the financial systems and operational internal control, in anticipating potential risk exposures over key business processes.

The Internal Auditors adopt a risk-based approach by focusing on:

- reviewing identified high risks areas for compliance with control policies and procedures; identifying business risks which have not been appropriately addressed; and

- evaluating the adequacy and effectiveness of controls.

The Internal Auditors carry out audit assignment based on an audit plan that is reviewed and approved by the Audit Committee. The reports of the audits undertaken were forwarded to the AC for deliberation and approval.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION (CONT'D)

The Internal Auditors have documented key findings from the internal audit carried out. They have discussed with key personnel on the recommendation for internal control improvement and provided the Audit Committee with independent and objective reports on the state of the internal control and recommendations for improvements of the various operating units within the Group. The internal audits carried out have not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control and risk management system. Audit issues and actions taken by Management to address the issues tabled by Internal Auditors were deliberated during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

The expenditure incurred for the internal audit function for the current financial year was RM45,000.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has received assurance from the Managing Director and Executive Director that the Group's internal control and risk management systems put in place are operating adequately and effectively, in all material aspects, during the financial year under review.

Taking into consideration the above assurance from the Management Team, the Board is of the view that the system of risk management and internal control in place for the financial year under review and up to the date of this Statement, is satisfactory and is adequate to safeguard shareholders' investments, the interests of customers, regulators, employees and other stakeholders as well as the Group's assets. There was no material control failure that would have any material adverse effect on the financial results of the Group for the year under review and up to the date of issuance of the financial statements.

In view that the development of a sound system of internal control is an on-going process, the Board continues to take pertinent measures to sustain and, where required, to improve the Group's internal control and risk management environment in meeting the Group's strategic objectives.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITOR

Pursuant to Paragraph 15.23 of the AMLR, the external auditors have reviewed this Statement in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 (Revised) issued by the Malaysian Institute of Accountants for inclusion in this Annual Report. AAPG 3 (Revised) does not require external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all respects, in accordance with the disclosures required by Paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

CONCLUSION

The Board is of the view that the system of risk management and internal control that had been implemented within the Group is sound and effective. The internal control procedures will be reviewed continuously in order to improve and strengthen the system to ensure ongoing adequacy, integrity and effectiveness so as to safeguard the Group's assets and shareholders' investments.

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

This Statement is made in accordance with the resolution of Board dated 14 May 2020.

ADDITIONAL COMPLIANCE INFORMATION

Audit and Non-Audit Fees

The fees payable to the external auditors, Grant Thornton Malaysia PLT in relation to the audit and non-audit services rendered to the Company and the Group respectively for the FYE 2019 were as follows:

	The Company (RM'000)	The Group (RM'000)
Audit fees	17	63
Non audit fees	10	10

Variation in Results

There was no material variation between the audited results for the financial year and the unaudited results previously announced.

Material Contracts

The Company has not entered into any material contracts with any Directors or substantial shareholders of the Company nor any persons connected to a Director or major shareholder of the Company during the financial year.

The Status of Utilisation

The status of utilisation of the IPO proceeds as at 31 December 2019 is as follows:

Purpose	Approved Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Estimated timeframe for use (from the listing date)
Machinery for Factory C	17,550	-	17,550	24 months
General working capital	3,672	-	3,672	24 months
Estimated listing expenses	3,200	3,200	-	Within 1 month
Total	**24,422**	**3,200**	**21,222**	

STATEMENT OF DIRECTORS' RESPONSIBILITY
IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors of Spring Art Holdings are required to prepare the financial statements which give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the results and cash flows of the Group and of the Company for the financial year then ended, in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the ACE Market Listing Requirements ("AMLR") of Bursa Securities and the provisions of the Companies Act 2016 (the "Act") in Malaysia.

In preparing the financial statements the Directors have,

- used appropriate accounting policies that are consistently applied;

- made judgements and estimates that are prudent and reasonable;

- ensured that all applicable MFRS and IFRS in Malaysia have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements to comply with MFRS, IFRS, AMLR and the Act in Malaysia.

The Directors are also responsible for safeguarding the assets of the Group and the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors of Spring Art Holdings Berhad have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activity of the subsidiary company is disclosed in Note 7 to the Financial Statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	8,068,807	(4,079)
Attributable to:-		
Owners of the Company	8,068,807	(4,079)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIVIDENDS

The amount of dividends declared and paid since the end of the last financial period were as follows:-

	RM
First interim single tier dividend of RM0.05 per ordinary share in respect of the financial year ended 31 December 2019 and paid on 15 January 2020	2,078,435

The Directors do not propose, declared or paid any final dividend in respect of the financial year ended 31 December 2019.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:-

Lim Kok Eng*
Kwan Chian Poh*
Law Sang Thiam
Tan Meng Loon
Haji Ismail Bin Tunggak

* Directors of the Company and its subsidiary company.

DIRECTORS' INTEREST IN SHARES

According to the Register of Directors' Shareholdings, the beneficial interest of those who were Directors at the end of the financial year in shares of the Company and its related corporations are as follows:-

	Number of ordinary shares			
	As at 1.1.2019	Acquired	Offer for Sale	As at 31.12.2019
Direct interest				
Lim Kok Eng	-	258,399,840	(21,615,200)	236,784,640
Kwan Chian Poh	-	63,599,960	(5,403,800)	58,196,160
Law Sang Thiam	-	300,000	-	300,000
Tan Meng Loon	-	300,000	-	300,000
Haji Ismail Bin Tunggak	-	300,000	-	300,000

By virtue of Lim Kok Eng's and Kwan Chian Poh's direct interest in the Company, they are also deemed to have interest in shares of the subsidiary company to the extent that the Company has an interest under Section 8 of the Companies Act 2016.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire any benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial period, no Director has received or become entitled to receive any benefit (other than as disclosed in Note 27 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed in Notes 23 and 26 to the Financial Statements.

There was no indemnity given to or insurance effected for the Directors and Officers of the Company.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the following shares were issued:-

Date of issue	Class of share	Number of shares	Purpose of issue
19 June 2019	Ordinary	317,999,800	Acquisition of subsidiary company
6 November 2019	Ordinary	97,687,000	Working Capital

All the new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There were no issuance of debentures during the financial year.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
(b) to ensure that any current assets which were unlikely to realise their values in the ordinary course of business as shown in the accounting records had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or
(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

AUDITORS' REMUNERATION

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia PLT, as remuneration for their services as auditors of the Company and its subsidiary company for the financial year ended 31 December 2019 amounted to RM17,000 and RM46,000 respectively.

To the extent permitted by law, the Company has agreed to indemnify its auditor, Messrs Grant Thornton Malaysia PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Messrs Grant Thornton Malaysia PLT for the financial year ended 31 December 2019.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 33 to the Financial Statements.

AUDITORS

The Auditors, Messrs Grant Thornton Malaysia PLT (a conventional partnership was converted to a limited liability partnership on 1 January 2020) have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

....	)	
LIM KOK ENG	)	
	)	
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	)	
	)	DIRECTORS
	)	
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	)	
	)	
....	)	
KWAN CHIAN POH	)	

Johor Bahru, Johor
14 May 2020

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 61 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

....	....
LIM KOK ENG	**KWAN CHIAN POH**

Johor Bahru, Johor
14 May 2020

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Teo Miow Loo, being the Officer primarily responsible for the financial management of Spring Art Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 61 to 113 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Johor Bahru in the	)	
State of Johor this day of 14 May 2020	)	
	)	....
		TEO MIOW LOO
		(MIA No. 32031)

Before me:

VASANTHI A/P VADIVELOO
No. J258

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Spring Art Holdings Berhad ("the Company"), which comprise the statements of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 113.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Company Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for impairment of trade receivables

The risk

Refer to Notes 9 and 30 (a) to the Financial Statements. The key associate risk was the recoverability of billed trade receivables as management judgement is required in estimating the expected credit losses and in assessing its adequacy of amount individually impaired through considering the expected recoverability of the year-end trade receivables.

Our response

We have obtained an understanding of the Group's policy on impairment of trade receivables and evaluated management's judgement in calculating the expected credit losses for impairment of trade receivables both individually and collectively basis. This includes reviewing the ageing of receivables and testing the integrity of ageing by calculating the due date for a sample of invoices. For impairment loss calculation on individually basis, we also checked the recoverability of outstanding receivables through examination of subsequent cash receipts and tested the operating effectiveness of the relevant control procedures that management has in place.

The basis of management's judgement over the recoverability of billed trade receivables are disclosed in Notes 3.5.1.5 and 30 (a) to the Financial Statements.

INDEPENDENT AUDITORS' REPORT

Inventory valuation

The risk

Refer to Note 8 to the Financial Statements. The Group's inventories are subject to a risk that the inventories become slow-moving or obsolete and rendering it not saleable or can only be sold for selling prices that are less than the carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventory obsolescence provision and in making an assessment of its adequacy due to risks of inventory prices not valid and inventory not stated at the lower of cost or market.

Our response

We have obtained an understanding on the Group's accounting policy in making the accounting estimates for inventories write-down which is in line with its business environment. We have also attended the year-end physical inventories count to validate counts performed by the Group. Besides that, we also tested a sample of inventories to ensure that they were held at the lower of cost and net realisable value. We have also evaluated management judgement and Group's accounting policy with regards to the application of provision to the inventories.

We have determined that there is no key audit matter to communicate in our report in relation to our audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirement of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Directors, we determined those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA PLT
(201906003682 & AF: 0737)
CHARTERED ACCOUNTANTS

MOHAMAD HEIZRIN BIN SUKIMAN
(NO: 03046/05/2021 J)
CHARTERED ACCOUNTANT

Johor Bahru, Johor
14 May 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group	Company	
	Note	31.12.2019	31.12.2019	31.12.2018
		RM	RM	RM
ASSETS				
Non-current assets				
Property, plant and equipment	5	24,514,664	-	-
Right-of-use assets	6	8,772,921	-	-
Investment in a subsidiary company	7	-	31,799,980	-
Total non-current assets		33,287,585	31,799,980	-
Current assets				
Inventories	8	7,478,887	-	-
Trade receivables	9	4,393,537	-	-
Other receivables	10	3,657,395	226,285	68,364
Derivative financial instruments	11	145,789	-	-
Other investments	12	18,061,088	18,061,088	-
Fixed deposits with licensed banks	13	11,500,828	4,500,000	-
Cash and bank balances	14	3,394,830	138,614	20,013
Total current assets		48,632,354	22,925,987	88,377
Total assets		81,919,939	54,725,967	88,377
EQUITY AND LIABILITIES				
EQUITY				
Share capital	15	54,753,941	54,753,941	20
Merger deficit	16	(31,299,980)	-	-
Revaluation reserve	17	7,264,370	-	-
Retained earnings/(Accumulated losses)		33,279,325	(2,123,656)	(41,142)
Total equity		63,997,656	52,630,285	(41,122)
LIABILITIES				
Non-current liabilities				
Borrowings	18	5,559,870	-	-
Lease liabilities	6	20,020	-	-
Deferred tax liabilities	19	2,965,726	-	-
Total non-current liabilities		8,545,616	-	-
Current liabilities				
Trade payables	20	4,631,415	-	-
Other payables	21	1,471,441	17,247	129,499
Borrowings	18	633,361	-	-
Lease liabilities	6	78,013	-	-
Dividend payable		2,078,435	2,078,435	-
Tax payable		484,002	-	-
Total current liabilities		9,376,667	2,095,682	129,499
Total liabilities		17,922,283	2,095,682	129,499
Total equity and liabilities		81,919,939	54,725,967	88,377

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 1.1.2019 to 31.12.2019 RM	Company 1.1.2019 to 31.12.2019 RM	Company 25.4.2018 to 31.12.2018 RM
Revenue	22	61,431,240	2,100,000	-
Cost of sales		(43,582,485)	-	-
Gross profit		17,848,755	2,100,000	-
Finance income		178,446	83,098	-
Other income		165,153	-	-
Selling and distribution expenses		(2,094,176)	-	-
Administrative expenses		(5,229,174)	(2,187,177)	(41,142)
Other expenses		(119,618)	-	-
Finance costs		(307,940)	-	-
Profit/(Loss) before tax	23	10,441,446	(4,079)	(41,142)
Tax expense	24	(2,372,639)	-	-
Profit/(Loss) for the financial year/period		8,068,807	(4,079)	(41,142)
Other comprehensive income, net of tax :-				
Items that will not be reclassified subsequently to profit or loss				
Realisation of revaluation reserve upon depreciation of revalued assets		166,205	-	-
Transfer of revaluation reserve to retained earnings		(166,205)	-	-
		-	-	-
Total comprehensive income/(loss) for the financial year/period		8,068,807	(4,079)	(41,142)
Profit/(Loss) attributable to:-				
Owners of the Company		8,068,807	(4,079)	(41,142)
Profit/(Loss) for the financial year/period		8,068,807	(4,079)	(41,142)
Total comprehensive income/(loss) attributable to:-				
Owners of the Company		8,068,807	(4,079)	(41,142)
Total comprehensive income/(loss) for the financial year/period		8,068,807	(4,079)	(41,142)
Earnings per share attributable to owners of the Company				
Earnings per ordinary share				
- Basic (Sen)	35	4.35		
- Diluted (Sen)	35	-		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital RM	Merger deficit RM	Revaluation reserve RM	Retained earnings RM	Total equity RM
Group						
Balance at 1 January 2019		500,020	-	7,430,575	28,122,748	36,053,343
Transactions with owners:						
Issuance of shares pursuant to acquisition of subsidiary company		31,799,980	-	-	-	31,799,980
Acquisition of subsidiary company		(500,000)	(31,299,980)	-	-	(31,799,980)
Issuance of shares		24,421,750	-	-	-	24,421,750
Share issuance expenses		(1,467,809)	-	-	-	(1,467,809)
Interim single tier dividends	25	-	-	-	(3,078,435)	(3,078,435)
Total transactions with owners		54,253,921	(31,299,980)	-	(3,078,435)	19,875,506
Profit for the financial year		-	-	-	8,068,807	8,068,807
Other comprehensive income for the financial year		-	-	(166,205)	166,205	-
Total comprehensive income for the financial year		-	-	(166,205)	8,235,012	8,068,807
Balance at 31 December 2019		54,753,941	(31,299,980)	7,264,370	33,279,325	63,997,656

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital RM	Accumulated losses RM	Total equity RM
Company				
Balance at 25 April 2018 (date of incorporation)		20	-	20
Loss for the financial period		-	(41,142)	(41,142)
Other comprehensive income for the financial period		-	-	-
Total comprehensive loss for the financial period		-	(41,142)	(41,142)
Balance at 31 December 2018		20	(41,142)	(41,122)
Transactions with owners:				
Issuance of shares pursuant to acquisition of subsidiary company		31,799,980	-	31,799,980
Issuance of shares		24,421,750	-	24,421,750
Share issuance expenses		(1,467,809)	-	(1,467,809)
Interim single tier dividend	25	-	(2,078,435)	(2,078,435)
Total transactions with owners		54,753,921	(2,078,435)	52,675,486
Loss for the financial year		-	(4,079)	(4,079)
Other comprehensive income for the financial year		-	-	-
Total comprehensive loss for the financial year		-	(4,079)	(4,079)
Balance at 31 December 2019		54,753,941	(2,123,656)	52,630,285

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group	Company	
		1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	25.4.2018 to 31.12.2018
		RM	RM	RM
OPERATING ACTIVITIES				
Profit/(Loss) before tax		10,441,446	(4,079)	(41,142)
Adjustments for:-				
Depreciation of property, plant and equipment		1,725,161	-	-
Depreciation of right-of-use assets		294,925	-	-
Interest expense		307,940	-	-
Interest income		(178,446)	(83,098)	-
Unrealised loss on foreign exchange		119,618	-	-
Fair value gain on derivative financial instruments		(128,499)	-	-
Operating profit/(loss) before wo rking capital changes		12,582,145	(87,177)	(41,142)
Changes in working capital:-				
Inventories		(701,424)	-	-
Receivables		638,446	(157,921)	(68,364)
Payables		1,724,593	(112,252)	129,499
Cash generated from/(used in) operations		14,243,760	(357,350)	19,993
Interest paid		(307,940)	-	-
Tax paid		(1,974,099)	-	-
Net cash flows from/(used in) operating activities		11,961,721	(357,350)	19,993
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(4,073,776)	-	-
Acquisition of subsidiary company		-	(31,799,980)	-
Investment in other investments		(18,061,088)	(18,061,088)	-
Interest received		178,446	83,098	-
Net cash flows used in investing activities		(21,956,418)	(49,777,970)	-
FINANCING ACTIVITIES				
Proceeds from issuance of share capital, net of share issuance expenses		22,953,941	54,753,921	-
Dividend paid		(1,000,000)	-	-
Repayment of borrowings	A	(584,152)	-	-
Payment of principal portion of lease liabilities	A	(78,129)	-	-
Net cash flows from financing activities		21,291,660	54,753,921	-
CASH AND CASH EQUIVALENTS				
Net changes		11,296,963	4,618,601	19,993
Effect of exchange rate changes		(73,371)	-	-
At beginning of financial year/date of incorporation		3,672,066	20,013	20
At end of financial year/period	B	14,895,658	4,638,614	20,013

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

NOTES TO THE STATEMENTS OF CASH FLOWS

A. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group		
	At 1.1.2019 RM	Repayments RM	At 31.12.2019 RM
Lease liabilities	176,162	(78,129)	98,033
Borrowings - Term loans	6,777,383	(584,152)	6,193,231
Total liabilities arising from financing activities	6,953,545	(662,281)	6,291,264

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprised the following items:-

	Group	Company	
	31.12.2019 RM	31.12.2019 RM	31.12.2018 RM
Fixed deposits with licensed banks (Note 13)	11,500,828	4,500,000	-
Cash and bank balances (Note 14)	3,394,830	138,614	20,013
	14,895,658	4,638,614	20,013

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim. The principal place of business of the Company is located at Lot Plo 49, Jalan Rami 4, Kawasan Perindustrian Bukit Pasir, 84300 Bukit Pasir, Muar, Johor Darul Takzim.

The Company is principally involved in investment holding.

The principal activity of the subsidiary company is disclosed in Note 7 to the Financial Statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 May 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under historical cost convention, except for land and buildings that are measured at revalued amount at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and its measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of Measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group and the Company have established control framework in respect of measurement of fair values of financial instruments. The Board of Directors has overall responsibility for overseeing all significant fair value measurements. The Board of Directors regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 MFRSs

2.4.1 Adoption of new or revised MFRSs

The Group and the Company have applied the following standards, amendments to published standards and IC Interpretation approved by Malaysian Accounting Standards Board ("MASB") for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 – *Leases*
- Amendments to MFRS 9 – *Prepayment Features with Negative Compensation*
- Amendments to MFRS 119 – *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 128 – *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to MFRSs 2015-2017 Cycle
- IC Interpretation 23 - *Uncertainty over Income Tax Treatments*

The adoption of the above MFRSs, amendments to published standards and IC Interpretation did not have any material impact on the current and prior year financial statements of the Group and of the Company except for those explanations as disclosed in Note 4 to the Financial Statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective

The following are MFRSs, Amendments to MFRSs and IC Interpretations with effective dates on or after 1 January 2020 issued by MASB and they have not been early adopted by the Group. The Group intends to adopt these new standards, amendments to the published standards and interpretations, if applicable, when they become effective.

(a) **Amendments effective for financial period beginning on or after 1 January 2020**

- Amendments to MFRS 2 – Share-based Payment
- Amendments to MFRS 3 – Business Combinations
- Amendments to MFRS 6 – Exploration for and Evaluation of Mineral Resources
- Amendments to MFRS 9, MFRS 139 and MFRS 7 – Interest Rate Benchmark Reform
- Amendments to MFRS 14 – Regulatory Deferral Accounts
- Amendments to MFRS 101 – Presentation of Financial Statements
- Amendments to MFRS 108 – Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134 – Interim Financial Reporting
- Amendments to MFRS 137 – Provisions, Contingent Liabilities and Contingent Assets
- Amendments to MFRS 138 – Intangible Assets
- Amendments to IC Interpretation 12 – Service Concession Arrangements
- Amendments to IC Interpretation 19 – Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 20 – Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IC Interpretation 22 – Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132 – Intangible Assets – Web Site Costs

(b) **MFRS effective for financial period beginning on or after 1 January 2021**

- MFRS 17 Insurance Contracts

(c) **MFRS effective for financial period beginning on or after 1 January 2022**

- Amendments to MFRS 101 – Classification of Liabilities as Current or Non-current

(d) **Amendments effective for a date yet to be confirmed**

- Amendments to MFRS 10 and MFRS 128 – Sale or Contribution Assets between an Investor and its Associate or Joint Venture

The initial application of the MFRSs and amendments to the published standards and interpretations is not expected to have any material impact on the financial statements of the Group and of the Company.

2.5 Significant accounting estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements except for the followings:-

2.5.1 Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their useful life. However, significant judgement is involved in estimating the useful life and residual value of property, plant and equipment which are subjected to technological development and level of usage. Therefore, residual values of these assets and future depreciation charges may vary.

2.5.2 Provision for expected credit losses ("ECLs") for trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns such as customer type and rating and other forms of credit insurance.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. On each quarterly reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast of economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customers' actual default rate in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 9 to the Financial Statements.

2.5.3 Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax and deferred tax provisions in the period in which such determination is made.

2.5.4 Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management consider the most reliable evidence available at the time the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

2.5.5 Fair value measurement of financial instruments

Significant judgment is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

In estimating the fair value of a financial asset or a financial liability, the Group uses market-observable data to the extent it is available. Management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the assets and liabilities. Where Level 1 inputs are not available, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date.

Information about the valuation techniques and inputs used in determining the fair value of various financial assets and financial liabilities are disclosed in Note 30 to the Financial Statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.6 Leases- Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in as similar economic environment. The IBR therefore reflects when the Group 'would have to pay', which requires estimation when no observable rates are available or when the observable rates need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Basis of consolidation

3.1.1 Subsidiary companies

Subsidiary companies are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary companies is stated at cost in the Company's statement of financial position. Where an indication of impairment exists, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.1.2 Consolidation

The financial statements of the Group includes the audited financial statements of the Company and its subsidiary made up to the end of the reporting periods.

All inter-group balances and significant inter-group transactions and resulting unrealised profits or losses are eliminated on consolidation and the financial statements reflects external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the Group's profit or loss from the effective date in which control is transferred to the Group or in which control ceases respectively.

The financial statements of the Group for the financial year was prepared in manner similar to the "pooling of interest" method or merger method. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

3.1.3 Common control business combination outside the scope of MFRS 3

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, and accordingly the accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting periods in which the common control combination occurs, and for any comparative periods disclosed, are included in the financial statements of the combined entity as if the combination had occurred from the date when the combining entities first came under the control of the controlling party or parties prior to the common control combination.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or business at the carrying amounts in the financial statements of the controlling party or parties to the common control combination.

The carrying amounts are included as if such financial statements had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the financial statements of the combined entity.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The combined assets and liabilities are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On combination, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

3.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of the equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.5 Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent to initial recognition, property, plant and equipment with the exception of land and buildings, are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are shown at market value provided by independent professional valuers on an open market basis, less subsequent accumulated depreciation and impairment losses. Land and buildings are revalued when indicators of material changes in value exists or at interval of not more than 5 years. Any revaluation increase is credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increase of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings. Upon disposal of revalued assets, the attributable revaluation surplus remaining in revaluation reserve is transferred to retained earnings.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful lives. Freehold land is not depreciated but is subject to impairment test if there is indication of impairment. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Leasehold land	41 years
Buildings	2%
Hostel	2%
Computer and office equipment	10% - 20%
Factory machinery and equipment	10% - 20%
Electrical installation, furniture and fittings	10% - 20%
Renovation	20%
Motor vehicles	20%
Signboard	10%

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Building in progress consists of buildings under construction for intended use as production facilities. The amount is stated at cost and may includes capitalisation of interest incurred on borrowings, if any related to property, plant and equipment under construction until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until it is completed and ready for their intended use.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leased assets

Accounting policies applied until 31 December 2018

The Group as lessee

3.3.1 Finance leases

Property, plant and equipment acquired under lease arrangements which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. The leased asset is measured at fair value of the leased asset or, if lower, at the present value of the minimum lease payments at inception. Initial direct costs are added to the amount recognised above. Leased asset is accounted in accordance with accounting policy applicable to that asset.

Leased payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Outstanding obligation due under finance lease arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease arrangements are allocated to profit or loss over the period of respective agreements.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

3.3.2 Operating leases

Leases in which the Group does not assume substantially all the risk and benefits of ownership are classified as operating lease, except for property interest held under operating lease, and the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on straight-line basis over the lease period. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

The Group as lessor

Where the Group acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

Accounting policies applied from 1 January 2019

The Group as lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:-

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leased assets (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

The Group as lessee (cont'd)

- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial recognition, right-of-use asset with the exception of land and buildings, are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are shown at market value provided by independent professional valuers on an open market basis, less subsequent accumulated depreciation and impairment losses. Land and buildings are revalued when indicators of material changes in value exists or at interval of not more than 5 years. Any revaluation increase is credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increase of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings. Upon disposal of revalued assets, the attributable revaluation surplus remaining in revaluation reserve is transferred to retained earnings.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

Leasehold land	41 years
Leasehold factory buildings	2%
Hostels	2.25 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section 3.6 Impairment of non-financial assets.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leased assets (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

The Group as lessee (cont'd)

Measurement and recognition of leases as a lessee (cont'd)

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Group as lessor

The accounting policy under MFRS 16 has not changed from the previous accounting policy under MFRS 117 for lessor accounting.

Where the Group acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

3.4 Inventories

Inventories comprise of raw materials, work-in-progress, packaging materials and finished goods which are stated at the lower of cost and net realisable value.

Inventories are determined on first-in-first-out method. Cost of raw materials and packaging materials includes invoiced value of goods purchased and expenditure incurred in acquiring the inventories. Cost of finished goods and work-in-progress comprises raw materials, direct labour and an appropriate proportion of production overhead which include expenditure incurred in bringing them to their existing location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in profit or loss in the financial year in which it occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments

3.5.1 Financial assets

3.5.1.1 Classification

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

3.5.1.2 Recognition and derecognition

A financial asset is recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

. 3.5.1.3 Initial measurement

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

3.5.1.4 Subsequent measurement

Financial assets are subsequently measured into the following categories:-

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost.

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash and bank balances, fixed deposits with licensed banks and trade and most of the other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.1 Financial assets (cont'd)

3.5.1.4 Subsequent measurement (cont'd)

Financial assets are subsequently measured into the following categories (cont'd):-

(ii) Fair value at other comprehensive income ("FVTOCI") (debt instruments)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVTOCI.

For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is reclassified from equity to profit or loss.

(iii) Designated at fair value at other comprehensive income ("FVTOCI") (equity instruments)

The Group's management may make an irrevocable election at initial recognition to present subsequent changes in fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the benefits from such proceeds as a recovery of part of the cost of the financial asset, such gains are recorded in other comprehensive income. Equity instruments designated at FVTOCI are not subject to impairment assessment.

The Group has not elected to designate any equity investments at FVTOCI.

(iv) FVTPL

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Net changes in fair value is recognised in profit or loss in the period which it arises.

3.5.1.5 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs represent probability-weighted estimate of the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECLs reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 **Financial instruments (cont'd)**

3.5.1 **Financial assets (cont'd)**

3.5.1.5 **Impairment of financial assets (cont'd)**

ECLs are measured on either of the following basis:-

- 12-month ECLs: the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date; and

- Lifetime ECLs: the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

3.5.2 **Financial liabilities**

3.5.2.1 **Classification**

The Group classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at FVTPL; and
- those to be measured at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.2 Financial liabilities (cont'd)

3.5.2.2 Recognition and derecognition

A financial liability is recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial liability (or a part of a financial liability) is removed from its statements of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.5.2.3 Initial measurement

The Group initially measures a financial liability at its fair value plus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

3.5.2.4 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:-

(i) FVTPL

Financial liabilities at FVTPL include financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities designated upon initial recognition as at FVTPL.

At initial recognition, the Group may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:-

- if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses recognised on derivatives include exchange differences.

For financial liability that is designated as at FVTPL upon initial recognition, the Group recognises the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk in other comprehensive income and the remaining amount of the change in the fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

The Group has not elected to designate any financial liability at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.2 Financial liabilities (cont'd)

3.5.2.4 Subsequent measurement (cont'd)

The subsequent measurement of financial liabilities depends on their classification, as described below (cont'd): -

(ii) Amortised cost

Other financial liabilities not categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's financial liabilities at amortised cost include borrowings and trade and most of the other payables. Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.5.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

3.5.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.5.5 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivatives designated as hedging instrument, and if so, the nature of the item being hedged.

The Group designates the derivative as follows:-

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures.

Forward foreign exchange contracts used are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as those arising from the related assets, liabilities or net position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.5 Derivative financial instruments and hedging activities (cont'd)

The Group designates the derivative as follows (cont'd):-

Derivative financial instruments (cont'd)

Exchange gains or losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

The fair value of forward currency contract is determined using the forward foreign exchange market rates at the reporting date.

3.6 Impairment of non-financial assets

The Group assesses at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell or its value in use and it is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of 5 years.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss has been recognised for asset in prior financial years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

3.7 Foreign currency

3.7.1 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.8 **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank balances and fixed deposits with licensed banks which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting period are classified as non-current assets.

3.9 **Equity reserves and dividend payments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Retained earnings include all current and prior financial year retained earnings.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

All transactions with owners of the Company are recorded separately within equity.

3.10 **Provisions**

Provisions are recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will occur to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will occur to settle the obligation, the provision is reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.11 **Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.12 **Interest-bearing borrowings**

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs incurred. Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred. However, borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Employee benefits

3.13.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by the employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3.13.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

3.14 Revenue recognition

The Group recognises revenue from contracts with customers for goods or services based on the five-step model as below:-

i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer goods or services to the customer that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

v. Recognise revenue when (or as) the Group satisfies a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:-

i. Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or

ii. Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii. Provides benefits that the customer simultaneously receives and consumes as the Company performs.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.14 **Revenue recognition (cont'd)**

For performance obligations where none of the above conditions are met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers.

3.14.1 **Sales of goods**

The Group manufactures and sells a range of ready-to assemble furniture product to oversea market. Revenue from sales of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the designated port and approved to be on-board by the Royal Malaysian Customs Department ("RMCD") , the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term of 7 to 90 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as contract liability as disclosed in Note 21 to the Financial Statements.

3.14.2 **Interest income**

Interest income is recognised in the profit or loss on time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

3.14.3 **Dividend income**

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

3.15 **Tax expenses**

3.15.1 **Current tax**

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised in the statements of financial position as liability (or asset) to the extent that it is unpaid (or refundable). Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax expenses (cont'd)

3.15.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting date.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.15.3 Indirect tax

Goods and Services Tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Group paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:-

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the RMCD is included as part of receivables or payables in the statements of financial position.

GST was reset at standard rated of 0% with effective on 1 June 2018 and Sales and Services Tax ("SST") was enacted with effective on 1 September 2018 to replace GST.

3.16 Related parties

A related party is a person or entity that is related to the Group and the Company and it could be:-

(a) A person or a close member of that person's family is related to the Group and the Company if that person:-

  (i) Has control or joint control over the Group and the Company;
  (ii) Has significant influence over the Group and the Company; or
  (iii) Is a member of the key management personnel of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Related parties (cont'd)

(b) An entity is related to the Group if any of the following conditions applies:-

(i) The entity and the Group are members of the same group.
(ii) The entity is an associate or joint venture of the Group.
(iii) Both the Group and the entity are joint ventures of the same third party.
(iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
(vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
(viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

3.17 Inter-segment transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on inter-segment transactions are based on negotiation basis. These transfers are eliminated on consolidation.

3.18 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the financial period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of convertible notes.

3.19 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

4. CHANGES IN ACCOUNTING POLICIES

4.1 MFRS 16 *Leases*

The Group has adopted MFRS 16 on 1 January 2019 using the modified retrospective method of which the comparative information was not restated.

1) Upon the adoption of MFRS 16, the Group has reclassified the carrying amount of leasehold land and leasehold factory buildings to right-of-use assets, which had previously been classified as 'property, plant and equipment' under the principles of MFRS 117 Leases.

2) Upon the adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.20%.

4.1.1 Effect of initial application

In summary, the adoption impact of MFRS 16 to the opening balances are as follows:-

Statements of financial position

		Impact of change in accounting policy		
	Note	31 December 2018 RM	MFRS 16 adjustments RM	1 January 2019 RM
Assets				
Property, plant and equipment		31,057,733	(8,891,684)	22,166,049
Right-of-use assets		-	9,067,846	9,067,846
Liabilities				
Lease liabilities – current		-	78,129	78,129
Lease liabilities – non-current		-	98,033	98,033
Impact on liabilities	(1)	-	176,162	176,162
Equity				
Retained earnings		28,122,748	-	28,122,748

Note:

(1) The lease liabilities are measured at present value of the lease payments that are not paid at 1 January 2019 using its incremental borrowing rate. Subsequently, the lease liabilities are adjusted for interest and lease payments, as well as the impact of lease modifications if any.

	RM
Operating lease commitments as at 31 December 2018 as disclosed in the subsidiary's financial statements	184,800
Weighted average incremental borrowing rate as at 1 January 2019	4.20%
Lease liabilities recognised as at 1 January 2019	176,162
Lease liabilities recognised as at 1 January 2019	176,162

5. PROPERTY, PLANT AND EQUIPMENT

Group

	At Valuation		At Cost							
	Freehold land	Freehold factory buildings	Computer and office equipment	Factory machinery and equipment	Electrical installation, furniture and fittings	Renovation	Motor vehicles	Signboard	Building in progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost or valuation										
At 1.1.2019	10,418,119	9,052,615	384,998	14,201,654	153,224	250,605	1,401,007	70,638	15,841	35,948,701
Additions	-	-	48,656	3,580,276	-	30,000	70,363	15,052	329,429	4,073,776
Written off	-	-	-	(163,597)	-	-	-	-	-	(163,597)
At 31.12.2019	10,418,119	9,052,615	433,654	17,618,333	153,224	280,605	1,471,370	85,690	345,270	39,858,880
Accumulated depreciation										
At 1.1.2019	-	543,141	257,550	11,545,141	100,484	122,220	1,208,567	5,549	-	13,782,652
Charge for the financial year	-	181,052	39,184	1,363,205	19,993	35,588	78,663	7,476	-	1,725,161
Written off	-	-	-	(163,597)	-	-	-	-	-	(163,597)
At 31.12.2019	-	724,193	296,734	12,744,749	120,477	157,808	1,287,230	13,025	-	15,344,216
Net carrying amount										
At 31.12.2019	10,418,119	8,328,422	136,920	4,873,584	32,747	122,797	184,140	72,665	345,270	24,514,664

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The net carrying amount of assets pledged to licensed banks as security for banking facilities granted is as follows:-

Group

	2019 RM
Freehold land	8,418,119
Freehold factory buildings	8,328,422
	16,746,541

Revaluation of land and buildings

The Group applies revaluation model in measuring its land and buildings. The land and buildings of the Group were revalued on 31 May 2018 by Jones Lang Wootton, an independent professional valuer. The revaluation surplus net of applicable deferred tax was credited to other comprehensive income and is shown in "Revaluation Reserve" under the equity.

Impairment losses on the land and buildings are recognised at the date of the revaluation, resulting from the valuation amount lower than the carrying amount of the freehold land. The impairment losses were recognised in profit or loss.

Fair value measurement of the land and buildings were categorised under Level 2. There were no transfers between Level 1 and Level 2 during the financial year.

Level 2 Fair Value

Level 2 fair value of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is per square foot of comparable properties.

If the land and buildings were measured using the cost model, the carrying amounts would be as follows:-

Group

	At cost		
	Freehold land RM	Freehold factory buildings RM	Total RM
Cost			
At 1.1.2019 and 31.12.2019	10,606,943	5,075,532	15,682,475
Accumulated depreciation			
At 1.1.2019	-	503,370	503,370
Charge for the financial year	-	101,511	101,511
At 31.12.2019	-	604,881	604,881
Net carrying amount			
At 31.12.2019	10,606,943	4,470,651	15,077,594

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:-

Group

	← At valuation →		At cost	
	Leasehold land RM	Leasehold factory buildings RM	Hostels RM	Total RM
Cost / Valuation				
At 1.1.2019 and 31.12.2019	2,310,500	8,013,855	176,162	10,500,517
Accumulated depreciation				
At 1.1.2019	38,677	1,393,994	-	1,432,671
Charge for the financial year	56,354	160,277	78,294	294,925
At 31.12.2019	95,031	1,554,271	78,294	1,727,596
Net carrying amount				
At 31.12.2019	2,215,469	6,459,584	97,868	8,772,921

Set out below are the carrying amounts of lease liabilities and the movement during the period:-

	Group 31.12.2019 RM
As at 1 January	176,162
Accretion of interest	5,871
Payment	(84,000)
As at 31 December	98,033
Current	78,013
Non-current	20,020
	98,033

The Group leases hostels under operating leases. The leases run for a period of 1 year with automatically renew for one year after expiry. Lease payments are negotiated on each renewal.

The maturity analysis of lease liabilities is disclosed in Note 30 (b) to the financial statements.

The following are the amounts recognised in profit or loss:-

	Group 31.12.2019 RM
Depreciation expense of right-of-use assets	294,925
Interest expense on lease liabilities	5,871
Total amount recognised in profit or loss	300,796

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

The Group had total cash outflows for leases of RM84,000. The Group also had non-cash additions to right-of-use assets and lease liabilities of RM176,162 respectively.

The net carrying amount of right-of-use assets pledged to licensed banks as security for banking facilities granted is as follows:-

	Group 31.12.2019 RM
Leasehold land	2,215,469
Leasehold factory buildings	6,459,584
	8,675,053

Revaluation of land and buildings

The Group applies revaluation model in measuring its leasehold land and leasehold factory buildings. The leasehold land and leasehold factory buildings of the Group were revalued on 31 May 2018 by Jones Lang Wootton, an independent professional valuer. The revaluation surplus net of applicable deferred tax was credited to other comprehensive income and is shown in "Revaluation Reserve" under the equity.

Fair value measurement of the leasehold land and leasehold factory buildings were categorised under Level 2. There were no transfers between Level 1 and Level 2 during the financial year.

Level 2 Fair Value

Level 2 fair value of leasehold land and leasehold factory buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is per square foot of comparable properties.

If the land and buildings were measured using the cost model, the carrying amounts would be as follows:-

Group

	← At cost	→	
	Freehold land RM	Leasehold factory buildings RM	Total RM
Cost			
At 1.1.2019 and 31.12.2019	2,173,061	3,818,112	5,991,173
Accumulated depreciation			
At 1.1.2019	37,001	1,352,027	1,389,028
Charge for the financial year	53,001	76,362	129,363
At 31.12.2019	90,002	1,428,389	1,518,391
Net carrying amount			
At 31.12.2019	2,083,059	2,389,723	4,472,782

7. INVESTMENT IN A SUBSIDIARY COMPANY

	Company	
	31.12.2019	31.12.2018
	RM	RM
Unquoted shares – At cost:-		
At beginning of financial year	-	-
Investments made	31,799,980	-
At end of financial year	31,799,980	-

The particulars of the subsidiary company is as follows:-

Name of company	Place of incorporation	Effective equity interest		Principal activities
		31.12.2019	31.12.2018	
		%	%	
Spring Art Industries Sdn Bhd	Malaysia	100	-	Manufacturing of ready-to-assemble furniture products

8. INVENTORIES

	Group
	31.12.2019
	RM
Raw materials	4,070,419
Work-in-progress	1,836,943
Finished goods	1,500,850
Packaging materials	65,874
Goods in transit	4,801
	7,478,887
Cost of inventories recognised in profit or loss	31,740,451

9. TRADE RECEIVABLES

Trade receivables comprise amounts receivable from sales of goods. The credit terms granted is 7 days to 90 days. Trade receivables are recognised at their original invoice amounts which represents their fair values on initial recognition.

The entire trade receivables is denominated in United States Dollar.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. Information regarding the Group's exposure to the credit risk and ECLs for trade receivables is disclosed in Note 30 (a) to the Financial Statements.

10. OTHER RECEIVABLES

	Group	Company	
	31.12.2019	31.12.2019	31.12.2018
	RM	RM	RM
Advances to workers	16,120	-	-
Non-trade receivables	1,773,850	-	-
Deposits	162,857	-	-
Deposit for acquisition of access road	274,240	-	-
Prepayment for listing expenses	108,285	108,285	-
Prepayments	1,155,447	118,000	68,364
GST receivable	166,596	-	-
	3,657,395	226,285	68,364

The currency exposure profile of other receivables is as follows (foreign currency balance is unhedged):-

	Group	Company	
	31.12.2019	31.12.2019	31.12.2018
	RM	RM	RM
Ringgit Malaysia	3,214,989	226,285	68,364
US Dollar	442,406	-	-
	3,657,395	226,285	68,364

11. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract/ Notional Amount	Assets	Liabilities	Net
	RM	RM	RM	RM
Non-hedging derivative				
Forward currency contracts				
2019	7,117,381	7,117,381	(6,971,592)	145,789

Forward currency contracts are used to manage some of the foreign currency exposure arising from the Group's transactions denominated in currencies other than the functional currency of the Group. All forward currency contracts have maturity period of less than one year after the reporting date.

These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

12. OTHER INVESTMENTS

	Group and Company	
	31.12.2019	31.12.2018
	RM	RM
At fair value through profit or loss		
Cash management funds	18,061,088	-

Cash management funds are investments in income trust funds in Malaysia.

The fair value measurement of the Group's and the Company's cash management funds are categorised within Level 2 of the fair value hierarchy.

13. FIXED DEPOSITS WITH LICENSED BANKS

	Group	Company	
	31.12.2019	31.12.2019	31.12.2018
	RM	RM	RM
Fixed deposits with licensed banks	11,500,828	4,500,000	-

The fixed deposits with licensed banks are on fixed rate basis and will mature within 3 days to 3 months period.

The average effective interest rates for fixed deposits with licensed banks ranging from 1.90% to 3.50% per annum.

All fixed deposits with licensed banks are denominated in Ringgit Malaysia.

14. CASH AND BANK BALANCES

The currency exposure profile of cash and bank balances is as follows (foreign currency balances are unhedged):-

	Group	Company	
	31.12.2019	31.12.2019	31.12.2018
	RM	RM	RM
Ringgit Malaysia	2,111,747	138,614	20,013
US Dollar	1,191,266	-	-
Singapore Dollar	91,817	-	-
	3,394,830	138,614	20,013

15. SHARE CAPITAL

	31.12.2019	31.12.2019	31.12.2018	31.12.2018
	Unit	RM	Unit	RM
Group and Company				
Issued and fully paid-up:-				
Ordinary shares				
At beginning of financial year/ At date of incorporation	200	20	200	20
Pursuant to acquisition of subsidiary company	317,999,800	31,799,980	-	-
Issuance of shares	97,687,000	24,421,750	-	-
Share issuance expenses	-	(1,467,809)	-	-
At end of financial year/period	415,687,000	54,753,941	200	20

The new ordinary shares issued during the financial year ranked pari passu in all respect with the existing ordinary shares of the Company.

16. MERGER DEFICIT

The merger deficit arose from the acquisition of a subsidiary company.

17. REVALUATION RESERVE

The revaluation reserve arose from the revaluation of land and buildings and is not available for distribution as dividends.

18. BORROWINGS

	Group 31.12.2019 RM
Current	
Secured:-	
Term loan (I)	271,180
Term loan (II)	362,181
	633,361
Non-current	
Secured:-	
Term loan (I)	2,481,980
Term loan (II)	3,077,890
	5,559,870
	6,193,231

(a) The term loans are secured by:-

i) legal charge over the certain property, plant and equipment and certain right-of-use assets of the Group with carrying amount of RM16,746,541 and RM8,675,053 respectively as disclosed in Notes 5 and 6 to the Financial Statements; and
ii) joint and several guarantees by certain Directors of the Company.

(b) The term loans are repayable as follows:-

	No. of instalments	Monthly repayment	Commencement date
Term loan (I)	180	RM32,000	October 2013
Term loan (II)	120	RM41,167	April 2018

The term loans bear interest at effective rates ranging from 4.20% to 4.38% per annum.

The entire borrowings are denominated in Ringgit Malaysia.

19. DEFERRED TAX LIABILITIES

	Group 31.12.2019 RM
At beginning of financial year	2,599,615
Under provision in prior year (Note 24)	117,385
Crystallisation of deferred tax liabilities arising from revaluation reserve (Note 24)	(39,890)
Recognised in profit or loss (Note 24)	288,616
At end of financial year	2,965,726

The components of deferred tax liabilities are made up of temporary differences arising from:-

	Group 31.12.2019 RM
Carrying amount of qualifying property, plant and equipment in excess of its tax base	815,000
Revaluation reserve on land and buildings	2,067,725
Others	83,001
	2,965,726

20. TRADE PAYABLES

(a) Trade payables are unsecured, non-interest bearing and the normal credit term granted by the suppliers ranging from 30 to 90 (2018: 30 to 90) days.

(b) The currency exposure profile of trade payables is as follows (foreign currency balance is unhedged): -

	Group 31.12.2019 RM
Ringgit Malaysia	4,403,666
US Dollar	227,749
	4,631,415

21. OTHER PAYABLES

	Group	Company	
	31.12.2019 RM	31.12.2019 RM	31.12.2018 RM
Accruals*	743,091	17,247	129,499
Non-trade payables	439,194	-	-
Contract liabilities^	289,156	-	-
	1,471,441	17,247	129,499

*Consisting mainly of accrued salaries and staff allowances.

^Contract liabilities represent advance payments from customers for future sales obligation.

The entire other payables are denominated in Ringgit Malaysia.

22. REVENUE

Company
Revenue of the Company represents dividend income from the subsidiary company.

Group
Revenue represents invoiced value of furniture manufactured, net of discounts and returns.

The Group's revenue disaggregated by geographical disaggregation is as follows:-

	Group 1.1.2019 to 31.12.2019	
	RM	%
Middle East	37,825,086	61.57
Asia Pacific	20,526,878	33.41
North America and Latin America	1,846,099	3.01
Africa	816,122	1.33
Europe	417,055	0.68
	61,431,240	

The Group's revenue disaggregated by pattern of revenue recognition is as follows:-

	31.12.2019 RM
Sales of goods at point in time on delivery	61,431,240

23. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been determined after charging/(crediting), amongst others, the following items: -

	Group	Company	
	1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	25.4.2018 to 31.12.2018
	RM	RM	RM
Auditors' remuneration			
- statutory	63,000	17,000	15,000
- non-statutory	10,000	10,000	-
Depreciation of property, plant and equipment	1,725,161	-	-
Depreciation of right-of-use assets	294,925	-	-
Loss on foreign exchange:-			
- unrealised	119,618	-	-
Gain on foreign exchange:-			
- realised	(36,654)	-	-
Interest expenses:-			
-bankers' acceptances	6,643	-	-
-term loans	295,292	-	-
-bank overdrafts	134	-	-
-lease liabilities	5,871	-	-
Interest income	(178,446)	(83,098)	-
Fair value gain on derivative financial instruments	(128,499)	-	-

The remunerations paid to the Directors of the Company (Group and Company basis) is categorised as follows: -

	Fees	Other emoluments	Total
	RM	RM	RM
Group			
31.12.2019			
Executive Directors	-	1,081,847	1,081,847
Non-Executive Directors	92,318	6,000	98,318
	92,318	**1,087,847**	**1,180,165**
Company			
31.12.2019			
Non-Executive Directors	92,318	6,000	98,318
31.12.2018			
Non-Executive Directors	-	1,500	1,500

The remunerations paid to the Directors of the Company analysed into bands are as follows:-

Number of Directors	<RM100,000	RM100,000 to RM1,000,000
Group		
31.12.2019		
Executive Directors	-	2
Non-Executive Directors	3	-
Company		
31.12.2019		
Non-Executive Directors	3	-
31.12.2018		
Non-Executive Directors	3	-

24. TAX EXPENSE

	Group	Company	
	1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	25.4.2018 to 31.12.2018
	RM	RM	RM
Current year's tax expense	1,988,017	-	-
Under provision of tax expense in prior financial year	18,511	-	-
Under provision of deferred tax in prior financial year (Note 19)	117,385	-	-
Deferred tax liabilities (Note 19)	288,616	-	-
Crystallisation of deferred tax upon depreciation of revalued assets (Note 19)	(39,890)	-	-
	2,372,639	-	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the financial year.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows: -

	Group	Company	
	1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	25.4.2018 to 31.12.2018
	RM	RM	RM
Profit/(Loss) before tax	10,441,446	(4,079)	(41,142)
Tax at Malaysian statutory tax rate of 24%	2,505,947	(979)	(9,874)
Tax effects in respect of:-			
Expenses not deductible for tax purposes	560,621	979	9,874
Under provision of deferred tax in prior financial year	117,385	-	-
Under provision of tax expense in prior financial year	18,511	-	-
Utilisation of increased exports claim	(265,185)	-	-
Utilisation of automation capital allowance	(524,750)	-	-
Crystallisation of deferred tax upon depreciation of revalued assets	(39,890)	-	-
Total tax expense	2,372,639	-	-

25. DIVIDENDS

	Group	Company	
	31.12.2019	31.12.2019	31.12.2018
	RM	RM	RM
Dividend paid by Spring Art Industries Sdn Bhd before acquisition	1,000,000	-	-
Dividend payable	2,078,435	2,078,435	-
	3,078,435	2,078,435	-

26. EMPLOYEE BENEFITS EXPENSES

	Group	Company	
	1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	25.4.2018 to 31.12.2018
	RM	RM	RM
Salaries, bonus, overtime and allowances	6,932,115	98,318	1,500
Defined contribution plan	356,131	-	-
Social contribution plan	50,075	-	-
Other benefits	352,316	-	-
	7,690,637	98,318	1,500

Employee benefits expenses of the Group and of the Company consists of, amongst others, the following items:-

	Group	Company	
	1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	25.4.2018 to 31.12.2018
	RM	RM	RM
Directors' remuneration			
Salaries, bonus, overtime and allowances	906,000	6,000	1,500
Defined contribution plan	180,000	-	-
Social contribution plan	1,847	-	-
	1,087,847	6,000	1,500

27. RELATED PARTY DISCLOSURES

(a) The transactions of the Group and of the Company with the related parties were as follows:-

	Group	Company	
	1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	25.4.2018 to 31.12.2018
	RM	RM	RM
Transaction with Directors: -			
- Dividend paid to	1,000,000	-	-
Transaction with subsidiary company: -			
- Dividend received from	-	2,100,000	-

(b) Key management personnel are defined as the person having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

The remuneration of key management personnel is same with the Directors' remuneration as disclosed in Notes 23 and 26 to the Financial Statements. The Company has no other members of key management personnel apart from the Board of Directors.

28. COMMITMENTS

Capital commitments

	Group 31.12.2019 RM
Authorised and contracted for: -	
Purchase of access road	260,000

Lease commitments

The Group has a lease contract that has not yet commenced as at 31 December 2019.

The future lease payments for this non-cancellable lease contract are as follows:-

	Group 31.12.2019 RM
Within one year	631,400
Within two years to five years	1,090,600
	1,722,000

The Group leases 3 units of single storey factory building under operating leases. The leases run for a period of 30 months, with option to renew the lease after expiry. Lease payments are negotiated on each renewal.

29. CONTINGENT LIABILITIES

Bank guarantees

As at the reporting date, the Group has contingent liabilities in respect of bank guarantee from banks to its subsidiary company amounted to RM630,000.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

(a) Financial assets measured at amortised cost ("FAAC");
(b) Financial assets measured at fair value through profit or loss ("FVTPL"); and
(c) Other liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FAAC RM	FVTPL RM	OFL RM
Group				
31.12.2019				
Financial assets				
Trade receivables	4,393,537	4,393,537	-	-
Other receivables	3,657,395	2,227,067	-	-
Derivative financial instruments	145,789	-	145,789	-
Other investments	18,061,088	-	18,061,088	-
Fixed deposits with licensed banks	11,500,828	11,500,828	-	-
Cash and bank balances	3,394,830	3,394,830	-	-
	41,153,467	21,516,262	18,206,877	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

(a) Financial assets measured at amortised cost ("FAAC");
(b) Financial assets measured at fair value through profit or loss ("FVTPL"); and
(c) Other liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FAAC RM	FVTPL RM	OFL RM
Group				
31.12.2019				
Financial liabilities				
Trade payables	4,631,415	-	-	4,631,415
Other payables	1,471,441	-	-	1,182,285
Borrowings	6,193,231	-	-	6,193,231
	12,296,087	-	-	12,006,931

	Carrying amount RM	FAAC RM	FVTPL RM	OFL RM
Company				
31.12.2019				
Financial assets				
Other receivables	226,285	-	-	-
Other investments	18,061,088	-	18,061,088	-
Fixed deposits with licensed banks	4,500,000	4,500,000	-	-
Cash and bank balances	138,614	138,614	-	-
	22,925,987	4,638,614	18,061,088	-
Financial liability				
Other payables	17,247	-	-	17,247
31.12.2018				
Financial assets				
Other receivables	68,364	-	-	-
Cash and bank balances	20,013	20,013	-	-
	88,377	20,013	-	-
Financial liability				
Other payables	129,499	-	-	129,499

Net gains/(losses) arising from financial instruments are as follows:-

	Group	Company	
	1.1.2019 to 31.12.2019 RM	1.1.2019 to 31.12.2019 RM	25.4.2018 to 31.12.2018 RM
Financial assets categorised as FAAC	29,669	23,010	-
Financial assets categorised as FVTPL	188,587	60,088	-
Financial assets categorised as OFL	(296,344)	-	-

30. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

Included in gains/(losses) on financial instruments are as follows:-

	Group	Company	
	1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	25.4.2018 to 31.12.2018
	RM	RM	RM
Total interest income for financial assets categorised as FAAC	118,358	23,010	-
Total interest income for financial assets categorised as FVTPL	60,088	60,088	-
Total interest expenses for financial liabilities categorised as OFL	(302,069)	-	-

Risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. It has established policies and procedures to ensure effective management of credit risk, liquidity risk, interest rate risk and foreign currency risk.

The following sections explain key risks faced by the Group and its management. Financial assets and financial liabilities of the Group are summarised in Note 3.5.

(a) **Credit risk**

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing with customers of appropriate standing to mitigate credit risk and those customers who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate risk of bad debts.

For other financial assets, the Group adopts the policy of dealing with the reputable institutions. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit ratings and have no history of default.

Exposure to credit risk

The Group's maximum exposure to credit risk is represented by the carrying amount of financial assets recognised at the reporting date, as summarised below:-

	Group	Company	
	31.12.2019	31.12.2019	31.12.2018
	RM	RM	RM
Classes of financial assets:-			
Trade receivables	4,393,537	-	-
Other receivables	2,227,067	-	-
Other investments	18,061,088	18,061,088	-
Fixed deposits with licensed banks	11,500,828	4,500,000	-
Cash and bank balances	3,394,830	138,614	20,013
Carrying amount	39,577,350	22,699,702	20,013

30. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(a) **Credit risk (cont'd)**

Exposure to credit risk (cont'd)

The credit risk for bank balances is considered negligible, since the counterparties are reputable licensed financial institutions with high quality external credit ratings.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements and none of the carrying amount of financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

Receivables

Concentration of credit risk

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

In respect of trade receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics except for 81% of the Group's total trade receivables balances was due from 2 major customers.

In respect of other receivables, the Group is not subjected to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics.

The net carrying amounts of receivables is considered a reasonable approximate of its fair value. The maximum exposure to credit risk is the carrying value of each class of receivables as disclosed in Notes 9 and 10 to the Financial Statements.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the Board of Directors.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

30. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(a) **Credit risk (cont'd)**

Receivables (cont'd)

Concentration of credit risk (cont'd)

The ageing analysis of trade receivables is as follows: -

		← Allowance for impairment loss		→	
Group	**Gross**	**Expected credit loss (individually impaired)**	**Expected credit loss (collectively impaired)**	**Total**	**Net**
2019	**RM**	**RM**	**RM**	**RM**	**RM**
Within terms	4,392,956	-	-	-	4,392,956
More than 90 days	581	-	-	-	581
	4,393,537	-	-	-	4,393,537

Cash and bank balances and fixed deposits with licensed banks

The credit risk for cash and bank balances and fixed deposits with licensed banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Financial guarantees

The maximum exposure to credit risk in relation to financial guarantee amounted to RM630,000 as at the reporting date.

The Group provides unsecured corporate guarantees to Tenaga Nasional Berhad ("TNB") on behalf of a supplier in respect of electricity supplies. The Group monitors on an ongoing basis the payment made by the suppliers to TNB.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, lease liabilities and borrowings, the Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will has sufficient liquidity to meet its liabilities when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

30. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(b) **Liquidity risk (cont'd)**

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as below:-

	Less than 1 year RM	2-5 years RM	More than 5 years RM	Total RM
Group				
31.12.2019				
Trade payables	4,631,415	-	-	4,631,415
Other payables	1,471,441	-	-	1,471,441
Borrowings	881,124	3,524,496	2,946,847	7,352,467
Lease liabilities	80,640	20,160	-	100,800
Total undiscounted financial liabilities	7,064,620	3,544,656	2,946,847	13,556,123
Financial guarantee	630,000	-	-	630,000
Company				
31.12.2019				
Other payables	17,247	-	-	17,247
Total undiscounted financial liability	17,247	-	-	17,247
Company				
31.12.2018				
Other payables	129,499	-	-	129,499
Total undiscounted financial liability	129,499	-	-	129,499

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities as at the reporting date.

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

30. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(c) **Interest rate risk (cont'd)**

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date are as follows:-

	Group	Company	
	31.12.2019	31.12.2019	31.12.2018
	RM	RM	RM
Fixed rate instrument			
Financial asset			
Fixed deposits with licensed banks	11,500,828	4,500,000	-
Net financial asset	11,500,828	4,500,000	-
Floating rate instrument			
Financial liability			
Term loans	(6,193,231)	-	-
Net financial liability	(6,193,231)	-	-

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group	
	+25 bp	-25 bp
	RM	RM
(Decrease)/Increase on profit for the financial year - 2019	(15,483)	15,483

(d) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Singapore Dollar ("SGD").

The Group uses forward currency contracts to hedge its foreign currency risk and these forward currency contracts have maturity of less than one year from the reporting date. Where necessary, the forward currency contracts are rolled over at maturity.

30. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(d) **Foreign currency risk (cont'd)**

The Group's exposure to foreign currency risk are as follows:-

	Group 31.12.2019	
	USD RM	SGD RM
Trade receivables	4,393,537	-
Other receivables	442,406	-
Cash and bank balances	1,191,266	91,817
Trade payables	(227,749)	-
	5,799,460	91,817

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the Group's profit to a reasonable possible change in RM/USD exchange rate and the RM/SGD exchange rate in which all other things being equal.

It assumes a +/- 1% change of the RM/USD exchange rate and a +/- 1% change of the RM/SGD exchange rate for the years ended is deemed possible. The percentage has been determined based on average market volatility in exchange rates in previous 12 months. The sensitivity analysis is based on the Group's foreign currency profile.

If the RM had strengthened against the USD and SGD, then the impact would be as follows:-

	Group 1.1.2019 to 31.12.2019 RM
Effect on profit for the financial year (decrease)	
-USD	(57,995)
-SGD	(918)

If RM had weakened against the USD and SGD, then the impact to profit for the financial year would be the opposite effect.

Exposures to foreign exchange rate vary during the financial year depending on the amount outstanding. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group at the reporting date approximate their fair values due to their short term nature and insignificant impact of discounting or they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, group into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

30. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(d) **Foreign currency risk (cont'd)**

Fair value of financial instruments (cont'd)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, group into Level 1 to 3 based on the degree to which the fair value is observable (cont'd).

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include input for asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

Fair value hierarchy-Level 2

	Group	Company	
	31.12.2019	31.12.2019	31.12.2018
	RM	RM	RM
Financial assets:-			
Derivative financial instruments	145,789	-	-
Other investments	18,061,088	18,061,088	-
	18,206,877	18,061,088	-

The above amounts also represent their carrying amount shown in the statements of financial position.

There has been no transfer between Level 1 and Level 2 fair value during the financial year.

The fair value of the forward currency contract is estimated by reference to the difference between the contractual forward price and the current forward price provided by financial institutions.

31. FAIR VALUE MEASUREMENT

Non-financial assets

The following table summaries the valuation method used by the Directors in determining the fair value of non-financialinstruments on a recurring basis at year end.

Non-financial assets	Fair value as at 31.12.2019 RM	Fair value hierarchy	Valuation techniques and key inputs
The freehold land and freehold factory buildings	18,746,541	Level 2	Comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.
Right-of-use assets (leasehold land and leasehold factory buildings)	8,675,053	Level 2	Comparison approach reflecting the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

32. CAPITAL MANAGEMENT

The primary capital management objective of the Group is to achieve sustainable growth and maximise return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

No changes were made in the objectives, policies or processes for managing capital during the financial year ended 31 December 2019 compared to 31 December 2018.

The Group manages its capital by regularly monitoring its current and expected liquidity requirement and modify the combination of equity and borrowings from time to time to meet the need. Shareholders' equity and gearing ratio of the Group are as follows: -

	Group 31.12.2019 RM
Total equity	63,997,656
Borrowings	6,193,231
Debt-to-equity ratio	0.10

33. SIGNIFICANT EVENTS

(a) On 31 January 2019, M&A Securities Sdn Bhd on behalf of the Board of Directors of the Company submitted an application to the Bursa Malaysia Securities Berhad ("Bursa Securities") for the proposed admission of the Company to the Official List and the listing of and the quotation for entire enlarged issued and paid-up share capital of the Company on the ACE Market of Bursa Securities.

(b) On 18 April 2019, Bursa Securities has approved the said application as mentioned in Note 33 (a) to the Financial Statements.

(c) On 31 July 2019, the Company had completed the acquisition of 100% equity interest in Spring Art Industries Sdn. Bhd., for a total purchase consideration of RM31,799,980 with the issuance of 317,999,800 new ordinary shares in the Company at an issue price of RM0.10 each.

(d) On 16 October 2019, the Company has launched its prospectus and aims to list on the ACE Market of Bursa Securities.

(e) On 8 November 2019, the Company has successfully listed on the ACE Market of Bursa Securities.

(f) The recent outbreak of Coronavirus Disease 2019 ("COVID-19") since end of year 2019 has seen significant cases increased worldwide which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysian Government imposed the Movement Control Order ("MCO") starting from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020. Consequently, these restrictions are expected to have material adverse effects on the Malaysia's economy for year 2020. The deterioration of world economy has also prompted additional uncertainties to the business of the Group in year 2020.

    As at the date of this report, the management of the Group is unable to reliably estimate the financial impact of COVID-19 on the Group's financial results for the financial year ended 31 December 2019 and subsequently for the financial year ending 31 December 2020 as the pandemic has yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations.

34. OPERATING SEGMENT - GROUP

The Group is organised on two major operating segments. These operating segments are monitored separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit in the consolidated financial statements. The following summary describes the operations in each of the Group's reportable segments:-

Operating segments	Business activities
Manufacturing	Manufacturing of ready-to-assemble furniture products.
Investment holding	Investment holding

Directors monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated Financial Statements.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are established on terms and conditions that are mutually agreed upon.

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the products.

Business segments

	Manufacturing RM	Investment holding RM	Elimination RM	Notes	Consolidated RM
Group					
31.12.2019					
Revenue:-					
External customers	61,431,240	2,100,000	(2,100,000)	A	61,431,240
Results:-					
Interest income	95,348	83,098	-		178,446
Interest expense	(307,940)	-	-		(307,940)
Depreciation of property, plant and equipment	(1,725,161)	-	-		(1,725,161)
Depreciation of right-of-use assets	(294,925)	-	-		(294,925)
Tax expense	(2,372,639)	-	-		(2,372,639)
Other non-cash income	128,499	-		B	128,499
Segment profit/(loss)	12,758,117	(2,187,177)	-	C	10,570,940
Assets:-					
Segment assets	58,993,952	54,725,967	(31,799,980)		81,919,939
Additions to non-current assets other than financial instruments	4,073,776	-	-	D	4,073,776
Liabilities:-					
Segment liabilities	6,085,609	17,247	-	E	6,102,856

34. OPERATING SEGMENT - GROUP (CONT'D)

Business segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the financial statements:-

A. Inter-segment revenues are eliminated on consolidation.

B. Other material non-cash income consist of the following item:-

	31.12.2019 RM
Fair value gain on derivative financial instruments	128,499

C. The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in the consolidated profit or loss:-

	31.12.2019 RM
Segment profit	10,570,940
Interest income	178,446
Finance costs	(307,940)
Profit before tax	10,441,446

D. Additions to non-current assets other than financial instruments consist of:-

	31.12.2019 RM
Property, plant and equipment	4,073,776

E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

	31.12.2019 RM
Segment liabilities	6,102,856
Borrowings	6,193,231
Lease liabilities	98,033
Deferred tax liabilities	2,965,726
Dividend payable	2,078,435
Tax payable	484,002
Total liabilities	17,922,283

The Group's operation is predominantly carried out in Malaysia.

34. OPERATING SEGMENT - GROUP (CONT'D)

Business segments (cont'd)

Information about major customers

The following is major customers with revenue equal or more than 10% of the Group's total revenue:-

	Segment	Revenue 1.1.2019 to 31.12.2019 RM
Customer A	Manufacturing	37,014,548
Customer B	Manufacturing	10,792,397

35. EARNINGS PER ORDINARY SHARE

Group

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on Group's profit for the financial year attributable to owners of the Company and weighted average number of ordinary shares calculated as follows:-

	2019
Profit for the financial year attributable to owners of the Company (RM)	8,068,807
Weighted average number of ordinary shares in issue	185,446,000
Basic earnings per ordinary share (Sen)	4.35

(b) Diluted earnings per ordinary share

There is no diluted earnings per ordinary share as there is no potential dilutive ordinary share.

36. COMPARATIVE INFORMATION

(a) The comparative information of the Company is for the financial period from 25 April 2018 to 31 December 2018. Consequently, the comparative figures in the statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity and related notes of the Company are not comparable.

(b) There are no comparative figures for the Group as this is the first set of Group's financial statements being prepared.

LIST OF PROPERTIES

The Group's policy on revaluation of landed properties is as stated in Note 3.2 to the Financial Statements.

Address / Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Valuation
Lot PLO 49, Jalan Rami 4, Kawasan Perindustrian Bukit Pasir, 84300 Muar Johor.	Industrial land with 2 adjoining blocks of single storey factory building with three storey office and guard house	10,870 square metres	Office and furniture manufacturing facilities	60 years leasehold expiring in 16-09-2059/ 40 years	8,981	31.05.18
PTD 2021, Jalan Rami 5, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor.	Industrial land with single storey detached factory and guard house	11,394 square metres	Furniture manufacturing facilities	Freehold	11,728	31.05.18
Lot 1850, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor.	Investment land	10,269 square metres	Vacant	Freehold	2,000	31.05.18
Lot 343, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor.	Agriculture land	20,234 square metres	Vacant (Propose to be Factory C)	Freehold	5,018	31.05.18

ANALYSIS OF SHAREHOLDINGS
AS AT 06 MAY 2020

Class of share	: Ordinary shares
Voting Rights	: One vote per share
Issued share capital	: 415,687,000

Category	No. of Holders	% of Holders	No. of Shares	% of Shares
1 - 99	0	0.00	0	0.00
100 - 1,000	158	9.99	74,600	0.02
1,001 - 10,000	589	37.23	3,446,900	0.83
10,001 - 100,000	666	42.09	25,087,500	6.03
100,001 - 20,784,349 (*)	167	10.56	90,456,300	21.76
20,784,350 and above (**)	2	0.13	296,621,700	71.36
Total	**1,582**	**100.00**	**415,687,000**	**100.00**

Remark: * - Less Than 5% Of Issued Shares
** - 5% And Above Of Issued Shares

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(According to the Register of Substantial Shareholders as at 06/05/2020)

		Direct		Indirect	
No.	Name of Substantial Shareholder	No. of Shares	% of issued share capital	No. of Shares	% of issued share capital
1.	Lim Kok Eng	238,425,540	57.36	58,196,160	14.00
2.	Kwan Chian Poh	58,196,160	14.00	238,425,540	57.36

DIRECTORS' SHAREHOLDINGS
(According to the Register of Directors' Shareholdings as at 06/05/2020)

		Direct		Indirect	
No.	Name of Directors	No. of Shares	% of issued share capital	No. of Shares	% of issued share capital
1.	Ismail Bin Tunggak	300,000	0.07	-	-
2.	*Kwan Chian Poh	58,196,160	14.00	238,425,540	57.36
3.	Law Sang Thiam	300,000	0.07	-	-
4.	Lim Kok Eng	238,425,540	57.36	58,196,160	14.00
5.	Tan Meng Loon	300,000	0.07	-	-

ANALYSIS OF SHAREHOLDINGS
AS AT 06 MAY 2020

LIST OF TOP 30 SHAREHOLDERS

No.	Name of Shareholders	Holdings	%
1.	LIM KOK ENG	238,425,540	57.356
2.	KWAN CHIAN POH	58,196,160	13.999
3.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GENTING UTAMA SDN BHD (M&A)	7,780,000	1.871
4.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK TIAN MENG (7001418)	6,000,000	1.443
5.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK TIAN MENG	5,000,000	1.202
6.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW DAI YING (M&A)	3,430,000	0.825
7.	TAN AH CHUAN	2,300,200	0.553
8.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM POET CHERN	2,200,000	0.529
9.	CHAN SAU LAI	2,160,000	0.519
10.	LIM LIAN HUAT	2,000,000	0.481
11.	LIM JUN YI	1,995,400	0.480
12.	ANG SIOW YEN	1,500,000	0.360
13.	AH YONG @ TEH AH HEONG	1,482,800	0.356
14.	GAN CHIEW FHEN	1,430,000	0.344
15.	BIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN WAI HON (MGNM83301)	1,350,000	0.324
16.	LEE POH YONG	1,320,000	0.317
17.	TEY LAY HUA	1,247,700	0.300
18.	LEE WAI YUEN	1,010,200	0.243
19.	LIM GE FANG	1,000,000	0.240
20.	LIM SEOK KIM	1,000,000	0.240
21.	LIM YEN TECK	1,000,000	0.240
22.	MAH SIEW HOE	1,000,000	0.240
23.	ROSLE BIN AHMAD	1,000,000	0.240
24.	SJ GLOBAL MARKETING SDN. BHD.	1,000,000	0.240
25.	TAY KUAN TEA @ TAY SWEE SENG	1,000,000	0.240
26.	TO SWEE KIM	1,000,000	0.240
27.	TRISWIFT DESIGNS SDN. BHD.	1,000,000	0.240
28.	YAP CHOON WAH	1,000,000	0.240
29.	NEW AIK PIN	930,800	0.223
30.	WONG YIN SHIA	880,000	0.211
	TOTAL	**350,638,800**	**84.351**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of SPRING ART HOLDINGS BERHAD ("Spring Art Holdings" or the "Company") will be conducted entirely through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur (the "Broadcast Venue") on Monday, 29 June 2020 at 11:00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees and allowances for the financial year ended 31 December 2019. **Ordinary Resolution 1**
3. To approve the payment of Directors' fees and allowances up to RM 1.5 million for the financial year ending 31 December 2020 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. **Ordinary Resolution 2**
4. To re-elect the following Directors who retire in accordance with Clause 90 of the Company's Constitution:

   i) Haji Ismail Bin Tunggak **Ordinary Resolution 3**
   ii) Lim Kok Eng **Ordinary Resolution 4**

5. To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company and to authorize the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business

To consider and if thought fit, to pass the following resolutions with or without any modifications as resolutions:

6. **Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016** **Ordinary Resolution 6**

   "THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company and the approvals of Bursa Malaysia Securities Berhad and other relevant governmental or regulatory bodies, where such approvals are necessary, the Directors be hereby empowered, pursuant to Section 75 of the Act, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
7. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016.

By order of the Board,

TAN HUI KHIM (LS 0009936)
NG MEI WAN (MIA 28862)
Company Secretaries
29 May 2020

Muar, Johor

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. **IMPORTANT NOTICE**

   The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.

   Shareholders **WILL NOT BE ALLOWED** to attend the Second Annual General Meeting in person at the Broadcast Venue on the day of the meeting.

   Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the Second Annual General Meeting via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its **TIIH Online** website at https://tiih.online. **Please follow the <u>Procedures for RPV in the Information for Shareholders on Second Annual General Meeting and take note of Notes (2) to (7) below in order to participate remotely via RPV.</u>**

2. Only depositors whose names appear in the Record of Depositors as at 22 June 2020 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.

3. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company.

4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

5. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his holdings to be represented by each proxy. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised. In the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).

6. A member who has appointed a proxy or authorised representative to attend, participate, speak and vote at this Annual General Meeting via RPV must request his/her proxy to register himself/herself for RPV at **TIIH Online** website at https://tiih.online. **Please follow <u>the Procedures for RPV in the Information for Shareholders on Second Annual General Meeting.</u>**

7. The proxy form duly completed must be deposited at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, or by electronic lodgement via **TIIH Online** website at **https://tiih.online** not less than twenty-four (24) hours before the time for holding the meeting. For electronic lodgement please follow **<u>the Procedures for RPV in the Information for Shareholders on Second Annual General Meeting.</u>**

Explanatory Notes:

8. **Item 1 of the Agenda**

   This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.

Explanatory Notes (cont'd):

9. **Item 3 of the Agenda – Ordinary Resolution 2**
   Approval of Directors' fees and allowances for the financial year ending 31 December 2020

   The Directors' fees and allowances proposed for the financial year ending 31 December 2020 are calculated based on the number of scheduled Board and Committee Meetings for year 2020 and assuming that all Non-Executive Directors will hold office until the conclusion of the next annual general meeting.

   This resolution is to facilitate payment of Directors' fees and allowances on current financial year basis. In the event the Directors' fees and allowances proposed are insufficient (e.g. due to more meetings), approval will be sought at the next annual general meeting for additional fees and allowances to meet the shortfall.

10. **Item 6 of the Agenda – Ordinary Resolution 6**
    Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016

    (a) The proposed Ordinary Resolution no. 6, if passed, will empower the Directors of the Company, from the date of the forthcoming Annual General Meeting ("AGM") to allot and issue shares in the Company up to an amount not exceeding ten percent (10%) of the issued share capital of the Company for the time being for such purposes as they may deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next AGM of the Company.

    (b) The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS

No individual is seeking election as a Director at the Second Annual General Meeting of the Company.

INFORMATION FOR SHAREHOLDERS ON
2nd ANNUAL GENERAL MEETING OF SPRING ART HOLDINGS BERHAD

Date	:	Monday, 29 June 2020
Time	:	11.00 a.m.
Broadcast Venue	:	Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur.

MODE OF MEETING

In view of the COVID-19 outbreak and as part of the safety measures, the Second Annual General Meeting ("2nd AGM") will be conducted entirely through live streaming from the Broadcast Venue. This is line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders **WILL NOT BE ALLOWED** to attend the 2nd AGM in person at the Broadcast Venue on the day of the meeting.

REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 2nd AGM using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its **TIIH Online** website at https://tiih.online.

Shareholders who appoint proxy or attorney or authorised representative to participate via RPV in the 2nd AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Sunday, 28 June 2020 at 11.00 a.m.**

Corporate representatives of corporate members must deposit their original certificate of appointment of corporate representative to Tricor not later than **Sunday, 28 June 2020 at 11.00 a.m.** to participate via RPV in the 2nd AGM.

A shareholder who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this 2nd AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online

As the 2nd AGM is a fully virtual AGM, members who are unable to participate in this 2nd AGM may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the proxy form.

PROCEDURES FOR RPV

Shareholders/proxies/corporate representatives/attorneys who wish to participate the 2nd AGM remotely using the RPV are to follow the requirements and procedures as summarized below:

	Procedure	Action
BEFORE THE AGM DAY		
(a)	Register as a user with TIIH Online	• Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services". Refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.

INFORMATION FOR SHAREHOLDERS ON
2nd ANNUAL GENERAL MEETING OF SPRING ART HOLDINGS BERHAD

PROCEDURES FOR RPV (CONT'D)

Shareholders/proxies/corporate representatives/attorneys who wish to participate the 2nd AGM remotely using the RPV are to follow the requirements and procedures as summarized below (cont'd):

	Procedure	Action
BEFORE THE AGM DAY		
(b)	Submit your request	• **Registration is open and continue to be opened until 11.00 a.m., Sunday, 28 June 2020.** • Login with your user ID and password and select the corporate event: **"(REGISTRATION) SPRING ART HOLDINGS 2ND AGM".** • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting" • Review your registration and proceed to register • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the General Meeting Record of Depositors as at 22 June 2020, the system will send you an e-mail to approve or reject your registration for remote participation.
ON THE DAY OF THE AGM		
(c)	Login to TIIH Online	• Login with your user ID and password for remote participation at the 2nd AGM at any time from **10.40 a.m.** i.e. 20 minutes before the commencement of the AGM on **Monday, 29 June 2020 at 11.00 a.m..**
(d)	Participate through Live Streaming	• Select the corporate event: "**(LIVE STREAM MEETING) SPRING ART HOLDINGS 2ND AGM**" to engage in the proceedings of the 2nd AGM remotely. • If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will endeavor to respond to questions submitted by remote participants during the 2nd AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
(e)	Online Remote Voting	• Voting session commences from **11.00 a.m. on Monday, 29 June 2020** until a time when the Chairman announces the completion of the voting session of the 2nd AGM. • Select the corporate event: **"(REMOTE VOTING) SPRING ART HOLDINGS 2ND AGM**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
(f)	End of remote participation	• Upon the announcement by the Chairperson on the closure of the 2nd AGM, the live streaming will end.

Note to users of the RPV facilities:

1. Should your application to join the meeting be approved we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

INFORMATION FOR SHAREHOLDERS ON
2nd ANNUAL GENERAL MEETING OF SPRING ART HOLDINGS BERHAD

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the 2nd AGM via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose questions and submit electronically no later than **Sunday, 28 June 2020 at 11.00 a.m.**. The Board will endeavor to answer the questions received at the AGM.

NO DOOR GIFT/FOOD VOUCHER

There will be **no distribution** of door gifts or food vouchers for the 2nd AGM since the meeting is being conducted on a fully virtual basis.

Spring Art Holdings Berhad would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line	:	+603-2783 9299
Fax Number	:	+603-2783 9222
Email	:	is.enquiry@my.tricorglobal.com
Contact persons	:	Puan Ros Sakila Binti Bahari
		+603-2783 9277 (sakila@my.tricorglobal.com)
		Encik Mohammad Amirul Iskandar Bin Azizan
		+603-2783 9263 (Mohammad.Amirul@my.tricorglobal.com)

SPRING ART™

SPRING ART HOLDINGS BERHAD
COMPANY NO.: 201801016143 (1278159-A)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	
No. of Shares Held	

I/We …………………………………………………………………………………………….................... Tel: ……………….………………….….................
[Full name in block and as per NRIC/passport, NRIC/Passport/Company No.]

of ………
[Full address]

………
being member(s) of SPRING ART HOLDINGS BERHAD, hereby appoint:

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting, as ^my/our proxy/proxies to vote for ^me/us and on ^my/our behalf at the Second Annual General Meeting of the Company which will be conducted entirely through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur ("the Broadcast Venue") on Monday, 29 June 2020 at 11:00 a.m. or any adjournment thereof, and to vote as indicated below:

Description of Resolution	Resolution	For	Against
Approval of Directors' fees and allowances for the financial year ended 31 December 2019	Ordinary Resolution 1		
Approval of Directors' fees and allowances for the financial year ending 31 December 2020	Ordinary Resolution 2		
Re-election of Haji Ismail Bin Tunggak as Director	Ordinary Resolution 3		
Re-election of Lim Kok Eng as Director	Ordinary Resolution 4		
Re-appointment of Messrs Grant Thornton Malaysia PLT as Auditors	Ordinary Resolution 5		
Authority for Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016	Ordinary Resolution 6		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Signed this _______________ day of _______________ 2020

____
Signature*
Member

^ Delete whichever is inapplicable
* Manner of execution:

(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:

1. ***IMPORTANT NOTICE***

   *The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.*

   *Shareholders **WILL NOT BE ALLOWED** to attend the Second Annual General Meeting in person at the Broadcast Venue on the day of the meeting.*

   *Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the Second Annual General Meeting via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its **TIIH Online** website at https://tiih.online. **Please follow the Procedures for RPV in the Information for Shareholders on Second Annual General Meeting and take note of Notes (2) to (7) below in order to participate remotely via RPV.***

2. *Only depositors whose names appear in the Record of Depositors as at 22 June 2020 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.*

3. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.*

4. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

5. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised. In the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).*

6. *A member who has appointed a proxy or authorised representative to attend, participate, speak and vote at this Annual General Meeting via RPV must request his/her proxy to register himself/herself for RPV at **TIIH Online** website at https://tiih.online. **Please follow the Procedures for RPV in the Information for Shareholders on Second Annual General Meeting**.*

Notes (cont'd):

7. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than twenty-four (24) hours before the time appointed for holding the Second Annual General Meeting at which the person named in the appointment proposes to vote:*

   (i) *<u>In hard copy form</u>*

   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) *<u>By electronic form</u>*

   The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online (applicable to individual shareholders only). Kindly refer to the Annexure to the proxy form – Electronic Submission of Proxy Form via TIIH Online for General Meeting.

8. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*

9. *Last date and time for lodging the proxy form is Sunday, 28 June 2020 at 11.00 a.m.*

10. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time appointed for holding the Second Annual General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed. To attend, participate and vote remotely, the attorney should refer to the Information for Shareholders on Second Annual General Meeting for further details.*

Please fold here

AFFIX
STAMP

The Share Registrars

SPRING ART HOLDINGS BERHAD

COMPANY NO.: 201801016143 (1278159-A)

Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8,
Jalan Kerinchi, 59200 Kuala Lumpur

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SPRING ART HOLDINGS BERHAD

COMPANY NO.: 201801016143 (1278159-A)

(Incorporated in Malaysia under the Companies Act 2016)

Lot Plo 49, Jalan Rami 4, Kawasan Perindustrian Bukit Pasir, 84300 Bukit Pasir, Muar, Johor, Malaysia.

Phone : +606 - 985 9971 Fax : +606 - 985 9972 Email : info@springart.com

www.springart.com