



SPRING ART HOLDINGS BERHAD
REGISTRATION NO: 201801016143 (1278159-A)

**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR SECOND QUARTER ENDED 30 JUNE 2023**

SPRING ART HOLDINGS BERHAD
REGISTRATION NO: 201801016143 (1278159-A)
UNAUDITED CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 (a)

	Unaudited As At 30.06.2023 RM'000	Audited As At 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	65,401	63,331
Right-of-use assets	10,297	10,433
Total non-current assets	75,698	73,764
Current Assets		
Inventories	9,699	10,204
Trade receivables	4,273	2,329
Other receivables	1,812	4,203
Derivatives financial instruments	-	37
Tax Recoverable	1,361	888
Short-term investments	3,032	-
Fixed deposits with licensed bank	3,676	6,876
Cash and bank balances	6,225	6,559
Total current assets	30,078	31,096
TOTAL ASSETS	105,776	104,860
EQUITY AND LIABILITIES		
EQUITY		
Share capital	54,755	54,755
Revaluation reserve	9,893	10,014
Merger deficit	(31,300)	(31,300)
Retained profits	47,613	46,691
Total equity	80,961	80,160
LIABILITIES		
Non-current liabilities		
Borrowings	13,865	14,569
Deferred tax liabilities	4,125	4,195
Total non-current liabilities	17,990	18,764
Current Liabilities		
Trade payables	1,465	832
Other payables	3,855	3,880
Derivatives financial instruments	13	-
Borrowings	1,492	1,224
Total current liabilities	6,825	5,936
Total liabilities	24,815	24,700
TOTAL EQUITY AND LIABILITIES	105,776	104,860
Net assets per share (RM) (b)	0.19	0.19

Notes:

- (a) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.
- (b) Net assets per ordinary share is calculated based on the Company's number of ordinary shares at the end of the reporting period which is 415,689,400 shares.



SPRING ART HOLDINGS BERHAD
REGISTRATION NO: 201801016143 (1278159-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (a)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Unaudited Current Year Quarter 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 30.06.2022 RM'000	Unaudited Current Year -To-Date 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Period 30.06.2022 RM'000
Revenue	11,348	10,059	21,553	23,858
Operating expenses	(10,838)	(9,639)	(20,830)	(22,141)
Other income	125	317	595	731
Finance costs	(151)	(114)	(301)	(208)
Profit before tax ("PBT")	<u>484</u>	<u>623</u>	<u>1,017</u>	<u>2,240</u>
Tax expense	(154)	130	(216)	(175)
Profit after tax ("PAT")	<u>330</u>	<u>753</u>	<u>801</u>	<u>2,065</u>
Other comprehensive income net of tax: -				
Items that will not reclassified subsequently to profit or loss				
Realisation of revaluation reserve upon depreciation of revalued assets	60	58	121	116
Transfer of revaluation reserve to retained earnings	(60)	(58)	(121)	(116)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the financial period	<u>330</u>	<u>753</u>	<u>801</u>	<u>2,065</u>
Profit for the financial period attributable to :				
Owners of the Company	<u>330</u>	<u>753</u>	<u>801</u>	<u>2,065</u>
	<u>330</u>	<u>753</u>	<u>801</u>	<u>2,065</u>
Total comprehensive income for the financial period attributable to :				
Owners of the Parent	<u>330</u>	<u>753</u>	<u>801</u>	<u>2,065</u>
	<u>330</u>	<u>753</u>	<u>801</u>	<u>2,065</u>
Basic earnings per share (in sen)	0.08	0.18	0.19	0.50
Diluted earnings per share (in sen)	0.08	0.18	0.19	0.50

Notes:

- (a) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

SPRING ART HOLDINGS BERHAD
REGISTRATION NO: 201801016143 (1278159-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (a)

	Non-distributable			Distributable	Total Equity RM'000
	Share Capital RM'000	Revaluation Reserve RM'000	Merger Reserve RM'000	Retained Profit RM'000	
Balance as at 1 January 2022	54,755	9,886	(31,300)	44,288	77,629
Total comprehensive income for the financial period	-	362	-	2,169	2,531
Realisation of revaluation reserve upon depreciation of revalued assets	-	(234)	-	234	-
Balance as at 31 December 2022 (Audited)	54,755	10,014	(31,300)	46,691	80,160
Total comprehensive income for the financial period	-	-	-	801	801
Realisation of revaluation reserve upon depreciation of revalued assets	-	(121)	-	121	-
Balance as at 30 June 2023 (Unaudited)	54,755	9,893	(31,300)	47,613	80,961

Notes:

- (a) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

SPRING ART HOLDINGS BERHAD
REGISTRATION NO: 201801016143 (1278159-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (a)

	CUMULATIVE QUARTER	
	Unaudited Current Year -To-Date 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Period 30.06.2022 RM'000
Cash flows from operating activities		
Profit before tax	1,017	2,240
Adjustments for :		
Depreciation of property, plant and equipment	1,095	1,079
Depreciation of right-of-use assets	136	453
Fair value loss on derivative financial instruments	50	141
Gain on disposal of property, plant & equipments	-	(33)
Finance costs	301	208
Interest income	(88)	(88)
Unrealised foreign exchange gain	(275)	(275)
Operating cash flows before changes in working capital	<u>2,236</u>	<u>3,725</u>
Decrease in inventories	505	4,275
Decrease in trade and other receivables	449	2,910
Increase / (Decrease) in trade and other payables	609	(8,089)
Cash generated from operations	<u>3,799</u>	<u>2,821</u>
Income tax paid	(759)	(746)
Interest paid	(301)	(208)
Net cash generated from operating activities	<u>2,739</u>	<u>1,867</u>
Cash flows used in investing activities		
Purchase of property, plant and equipment	(3,165)	(11,981)
Proceeds from disposal of property, plant and equipment	-	33
Purchase of short-term investments	(3,032)	-
Interest received	88	88
Net cash used in investing activities	<u>(6,109)</u>	<u>(11,860)</u>
Cash flows (used in) / from financing activities		
Drawdown of term loans	102	8,448
Payment of principal portion of lease liabilities	-	(314)
Repayment of term loans	(539)	(504)
Net cash (used in) / generated from financing activities	<u>(437)</u>	<u>7,630</u>
Net decrease in cash and cash equivalents	(3,807)	(2,363)
Effect of exchange rate changes on cash and cash equivalents	273	251
Cash and cash equivalents at beginning of financial period	13,259	22,519
Cash and cash equivalents at end of financial period	<u><u>9,725</u></u>	<u><u>20,407</u></u>
Cash and cash equivalents included in the cash flow statements comprise the followings:		
Cash and bank balances	6,225	10,232
Fixed deposits with a licensed bank	3,676	10,175
Less: Fixed deposit pledged to licensed bank	(176)	-
	<u><u>9,725</u></u>	<u><u>20,407</u></u>

Notes:

- (a) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

SPRING ART HOLDINGS BERHAD**REGISTRATION NO: 201801016143 (1278159-A)****NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2023****PART A – EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING
STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING****A1. BASIS OF PREPARATION**

The interim financial report of SPRING ART HOLDINGS BERHAD (“**SPRING**” or “**the Company**”) and its subsidiaries (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) No. 134: Interim Financial Reporting and Rule 9.22 of Listing Requirements.

This interim financial report should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2022 and the accompanying notes attached to this interim financial report.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the Group’s annual audited financial statements for the year ended 31 December 2022.

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 2023:

- MFRS 17 – *Insurance Contracts*
- Amendments to MFRS 17 – *Insurance Contracts*
- Amendments to MFRS 101 – *Disclosure of Accounting Policies*

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.

Standards issued but not yet effective

The following are MFRSs, Amendments to MFRSs and IC Interpretations with effective dates on or after 1 January 2024 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) MFRS and amendments effective for financial period beginning on or after 1 January 2024

- Amendment to MFRS 16 – *Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101 – *Classification of Liabilities as Current or Non-current*
- Amendment to MFRS 101 – *Non-current Liabilities with Covenants*

(b) Amendments effective for a date yet to be confirmed

- Amendments to MFRS 10 and MFRS 128 – *Sale or Contribution of 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.

A3. AUDITORS' REPORT

The audited financial statements for the financial year ended 31 December 2022 was not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

Our operations are not significantly affected by seasonal or cyclical patterns as our furniture products are exported to several regions globally, where the differing sales and promotion period of furniture sales in different regions allow us to benefit from consistent sales throughout the year.

A5. EXTRAORDINARY AND EXCEPTIONAL ITEMS

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows during the current financial quarter under review.

A6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There were no material changes in estimates of amounts reported in prior interim periods or prior financial year that have a material effect during the current financial quarter under review.

A7. CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuances, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares during the current financial quarter under review.

Type of Securities	As at 01.04.2023	Allotment	Conversion	As at 30.06.2023
Ordinary shares	415,689,400	-	-	415,689,400
Warrants A	166,272,400	-	-	166,272,400

A8. DIVIDENDS PAID

There were no dividends paid for the current financial quarter under review.

A9. SEGMENTAL INFORMATION

For management purposes, majority of the operations of the Group is involved in the manufacturing of office and household furniture. There were no separate business units for the purpose of making decisions about resource allocation and performance assessment by the Managing Director.

The Group operates only in Malaysia hence there is no disclosure of geographical segments on the non-current assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table provides an analysis of the Group's revenue by geographical segment:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Middle East	4,950	8,015	13,161	16,670
Asia Pacific	4,777	1,158	6,463	4,318
North America and Latin America	963	548	1,096	2,095
Europe	123	117	123	440
Africa	428	-	603	-
Oceania	107	221	107	335
Total	11,348	10,059	21,553	23,858

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment during the current financial quarter under review.

A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL QUARTER

There were no other material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current financial quarter under review.

A13. CHANGES IN CONTINGENT LIABILITIES/ASSETS

As at the date of this report, the Group has contingent liabilities as follows:

	RM'000
Corporate guarantees for credit facilities granted to subsidiaries (unsecured)	15,356

A14. CAPITAL COMMITMENTS

The material capital commitments of the Group as at 30 June 2023 are as follows:

	As at 30.06.2023 RM'000	As at 30.06.2022 RM'000
Authorised and Contracted for:		
Application for access road	260	260
Purchase of property, plant and equipment	2,057	15,986
	<u>2,317</u>	<u>16,246</u>

A15. RELATED PARTY TRANSACTIONS

There were no related party transactions in the current financial quarter under review.

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PART B - EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. PERFORMANCE REVIEW

- Results for current quarter and financial year-to-date

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter 30.06.2023 RM'000	Preceding Year Corresponding Quarter 30.06.2022 RM'000	+/- %	Current Year-To-Date 30.06.2023 RM'000	Preceding Year Corresponding Period 30.06.2022 RM'000	+/- %
Revenue	11,348	10,059	12.8	21,553	23,858	(9.7)
PBT	484	623	(22.3)	1,017	2,240	(54.6)

The Group recorded revenue of RM11.35 million for the current financial quarter ended 30 June 2023 ("Q2 2023"), an increase of 12.8% as compare to the preceding year corresponding quarter ended 30 June 2022 ("Q2 2022").

The increase revenue was mainly due to the increased demand from Asia Pacific especially from local demand. Meanwhile, the order from Middle East dropped in current quarter mainly due to slow-down in economy and weakening consumers spending power.

The Group's PBT decreased by 22.3% from PBT of RM0.62 million in Q2 2022 to RM0.48 million in Q2 2023. The decrease in profit before tax was mainly attributable to the higher operating cost and implementation of working hours to 45 hours a week.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER RESULTS

	INDIVIDUAL QUARTER		CHANGES	
	Current Year Quarter 30.06.2023 RM'000	Preceding Quarter 31.03.2023 RM'000	RM'000	%
Revenue	11,348	10,205	1,143	11.2
PBT	484	532	(48)	(9.0)

The Group recorded revenue of RM11.35 million in Q2 2023 as compared to RM10.21 million recorded in the preceding quarter ended 31 March 2023 ("Q1 2023"), it was an increase of RM1.14 million during current financial quarter.

The increase of revenue was due to the increase of demand for living room, kitchen and bathroom furniture in Q2 2023 compared to Q1 2023.

B3. PROSPECT AND OUTLOOK FOR THE CURRENT FINANCIAL YEAR

The global economy is expected to slow down, remaining weaker than usual due to efforts to control inflation impacting economic activity. As a result, the Group foresees a persistently challenging landscape within the export market, characterized by customer adjustments to procurement practices stemming from elevated stock levels housed within their respective warehouses.

Despite this, our Group will focus on what we do best, keep an eye out for opportunities, cut costs where we can, and take quick actions to lessen the impact of these challenges on our finances.

The completion of Factory C will be postponed to Q4 2023 due to the delay of electricity supply from Tenaga Nasional Berhad to our Factory C's electricity substation. However, the Group has obtained Certificate of Practical Completion ("CPC") on 28 March 2023. The Group is optimistic that our prospects will improve after Factory C is up and running. With more production capacity, the Group is putting more effort into improving our products to better match what our customers need.

The Group will continue to make thoughtful choices to ensure our business remains resilient. The Group will collaborate with customers to streamline orders, efficient cost management, expanding our customer base, and optimizing workforce utilisation will remain our focus. The Board will diligently monitor the Group performance and progress. Although the Board anticipates challenges in the current financial year ending on 31 December 2023, the Group goal is to achieve positive outcomes.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee during the current financial quarter under review.

B5. INCOME TAX EXPENSE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense	283	6	286	356
Deferred tax expense	(129)	(136)	(70)	(181)
Total tax expense	154	(130)	216	175

B6. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced but not completed for the current financial quarter under review.

B7. UTILISATION OF PROCEEDS RAISED FROM THE IPO

The estimated gross proceeds arising from Public Issue of approximately RM24.42 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	Estimated timeframe for utilisation	Proposed utilisation	Actual utilisation (a)	Unutilised Amount
		RM'000	RM'000	RM'000
Machinery for Factory C	24 months	17,550	17,550	-
General working capital	24 months	3,672	3,672	-
Estimated listing expenses	1 month	3,200	3,200	-
		24,422	24,422	-

Note:

- (a) The utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of the Company dated 16 October 2019.

B8. GROUP'S BORROWINGS AND DEBT SECURITIES

The Group's borrowings are as follows:

	As At 30.06.2023 RM'000	As At 30.06.2022 RM'000
Non-current :		
Term loan	13,865	11,846
	13,865	11,846
Current :		
Term loan	1,492	1,115
	1,492	1,115
Total borrowings	15,357	12,961

All the Group's borrowings are secured and denominated in Ringgit Malaysia.

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B9. FINANCIAL INSTRUMENTS - DERIVATIVES

The Group uses derivative financial instruments, mainly foreign currency forward contracts to hedge its exposure to fluctuations in foreign exchange arising from sales. The Group does not hold or issue derivative financial instruments for trading purposes.

The details of the outstanding foreign currency forward contracts are as follows: -

	NOTIONAL AMOUNT AS AT		FAIR VALUE LOSS AS AT	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Foreign currency contracts				
Less than one year	5,378	4,185	50	141

The above instruments are executed with credit worthy financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength. There are also no cash requirements risks as the Group only uses foreign currency forward contracts as its hedging instruments. The fair value changes have been recognised in the profit and loss.

B10. MATERIAL LITIGATION

There were no material litigation involving the Group as at 30 June 2023.

B11. DIVIDEND

No dividend has been proposed for the current quarter under review.

B12. DISCLOSURE ON SELECTED EXPENSE/ INCOME ITEMS AS REQUIRED BY THE LISTING REQUIREMENTS

Profit before tax is arrived after charging / (crediting): -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	544	523	1,095	1,079
Depreciation of right-of-use assets	68	226	136	453
Fair value (gain)/loss on derivative financial instruments	(49)	109	50	141
(Gain) on disposal of property, plant and equipment	-	(33)	-	(33)
Loss/(Gain) on foreign exchange				
Realised	8	(59)	(123)	(82)
Unrealised	-	(156)	(275)	(275)
Interest income	(47)	(28)	(88)	(88)
Finance costs	151	114	301	208

B13. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share amount are calculated by dividing the profit attributable to Owners of the Parent by the weighted average number of ordinary shares outstanding during the period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Profit after tax attributable to owners of the Company (RM'000)	330	753	801	2,065
Weighted average number of ordinary shares in issue ('000) (a)	415,689	415,689	415,689	415,689
Basic earnings per share (sen)	0.08	0.18	0.19	0.50
Profit after tax attributable to owners of the Company (RM'000)	330	753	801	2,065
Weighted average number of ordinary shares for diluted earnings per ordinary share computation ('000) (b)	415,689	415,689	415,689	415,689
Diluted earnings per share (sen)	0.08	0.18	0.19	0.50

Notes:

- (a) Basic earnings per share is calculated based on the Company's number of ordinary shares at the end of the reporting period which is 415,689,400 shares.
- (b) Diluted earnings per share of the Company for the individual quarter ended 30 June 2023 and year-to-date ended 30 June 2023 is equivalent to the basic earnings per share as the Company does not have any convertible options as at the end of the reporting period.

Board of Directors
Spring Art Holdings Berhad
24th August 2023