

The logo for Spring Art, featuring the words "SPRING ART" in a bold, white, sans-serif font on a red rectangular background.

**SPRING ART®**

SPRING ART HOLDINGS BERHAD  
REGISTRATION NO.: 201801016143 (1278159-A)  
(Incorporated in Malaysia under the Companies Act 2016)

# Annual Report 2020

*Furnishing your  
dream home*

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### 3<sup>RD</sup> ANNUAL GENERAL MEETING

---

 **DATE** **29 JUNE** TUE 2021

 **TIME** **11.00** AM

 **VENUE** Mahkota 1, Level 9, Classic Hotel,  
No. 69, Jalan Ali, Pekan Muar,  
84000 Muar, Johor.



**SCAN**

#### Online Version

This Annual Report can also be downloaded as a PDF file or viewed in an Interactive format at [www.springart.com](http://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 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 RM54,754,613 and divided into 415,689,400 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 40 countries such as India, United Arab Emirates (“UAE”), Saudi Arabia, Canada and Bahrain. The Company’s revenue was mainly derived from overseas market.

On 12 November 2020, the Company had incorporated a wholly-owned subsidiary, namely Elisa Home Sdn. Bhd (“Elisa”). Elisa will cater the online sales to local market through the local online sales platforms and own website. This is the first time that the Company involved in conducting B2C e-commerce business and launch the new brand products to the Malaysia market. **“ELISA”** which carried the meaning as below:

## **“ELISA” - E-commerce Live in Spring Art**

Spring Art Holdings and its wholly-owned subsidiaries (the “Group”) place great emphasis on manufacturing high quality furniture products by adhering to stringent quality controls and monitoring system. The Group also continuously investing substantial resources in its on-going Research and Development Program to seek, improve and develop quality, durable and trendy furniture products to meet the demands and expectations of customers.

The Group has only one business segment, namely the design, development, manufacturing, marketing and sales of furniture products



**Design and  
development**



**Manufacturing**



**Marketing  
and sales**

# Corporate Profile

The Group's ready-to-assemble furniture products comprise:



## Office furniture

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



## Bedroom furniture

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



## Living room furniture

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



## Other furniture

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

## OUR MISSION

Enhancing the lifestyle of people

## OUR VISION

To establish a strong brand as a leading furniture manufacturer

## CORE VALUES - PERSISTENT

### P

People

We expect our **people** to approach everything with fire in their belly and never give up on doing what they believe is right.

### E

Emphasis

We place high **emphasis** on products' quality to enhance customer satisfaction.

### R

Respect

We **respect** for and openness to cultures, views and opinions different from one's own.

### S

Sensitivity

We maintain a **sensitivity** to customers' needs to become more 'agile' and more responsive to customers.

### I

Innovation

We are committed to research, development, and **innovation** to understand customers and markets demand.

### S

Safety

We stress on the safety in workplace to ensure the health **safety** and welfare at work of employees.

### T

Technology

We focus on **technology** development to drive towards Industry 4.0 Malaysia.

### E

Efficiency

We highlight on production **efficiency** to derive better cost management across all functions.

### N

Notability

We build our company's identity and **notability** to catch attention of new customers.

### T

Teamwork

We believe **teamwork** enables ordinary people to achieve extraordinary things.

# Corporate Structure



**SPRING ART®**

**SPRING ART  
HOLDINGS BERHAD**

100%

**SPRING ART  
INDUSTRIES SDN BHD**

100%

**ELISA HOME 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 AND RISK MANAGEMENT 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)  
SSM Practicing Certificate No.:  
201908000801  
Tan Hui Khim (LS 0009936)  
SSM Practicing Certificate No.:  
201908000859

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

### SOLICITORS

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

Alan Tan & Associates  
Advocates & Solicitors  
No. 4, Jalan Perdana 6  
Taman Junid Perdana  
Jalan Abdul Rahman  
84000 Muar, Johor

Telephone number: +606-953 3500  
Fax number: +606-953 1376

Tay & Helen Wong  
Advocates & Solicitors  
Suite 703 Block F  
Phileo Damansara 1  
No.9 Jalan 16/11  
46350 Petaling Jaya  
Selangor Darul Ehsan

Telephone number: +603-7960 1863  
Fax number: +603-7960 1873

### 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



## Spring Art to launch own B2C e-commerce website

Surin Murugiah / theedgemarkets.com

November 19, 2020 11:16 am +08



KUALA LUMPUR (Nov 19): Ready-to-assemble (RTA) furniture products designer and manufacturer Spring Art Holdings Bhd is set to launch its own business-to-consumer (B2C) e-commerce website.

In a statement today, Spring Art managing director Jack Lim Kok Eng said the website, "Elisa - E-commerce Live in Spring Art" is slated to be launched by February 2021 in tandem with its new brand of products.

"This is the first time that Spring Art has been involved in conducting B2C e-commerce business.

"We believe that the new marketing B2C strategy is the business trend moving forward," he said.

Currently, the company supplies its RTA 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, Bahrain and the US.



**室特雅扎稳马步再并购壮大**  
家具销售火红 订单排到第3季

【星洲19日讯】室特雅控股有限公司（Spring Art Holdings Bhd）宣布，公司将于明年2月推出全新的B2C电子商务网站“Elisa - E-commerce Live in Spring Art”。

室特雅管理董事林国荣（Jack Lim Kok Eng）表示，这是公司首次涉足B2C电子商务业务。他认为，新的B2C营销策略是商业趋势向前发展的方向。

目前，公司主要向分销商、家具展厅零售商、家居用品连锁店以及来自35个国家的电子商务公司供应RTA家具产品，包括印度、日本、阿联酋、沙特阿拉伯、加拿大、巴林和美国。

2020-11-19 12:55:00

## 室特雅明年2月前 拟推B2C电商网站

即时财经



【吉隆坡19日讯】室特雅控股（SPRING.0216，创业板消费产品服务组）预期2021年2月之前推出自有“宾对客”（B2C）电子商务网站，并争取争取300万令营销额。

室特雅董事林国荣在文告中说，配合向公众推出全新品牌产品计划，该公司预期明年推出电子商务网站。

“这是室特雅第一次涉足B2C电子商务业务。我们相信，新的B2C营销策略将是未来的业务趋势。”

图：室特雅控股，位于雪兰莪州巴生市的工厂。



## Spring Art proposes bonus issue of warrants

Surin Murugiah / theedgemarkets.com

November 19, 2020 02:07 pm +08



KUALA LUMPUR (Nov 19): Spring Art Holdings Bhd has proposed a bonus issue of 164.37 million free warrants on the basis of five existing shares held to reward existing shareholders of the ready-to-assemble furniture products manufacturer.

Spring Art managing director Jack Lim Kok Eng said the issuance will also provide the group's shareholders an opportunity to increase their equity participation in the company. The warrants will have a five-year tenure with an exercise price of 28 sen compared with today's record closing of 30 sen.

"It will also allow existing shareholders to benefit from any potential capital appreciation of the warrants and help strengthen the company's capital base and shareholders' funds," he said in a statement today.

The total issued share capital stood at RM54.75 million as at Nov 5, 2020, comprising 312.69 million shares. Upon full exercise of the free warrants, its share capital will be enlarged to RM203.30 million, comprising 581.86 million shares.



## 疫情拦阻展销会 家具股拥抱网购下单

赖光英、雷浩强、联合报导

【星洲19日讯】受疫情影响，家具股在股市表现疲弱，但网购下单量却逆势大增。

大马股市昨日收盘报收1,212.50点，下跌1.15点。

在股市表现疲弱的情况下，家具股在股市表现疲弱，但网购下单量却逆势大增。

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大马股市昨日收盘报收1,212.50点，下跌1.15点。





## Spring Art in the News

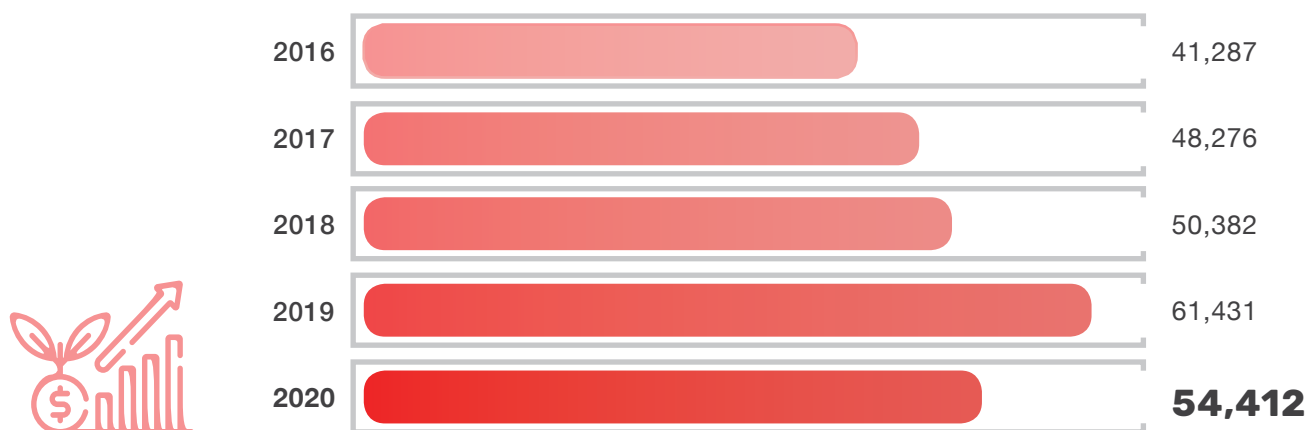


# Key Financial Highlights

FIVE YEARS FINANCIAL HIGHLIGHTS	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Revenue	41,287	48,276	50,382	61,431	<b>54,412</b>
Profit Before Tax	9,594	10,142	8,433	10,442	<b>8,264</b>
Profit After Tax	7,474	7,860	6,229	8,069	<b>6,502</b>
Net Assets	18,951	26,811	36,053	63,997	<b>73,524</b>
Net Profit Attributable To Equity Holders	7,474	7,860	6,229	8,069	<b>6,502</b>
Weighted Average Number Of Shares In Issue ('000)	500	500	500	185,446	<b>415,687</b>
Earnings Per Share (EPS) (sen)	1,494.89	1,571.98	1,245.45	4.35	<b>1.56</b>
Net Assets Per Share (sen)	37.90	53.62	72.11	0.15	<b>0.18</b>

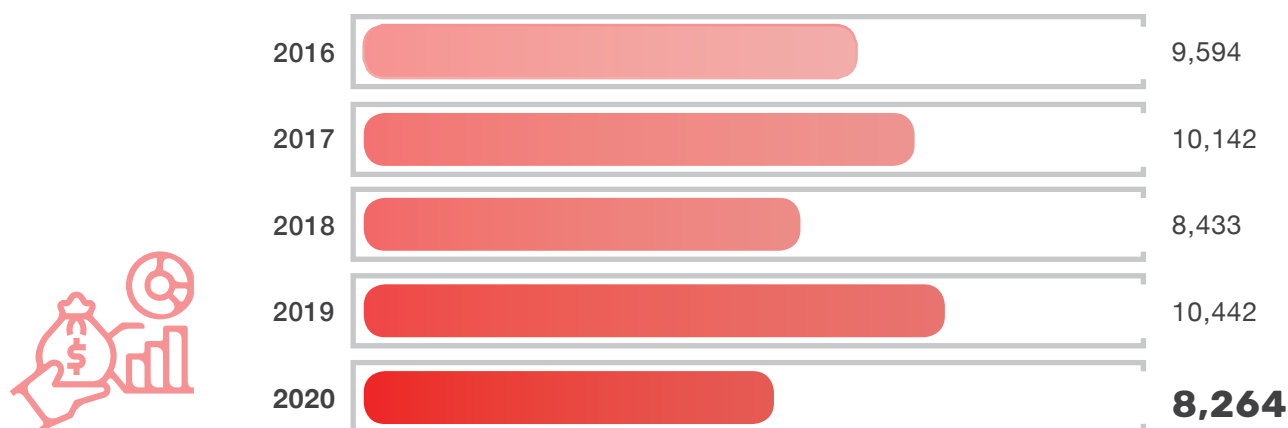
## REVENUE

(RM'000)



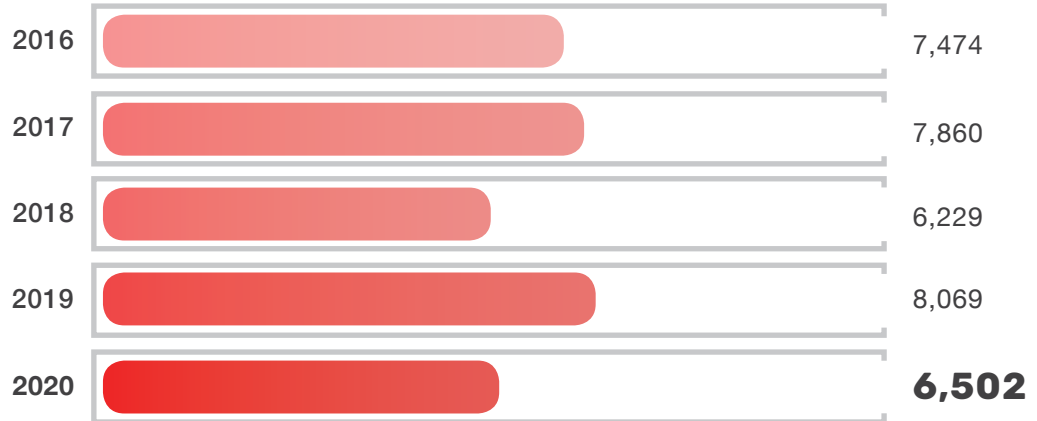
## PROFIT BEFORE TAX

(RM'000)

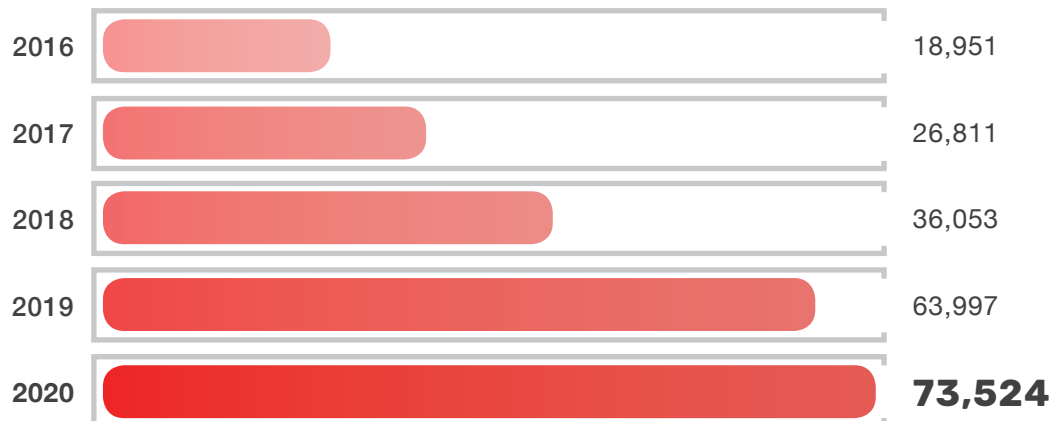


## Key Financial Highlights

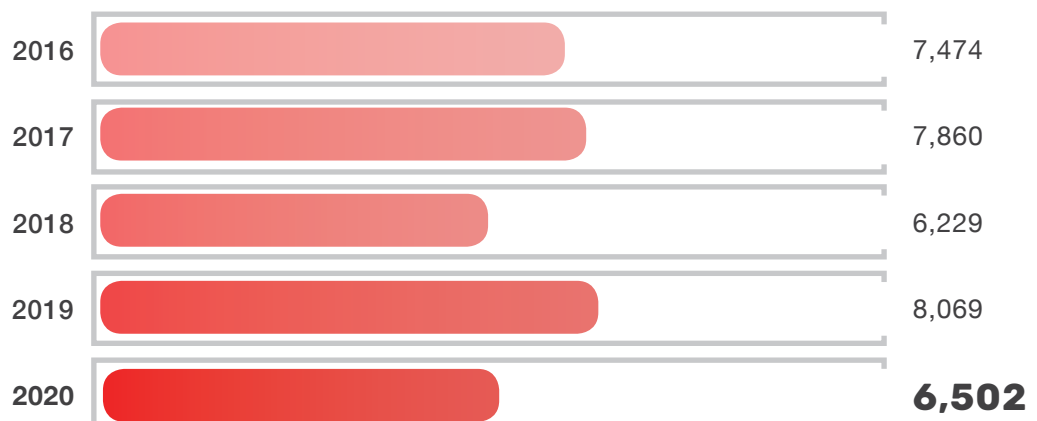
### PROFIT AFTER TAX (RM'000)



### NET ASSETS (RM'000)



### NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (RM'000)





# Directors' Profile



## HAJI ISMAIL BIN TUNGGAK

*Independent Non-Executive Chairman*

### Gender

Male

### Age

71

### Nationality

Malaysian

### Position

Remuneration Committee *Chairman*

Audit and Risk Management Committee *Member*

Nomination Committee *Member*

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 Tunggak. 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 Tunggak 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.

Save for our Group, he does not hold any directorship in any other public listed company.

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.

## Directors' Profile



### LIM KOK ENG

*Managing Director*

#### Gender

Male

#### Age

55

#### Nationality

Malaysian

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\*

*Executive Director*

#### Gender

Female

#### Age

53

#### Nationality

Malaysian

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.



## Directors' Profile



### LAW SANG THIAM\*

*Independent Non-Executive Director*

#### Gender

Male

#### Age

45

#### Nationality

Malaysian

#### Position

Audit Committee	<i>Chairman</i>
Audit and Risk Management Committee	<i>Member</i>
Nomination Committee	<i>Member</i>

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.

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

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

## Directors' Profile



### TAN MENG LOON

*Independent Non-Executive Director*

#### Gender

Male

#### Age

36

#### Nationality

Malaysian

#### Position

Nomination Committee *Chairman*

Remuneration Committee *Member*

Audit and Risk Management Committee *Member*

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.

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

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 traffic offence.

\* Director who are standing for re-election.

# Key Management's Profile

The profile of our key senior management is as follow:

## TEO MIOW LOO

Chief Financial Officer

### Gender

Female

### Age

40

### Nationality

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 PricewaterhouseCoopers 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.





# Management Discussion and Analysis Statement



## Dear Shareholders,

On behalf of the Board of Directors (“Board”), it is our pleasure to present to you the Annual Report and the Audited Financial Statements of Spring Art Holdings Berhad and its subsidiaries (the “Group”) for the financial year ended 31 December 2020 (FYE 2020).

### OPERATING ENVIRONMENT

2020 has been one of the most challenging year as the world muddle through an unprecedented and difficult year due to the COVID-19 pandemic. The imposition of lockdown policies in many countries in response to the pandemic has negatively affected many businesses worldwide and slowed down the global economic since early 2020. On the local front, our Malaysian economy experienced the full impact of the pandemic in Q2 2020, with real GDP contracting by 17.1% following the imposition of the Movement Control Order (“MCO”) from 18 March 2020 to 3 May 2020.



# Management Discussion and Analysis Statement

## OPERATING ENVIRONMENT (CONT'D)

Having significant sales exposure in international markets, the Group was not exempted from the uncertainty caused to economic prospects. Domestically, the MCO announced by the Government helped to stabilise the situation from a national health standpoint but disrupted business operations. All of our operations had to be stopped or reduced during this period and only gradually restarted following the new standard operating procedures recommended by the Government in early April 2020 after obtaining approval from the authorities.

Despite these impediments, our Group succeeded in reporting a profit after tax of RM6.50 million in FYE 2020. This has demonstrated the resilience of the Group through major global economic uncertainty.

## BUSINESS AND OPERATIONS OVERVIEW

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 40 countries such as India, Japan, UAE, Saudi Arabia, Canada and Bahrain.

Our revenue is generated from local and overseas sales and the currency used in invoicing is RM, USD and SGD. Approximately 99.4% of our revenues were denominated in USD for FYE 2020 with the remainder denominated in RM and SGD.

To date, Spring Art has three facilities and operate seven production lines with a total annual production capacity of 514,752 units of furniture. Currently, our manufacturing processes, save for lamination activities, are carried out at our manufacturing factories located in Muar, Johor.

We recognise 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 ranges.

We aim to expand our product ranges 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.

# Management Discussion and Analysis Statement

## FINANCIAL PERFORMANCE REVIEW

### 1. ANALYSIS OF FINANCIAL RESULTS AND FINANCIAL CONDITION

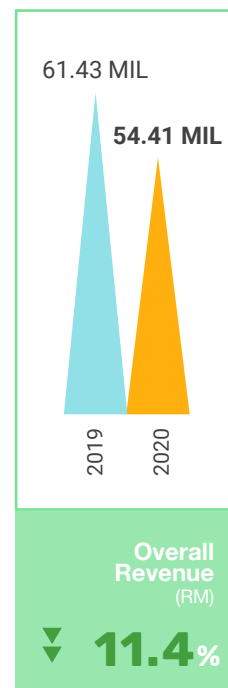
#### • REVENUE

For FYE 2020, our Group's overall revenue decreased by 11.4% to RM54.41 million as compared to RM61.43 million recorded in FYE 2019. Total sales volume for the financial year under review decreased by 8.1%.

The revenue from bedroom furniture and living room furniture contributed 87.5% of our Group's revenue for the financial year under review and 87.2% of total sales volume. Sales volume for bedroom furniture decreased by 2.8% and living room decreased by 30.0% while sales volume for office furniture decreased by 16.3%. There was revenue and sales volume from bathroom which was new product type in FYE 2020 contributed 1.5% for each.

Overall, our revenue negative growth was a result of COVID-19 pandemic start from 18 March 2020. Sales volume decreased from 355,510 units in FYE 2019 to 326,614 units in FYE 2020, mainly due to decrease in living room furniture from 67,616 units in FYE 2019 to 47,350 units in FYE 2020 and decrease in office furniture from 40,452 units in FYE 2019 to 33,848 units in FYE 2020.

In FYE 2020, we experienced sales growth in Saudi Arabia of RM3.42 million or 17.3% as well as in UAE of RM0.96 million or 7.1% mainly due to increase of demands from existing customers. Furthermore, Sales in United States also growth of 351.2% or RM1.60 million due to new customer from United States. However, sales to India decreased by RM12.11 million or 67.3% due to COVID-19 pandemic.



#### • COST OF SALES, GROSS PROFIT (GP) AND GROSS PROFIT MARGIN

Our Group's cost of sales decreased by RM1.81 million or 4.1% from RM43.58 million in FYE 2019 to RM41.77 million in FYE 2020. This decrease was mainly attributable to the decrease in direct materials cost of RM2.55 million or 7.3%.

In FYE 2020, our GP decreased by approximately RM5.21 million or 29.2% to RM12.64 million as compared to RM17.85 million in FYE 2019 due to decrease in sales volume for bedroom furniture, living room furniture and other furniture while there was new sales volume for bathroom furniture.

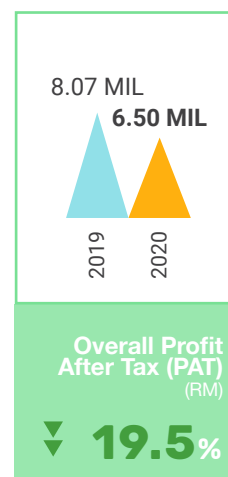
Our overall GP margin recorded a deterioration from 29.1% in FYE 2019 to 23.2% in FYE 2020 mainly due to the COVID-19 pandemic and the fixed cost incurred.



#### • PROFIT BEFORE TAX (PBT) AND PROFIT AFTER TAX (PAT)

As a result of decrease in revenue and GP, our PBT and PBT margin deteriorated from approximately RM10.44 million and 17.0% for FYE 2019 to approximately RM8.26 million and 15.2% for FYE 2020. Correspondingly, our PAT and PAT margin decreased from approximately RM8.07 million or 13.1% for FYE 2019 to approximately RM6.50 million and 11.9% in FYE 2020.

The effective tax rate was higher at 22.7% in FYE 2019 due to as certain expenses (such as realised exchange rate loss) are not allowed for tax deduction compared with a decrease in the effective tax rate to 21.3% in FYE 2020.





# Management Discussion and Analysis Statement

## FINANCIAL PERFORMANCE REVIEW (CONT'D)

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

#### • TRADE RECEIVABLES

As at 16 February 2021, approximately RM2.96 million or 98.3% of our Group's total trade receivables as at 31 December 2020 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 2020.

#### • 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 01 March 2021, approximately RM4.78 million or 99.5% of our Group's total trade payables as at 31 December 2020 have been paid.

#### • 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 to 3 months and we keep our inventories low as we manufacture on a 'made-to-order' basis. Our Group's inventory turnover period ranges from 59 days to 89 days from FYE 2019 to FYE 2020.

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.

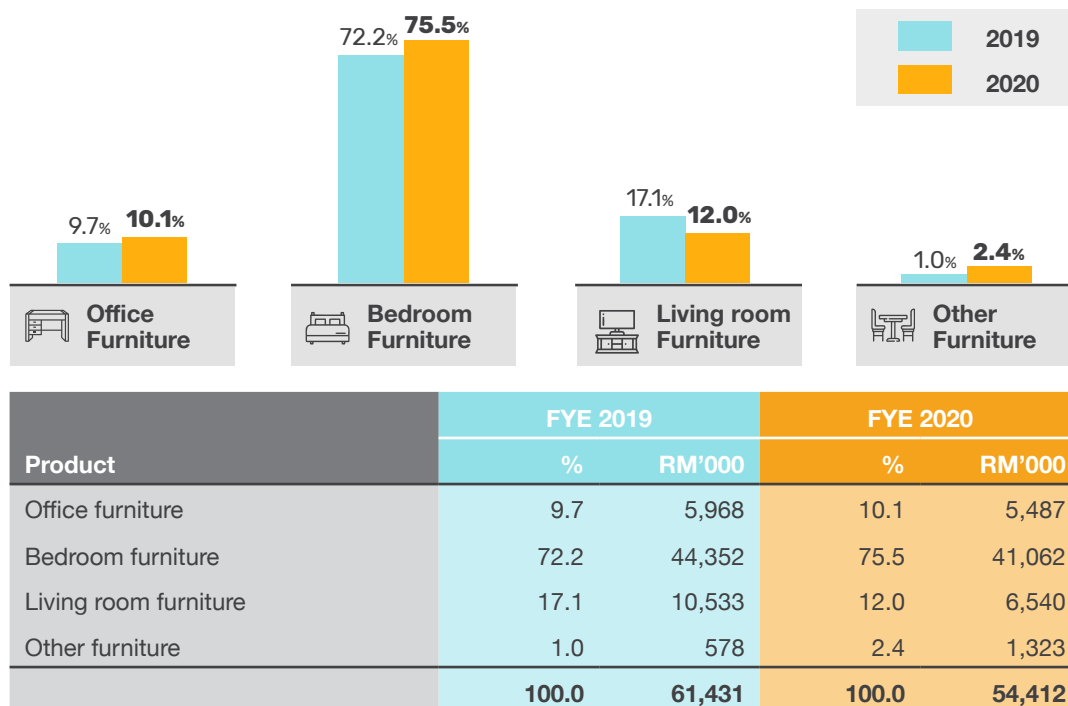
As at 31 December 2020, the inventories of our Group amounting to approximately RM13.02 million. The increase of inventories was due to the shortage of containers faced, most of the containers unable to ship out in December 2020.

# Management Discussion and Analysis Statement

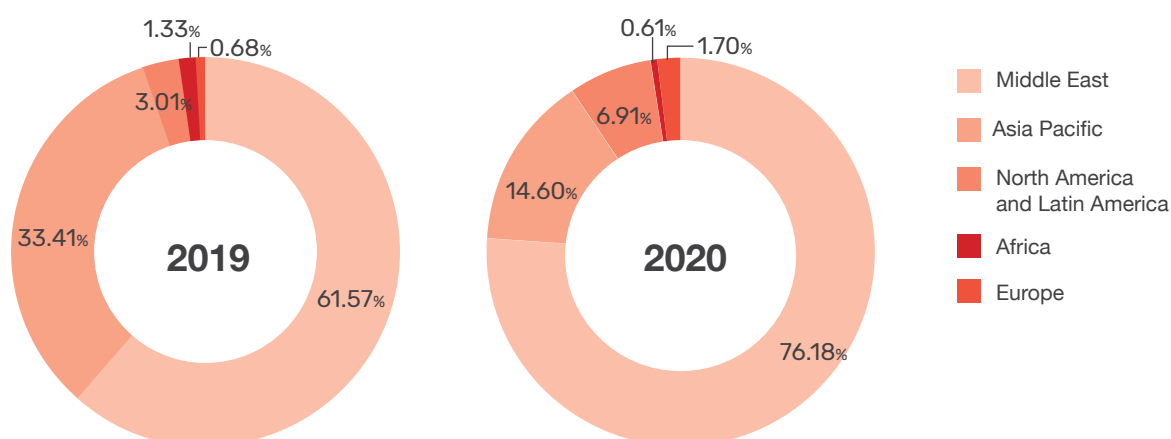
## FINANCIAL PERFORMANCE REVIEW (CONT'D)

### 2. REVIEW OF OPERATING ACTIVITIES

#### • REVENUE BY PRODUCT CATEGORY



#### • REVENUE BY PRODUCT REGION



# Management Discussion and Analysis Statement

## RISKS OVERVIEW

### • FLUCTUATIONS IN FOREIGN EXCHANGE RATES

Our revenue is denominated in USD, SGD and RM as our furniture products are mostly 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.

### • 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.

### • 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.

### • IMPACTS OF COVID-19 PANDEMIC

It is difficult to gauge the full extent and duration of the impact COVID-19 has on the global and Malaysian economy at this juncture. Any changes in regulations and policies to combat the COVID-19 outbreak can have an impact on our Group's operations. Operation-wise, we have adapted to a "new normal" in work culture to comply with the SOPs introduced by our government. These SOPs are aimed at minimizing the risk of infection among our staffs and ensuring that our business operates at optimum level. Some of the preventive measures implemented by our Group are disclosed in the accompanying Corporate Sustainability Statement, as shown on page 23 to 25 of this Annual Report.

## FUTURE PLANS AND PROSPECTS

Malaysia's economic growth will definitely be affected by the COVID-19 outbreak. The extent of the full impact and the duration is still uncertain. Amidst these challenges, we believe 2021 will be the year for the survival of the fittest. However, the Group believed that it might brought the negative impact in short-term but it brings positive impact in long term to the Group.

One of the responses we've seen to how people are approaching this period of isolation and uncertainty is in huge overnight changes to their shopping behaviour. From bulk-buying to online shopping, people are changing what they're buying, when, and how. The stay-at-home orders created more demands to the furniture as people starts to work from home. Small Office Home Office (SOHO) furniture's orders are increasing due to this change of working style. Ready-to-assemble (RTA) furniture products become popular as people will prefer online shopping to avoid crowded area.

RTA furniture products are more suitable to online sales compared to assembled furniture products. Assembled furniture is bulky and it caused the storage cost and transportation cost is much higher compare to RTA furniture products. The consumers who wish to save money will choose RTA furniture products by assembling the product themselves.

# Management Discussion and Analysis Statement

## FUTURE PLANS AND PROSPECTS (CONT'D)

A wholly-owned subsidiary, namely Elisa Home Sdn. Bhd ("ELISA") was incorporated in FYE 2020 to cater the online sales to local market through the local online sales platforms and own website. This is the first time that the Company involved in conducting B2C e-commerce business and launch the new brand products to the Malaysia market. "ELISA" which carried the meaning as below:

**"ELISA" - E-commerce Live in Spring Art**

Meanwhile, we have started gradually transition more responsibilities to the next generation of young leaders. All these efforts are part of our Group's transformation program to embrace changes and to foster an innovative, collaborative and high energy working environment.

The construction of our new factory namely Factory C, with a total estimated factory built-up area of approximately 103,926 square feet will start in mid of Year 2021. Factory C is expected to increase our annual capacity to reach a combined manufacturing capacity of approximately 730,000 units per annum.

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 future.

We shall continue to maintain a lean organisation structure that enhances cost-optimisation and promotes operation efficiency across all business segments.

## 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 the Company 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 and Risk Management 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, we wish to extend my heartfelt gratitude to all my fellow Board Members who have contributed to the Group with their invaluable expertise and experience. Our 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. Our 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**

Independent Non-Executive Chairman

**Lim Kok Eng**

Managing Director



# 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, Spring Art Industries Sdn Bhd and Elisa Home Sdn Bhd.




## STAKEHOLDER ENGAGEMENT

<div></div> <div>SUPPLIERS</div> <div><p><b>Focus Area</b></p><ul style="list-style-type: none"><li>• Ensure sustainable supply of quality services and materials</li><li>• Ensure product quality and safety</li></ul><p><b>Stakeholders Engagement Mode</b></p><ul style="list-style-type: none"><li>• Regular visits</li><li>• Correspondences</li><li>• Supplier evaluation &amp; appraisal</li><li>• Meeting and trade fairs</li></ul></div>	<div></div> <div>GOVERNMENT AND REGULATORS</div> <div><p><b>Focus Area</b></p><ul style="list-style-type: none"><li>• Compliance with relevant laws and regulations</li><li>• Standard and certification</li></ul><p><b>Stakeholders Engagement Mode</b></p><ul style="list-style-type: none"><li>• Correspondences</li><li>• Audit/inspection</li></ul></div>	<div></div> <div>EMPLOYEES</div> <div><p><b>Focus Area</b></p><ul style="list-style-type: none"><li>• Work-life balance</li><li>• Employee health and safety</li><li>• Employee benefits</li><li>• Career development</li></ul><p><b>Stakeholders Engagement Mode</b></p><ul style="list-style-type: none"><li>• Appraisals</li><li>• Staff orientation</li><li>• Open communication</li><li>• Meetings</li></ul></div>
<div></div> <div>INVESTORS</div> <div><p><b>Focus Area</b></p><ul style="list-style-type: none"><li>• Financial performance</li><li>• Corporate governance</li></ul><p><b>Stakeholders Engagement Mode</b></p><ul style="list-style-type: none"><li>• Annual/Extraordinary General Meetings</li><li>• Company website</li><li>• Announcement</li><li>• Annual report</li></ul></div>	<div></div> <div>CUSTOMERS</div> <div><p><b>Focus Area</b></p><ul style="list-style-type: none"><li>• Improve customer’s satisfaction</li><li>• Enhance product value</li></ul><p><b>Stakeholders Engagement Mode</b></p><ul style="list-style-type: none"><li>• Regular visits</li><li>• Compliance audit</li><li>• Customer survey</li><li>• Meeting</li><li>• Exhibition</li></ul></div>	

# Corporate Sustainability Statement

## MATERIAL SUSTAINABILITY MATTERS

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

<b>ECONOMIC</b> 	<b>ENVIRONMENT</b> 	<b>SOCIAL</b> 
<p><b>LABOUR SHORTAGE</b></p> <ul style="list-style-type: none"> <li>Acquire more automated machine in the near future to reduce reliance on labour.</li> </ul> <p><b>PRODUCT RESPONSIBILITY</b></p> <ul style="list-style-type: none"> <li>Ensure the products with no harm to the safety and health of the customers.</li> <li>Deliver sustainable value in products.</li> <li>Established quality policy, adhered to ISO 9001 certification.</li> <li>Investment in modern machineries and equipment in order to satisfy the strict requirements and specifications of customer.</li> </ul> <p><b>SUPPLY CHAIN MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>Conducting review on suppliers based on criteria such as price, payment terms, timely delivery, product and service quality.</li> <li>Evaluation and assessment on suppliers conducted on yearly basis.</li> <li>Financial stability and performance.</li> <li>Ensure the supplied products meet the Group's requirements and standard.</li> </ul>	<p><b>PRODUCTION EFFICIENCY</b></p> <ul style="list-style-type: none"> <li>Automated machine and equipment for safer working environment.</li> <li>New equipment in production to reduce production waste.</li> </ul> <p><b>USAGE OF RESOURCES</b></p> <ul style="list-style-type: none"> <li>Electricity: Proper production planning to ensure machinery usage is efficient. Turn off office equipment, machinery and lights which not in use.</li> <li>Paper: Encourage employees to adopt "reduce, reuse and recycle" concept on using paper.</li> </ul>	<p><b>WORKPLACE DIVERSITY</b></p> <ul style="list-style-type: none"> <li>Promotes workplace diversity via gender, race, age group.</li> <li>Annual performance appraisal to all employees and collecting feedback from employees either.</li> <li>Prohibit age, gender and race discrimination.</li> </ul> <p><b>WORKPLACE SAFETY</b></p> <ul style="list-style-type: none"> <li>Providing safe working environment to all employees.</li> <li>Conduct periodic fire drill.</li> </ul> <p><b>TRAINING AND DEVELOPMENT/ STAFF WELFARE</b></p> <ul style="list-style-type: none"> <li>Provide diversified on-the-job trainings, internal and external trainings for employees and staff orientation program.</li> <li>Management and employees attended ISO 9001:2015 ISO Awareness Training.</li> <li>Team building, festive celebrations and annual dinner.</li> </ul>

## OUR RESPONSE TO COVID-19 PANDEMIC

In the view of the COVID-19 pandemic outbreak which has affected the health and wellbeing of society and people around the world, the Group has undertaken some social distancing and prevention measures in compliance with local guidelines. These include applying COVID-19 specific Standards Operating Procedure ("SOP") such as daily temperature checks and hand sanitisation practices, daily sterilisation of the factory environment, limiting outstation visitors, and registration of visitors/ suppliers. The Group has taken measures to reduce operating hours and workforce in all manufacturing bases.

In order to ensure continues compliance with the social distancing and prevention measures, regular compliance checks are also conducted. The Group will continue to practice such prevention measures and assess if additional measures are required.

# Corporate Sustainability Statement

## CORPORATE SUSTAINABILITY RESPONSIBILITY ACTIVITIES

### ANNUAL DINNER & SPRING ART TALENT COMPETITION 2020



### APPRECIATION DINNER 2020



# 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 2020.

This Statement provides an overview of the Corporate Governance (“CG”) framework, approach, key focus areas and practices of Spring Art Holdings and its subsidiaries (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](http://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 Securities 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 and Risk Management 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’s 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](http://www.springart.com).



# 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)

In order to assist the Board in its oversight function on specific responsibility areas, the Board has established three (3) Board Committees, namely Audit and Risk Management Committee (“ARMC”), Nomination Committee (“NC”), Remuneration Committee (“RC”). 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.

On 11 June 2020, the Board renamed the AC as the Audit and Risk Management Committee (“ARMC”) to broaden its scope and highlight the importance placed on the risk management of the various elements of the Company’s business whilst also covering the areas of internal control, financial reporting and corporate governance.

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](http://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.

# Corporate Governance Overview Statement

## 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)

There are four (4) Board meetings, four (4) ARMC meetings, one (1) Nomination Committee meeting and one (1) Remuneration Committee meeting were scheduled during the financial year under review.

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	AGM	Board	ARMC	NC	RC
Haji Ismail bin Tunggak	1/1	<sup>^</sup> 4/4	4/4	1/1	<sup>^</sup> 1/1
Lim Kok Eng	<sup>^</sup> 1/1	4/4	-	-	-
Kwan Chian Poh	1/1	4/4	-	-	-
Law Sang Thiam	1/1	4/4	<sup>^</sup> 4/4	1/1	1/1
Tan Meng Loon	1/1	4/4	4/4	<sup>^</sup> 1/1	1/1

<sup>^</sup> *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.

# Corporate Governance Overview Statement

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

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

#### c. Uphold Integrity in Financial Reporting (cont'd)

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 ARMC 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.

#### 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](http://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](http://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.

# Corporate Governance Overview Statement

## 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)

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.

The Directors are also notified of any corporate announcement released to 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.



# Corporate Governance Overview Statement

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

### 3. NC

The NC was established by the Board on 20th 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 2020, 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.

#### 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 involved. 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 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 only 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 FYE 2020 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.

# Corporate Governance Overview Statement

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

### 3. NC (cont'd)

#### b. Annual Assessment (cont'd)

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.

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 ARMC and each of its members at annually to determine whether the ARMC 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 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-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 (12) 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 15 for further information.

# Corporate Governance Overview Statement

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

### 3. NC (cont'd)

#### 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.

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.

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	• Seminar Percukaian Kebangsaan 2020	19 November 2020
	• Overview and Business Potential for Manufacturers	9 December 2020
Lim Kok Eng	• Understand the eCommerce Trend That Affects Wholesale Distribution	6 August 2020
	• Webinar on Budget 2021	23 November 2020
Kwan Chian Poh	• Create Better Talent Organization and Automate People Operations	16 July 2020
	• Webinar on Budget 2021	23 November 2020
Law Sang Thiam	• Seminar Percukaian Kebangsaan 2020	19 November 2020
	• Webinar on Budget 2021	23 November 2020
Tan Meng Loon	• Seminar Percukaian Kebangsaan 2020	19 November 2020
	• Webinar on Budget 2021	23 November 2020

The Company Secretary 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 MFRSs that affect the Group's financial statements for the financial year under review.

### 4. RC

The RC was established by the Board on 20th 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.

# Corporate Governance Overview Statement

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

### 4. RC (cont'd)

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. The RC 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 2020 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 2020 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:

	<b>Fees (RM)</b>	<b>Salaries and Other Emoluments (RM)</b>	<b>Defined Contribution Plan (RM)</b>	<b>Total (RM)</b>
<b><u>Executive Directors</u></b>				
Lim Kok Eng	Nil	590,000	118,923	708,923
Kwan Chian Poh	Nil	516,250	104,184	620,434
<b><u>Non-Executive Directors</u></b>				
Haji Ismail Bin Tunngak	44,975	1,700	Nil	46,675
Law Sang Thiam	44,975	2,500	Nil	47,475
Tan Meng Loon	44,976	1,700	Nil	46,676

The number of Directors of the Company, whose total remuneration during the financial year under review fell within the following successive bands of RM100,000 is as follows:

<b>Range of Remuneration</b>	<b>Numbers of Directors</b>
<b><u>Executive Directors:</u></b>	
RM100,000 to RM1,000,000	2
<b><u>Non-Executive Directors:</u></b>	
Below RM100,000	3

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.



# Corporate Governance Overview Statement

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### 1. ARMC and External Audit

In relation to the Step Up 8.4 of the MCCG, the Board has a long-standing practice of having the ARMC comprising exclusively of Independent Directors. The independence of the ARMC 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 ARMC is distinct from the Chairman of the Board so as to promote unfettered objectivity during the Board's review of the ARMC's findings and recommendations. The present composition of the ARMC 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 ARMC has unbridled access to both the internal and external auditors, who in turn report directly to the ARMC on their activities, findings and recommendations. For the FYE 2020, 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 ARMC's duties and responsibilities are stated in its Terms of Reference which is made available on the Company's website at [www.springart.com](http://www.springart.com) and detailed disclosure on the role and activities undertaken by the ARMC during the financial year is provided in the ARMC Report on page 39 to page 42 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 ARMC. Details of the main features of the Company's risk management and internal controls framework are further elaborated in the ARMC Report and the Statement on Risk Management and Internal Control of this Annual Report on pages 39 to 42 and pages 43 to 45 respectively.

#### b. Implementation of mitigating measures

The responsibilities of identifying and managing risks are delegated to the Head of Department. The ARMC 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 ARMC 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.

# Corporate Governance Overview Statement

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

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

#### c. 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 ARMC 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 ARMC 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 ARMC.

#### d. Competency of internal auditors

To ensure that the responsibilities of internal auditors are fully discharged, the ARMC 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 ARMC 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 ARMC, the ARMC 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 Report and the Statement on Risk Management and Internal Control of this Annual Report on pages 39 to 42 and pages 43 to 45 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.

# 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)

##### a. Effective, transparent and regular communication with its stakeholders (cont'd)

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](http://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.

##### 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 16 to 22 and pages 23 to 25 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-one (21) days before the AGM under the Act and AMLR. 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.

# Corporate Governance Overview Statement

## 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)

##### b. Effective communication and proactive engagements (cont'd)

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 third AGM will include the chairman's briefing on the Company's overall performance for FYE 2020, 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.

##### c. Facilitate greater shareholder participation at general meetings

Under Paragraph 8.29A(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 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 2020.

This Statement was approved by the Board on 11 May 2021.



# Audit and Risk Management Committee Report

The Board of Directors (the “Board”) of Spring Art Holdings Berhad (“Spring Art Holdings” or the “Company”) is pleased to present the Audit and Risk Management Committee (“ARMC”) Report for the financial year ended 31 December 2020.

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

The ARMC is formally constituted with written terms of reference. All members of the ARMC 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 ARMC 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 ARMC.

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 ARMC 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 ARMC composition meets the requirements of the AMLR of Bursa Securities as well as the financial literacy and independence enumerations outlined in the Malaysian Code on Corporate Governance (“MCCG”).

## 3. Authority

The ARMC 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 ARMC.

# Audit and Risk Management Committee Report

## 3. Authority (cont'd)

The ARMC 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 ARMC and such manner, as the ARMC shall deem fit and necessary.

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

The ARMC 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 ARMC meetings shall be circulated before each meeting to members of the ARMC. Upon request of any of its members or the Internal or External Auditors, the Chairman of the ARMC shall convene a meeting of the ARMC.

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

Four (4) ARMC meeting were scheduled during the financial year. As at the date of this Statement, the attendance record of the Directors at ARMC meetings as set out as follows:

Name	Designation	Attendance	Percentage (%)
Law Sang Thiam	Chairman	4/4	100%
Haji Ismail bin Tunggak	Member	4/4	100%
Tan Meng Loon	Member	4/4	100%

### Quorum

The quorum for the ARMC 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 ARMC 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 ARMC 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 ARMC may invite any person to be in attendance to assist in its deliberations. Other Board members may attend meetings upon the invitation of the ARMC. The ARMC shall meet with the external auditors without Executive Board members present at least twice a year.

## 5. Duties and Responsibilities of ARMC

The duties and responsibilities of the ARMC 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.
- 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.

# Audit and Risk Management Committee Report

## 5. Duties and Responsibilities of ARMC (cont'd)

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

- 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 ARMC 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 ARMC

During the financial year under review, the activities of the ARMC 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 ARMC 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 ARMC 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.

# Audit and Risk Management Committee Report

## SUMMARY OF ACTIVITIES AND WORK OF ARMC (CONT'D)

During the financial year under review, the activities of the ARMC included the following (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 ARMC 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 ARMC 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 ARMC 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 ARMC 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 ARMC members. The results of the audits provided in the internal audit reports will be reviewed by the ARMC. 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 ARMC 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 RM31,800.

Premised on the performance assessment conducted by the ARMC, 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 ARMC 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 ARMC 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 FYE 2020. This Report was approved by the Board on 11 May 2021.

Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on page 43 to page 45 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 2020 ("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").

Enterprise Risk Management Committee ("ERMC") was established on 8 March 2021, provides risk management support to Management for the Group as a whole. The role of the ERMC includes reporting, of the status of risk mitigation actions, new risks identified and risks that have changed characteristics together with corresponding controls.

The ERMC comprising key persons from all departments, submits its reports to both the Management and the Audit and Risk Management Committee ("ARMC"). Minutes of the ERMC meetings will be recorded and presented to the ARMC. The ARMC 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.

# Statement on Risk Management and Internal Control

## 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 is 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 ARMC.
- 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 NGL Tricor Governance Sdn Bhd ("Internal Auditors"). The Internal Auditors report directly to the ARMC and assist the ARMC 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 audit scope covered reviews key operational and compliance controls, including the risk management process deployed by Management. Among the scope of coverage during the financial year were reviews of the procurement function, sales and receivables function and human resource management.

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.

# Statement on Risk Management and Internal Control

## INTERNAL AUDIT FUNCTION (CONT'D)

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

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 ARMC 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 ARMC meetings. Minutes of the ARMC meetings which recorded these deliberations were presented to the Board. The expenditure incurred for the internal audit function for the current financial year was RM31,800.

## 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 was approved by the Board on 11 May 2021.

# Additional Compliance Information

## Audit and Non-Audit Fees

The fees payable to the external auditors, Grand Thornton Malaysia PLT in relation to the audit and non-audit services rendered to the Company and the Group respectively for the FYE 2020 were as follows:

	The Company (RM'000)	The Group (RM'000)
Audit fees	17	63
Non audit fees	12	16

## 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.

## Utilisation of the IPO Proceeds

The status of utilisation of the IPO proceeds as at 31 December 2020 is as follows:

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

# Statement of Directors' Responsibility

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 2020, 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 ("MFRSs"), International Financial Reporting Standards ("IFRSs"), 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 MFRSs and IFRSs 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 MFRSs, IFRSs, 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.



A black and white photograph of a hand holding a pen, poised to write on a document. The document appears to be a financial statement, with columns of numbers and dates visible. The background is blurred, showing more of the document and possibly other people working.

# 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 2020.

## PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 6 to the Financial Statements.

## FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	6,501,526	1,835,046
Attributable to:-		
Owners of the Company	6,501,526	1,835,046

## 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 Directors do not proposed, declared or paid any interim dividend in respect of the financial year ended 31 December 2020.

The Directors proposed a final single tier dividend of 0.4 sen per ordinary share, in respect of the financial year ended 31 December 2020. The proposed single tier dividend, if payable in respect of all ordinary shares in issue as at the date of the financial statements, would amount to RM1,662,748 and has not been included as a liability in the financial statements. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement to the dividend has yet to be determined as at the date of these financial statements.

## 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 companies.

# Directors' Report

## 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:-

	As at 1.1.2020	Number of ordinary shares		As at 31.12.2020
		Acquired	Disposed	
<i>Direct interest</i>				
Lim Kok Eng	236,784,640	1,743,900	(103,000)	238,425,540
Kwan Chian Poh	58,196,160	-	-	58,196,160
Law Sang Thiam	300,000	-	-	300,000
Tan Meng Loon	300,000	-	-	300,000
Haji Ismail Bin Tunggak	300,000	-	(150,000)	150,000

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 companies 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 year, no Director has received or become entitled to receive any benefit (other than as disclosed in Note 25 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 22 and 25 to the Financial Statements.

## INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

## ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no issuance of new shares and 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 were 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 the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; 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 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 Auditors' remuneration is disclosed in Note 22 to the Financial Statements.

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 2020.

# Directors' Report

## EVENTS AFTER REPORTING DATE

The events after reporting date are disclosed in Note 31 to the Financial Statements.

## AUDITORS

The Auditors, Messrs Grant Thornton Malaysia PLT have expressed that they do not wish to seek re-appointment at the forthcoming annual general meeting.

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

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

Johor Bahru  
21st April 2021



# Statement by Directors & Statutory Declaration

## 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 58 to 121 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 2020 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  
21st April 2021

## 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 58 to 121 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 )  
21st April 2021 )

.....  
**TEO MIOW LOO**  
**(MIA No. 32031)**

Before me:

# 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 2020, 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 58 to 121.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 8 and 29 (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. 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 29 (a) to the Financial Statements.

# Independent Auditors' Report

## Key Audit Matters (cont'd)

### *Inventory valuation*

#### **The risk**

Refer to Note 7 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.

# Independent Auditors' Report

## 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 applied.

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 & LLP0022494-LCA)  
CHARTERED ACCOUNTANTS  
(AF 0737)

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

Johor Bahru  
21st April 2021



# Statements of Financial Position

## as at 31 December 2020

		← Group →		← Company →	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	28,614,507	24,514,664	-	-
Right-of-use assets	5	13,373,558	8,772,921	-	-
Investment in subsidiary companies	6	-	-	31,799,981	31,799,980
Other receivable	9	527,016	-	-	-
Total non-current assets		42,515,081	33,287,585	31,799,981	31,799,980
<b>Current assets</b>					
Inventories	7	13,023,190	7,478,887	-	-
Trade receivables	8	3,015,940	4,393,537	-	-
Other receivables	9	2,356,827	3,657,395	107,000	226,285
Derivative financial instruments	10	234,735	145,789	-	-
Other investments	11	19,159,595	18,061,088	19,159,595	18,061,088
Fixed deposits with licensed banks	12	5,600,000	11,500,828	-	4,500,000
Cash and bank balances	13	7,154,308	3,394,830	3,424,472	138,614
Total current assets		50,544,595	48,632,354	22,691,067	22,925,987
<b>Total assets</b>		<b>93,059,676</b>	<b>81,919,939</b>	<b>54,491,048</b>	<b>54,725,967</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	14	54,753,941	54,753,941	54,753,941	54,753,941
Merger deficit	15	(31,299,980)	(31,299,980)	-	-
Revaluation reserve	16	10,117,961	7,264,370	-	-
Retained earnings/(Accumulated losses)		39,952,556	33,279,325	(288,610)	(2,123,656)
<b>Total equity</b>		<b>73,524,478</b>	<b>63,997,656</b>	<b>54,465,331</b>	<b>52,630,285</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	17	4,849,808	5,559,870	-	-
Lease liabilities	5	2,322,338	20,020	-	-
Deferred tax liabilities	18	4,055,435	2,965,726	-	-
Total non-current liabilities		11,227,581	8,545,616	-	-
<b>Current liabilities</b>					
Trade payables	19	4,802,873	4,631,415	-	-
Other payables	20	1,927,371	1,471,441	24,001	17,247
Borrowings	17	691,640	633,361	-	-
Lease liabilities	5	622,684	78,013	-	-
Dividend payable		-	2,078,435	-	2,078,435
Tax payable		263,049	484,002	1,716	-
Total current liabilities		8,307,617	9,376,667	25,717	2,095,682
<b>Total liabilities</b>		<b>19,535,198</b>	<b>17,922,283</b>	<b>25,717</b>	<b>2,095,682</b>
<b>Total equity and liabilities</b>		<b>93,059,676</b>	<b>81,919,939</b>	<b>54,491,048</b>	<b>54,725,967</b>

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 2020

		← Group →		← Company →	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	21	54,411,696	61,431,240	2,100,000	2,100,000
Cost of sales		(41,774,717)	(43,582,485)	-	-
Gross profit		12,636,979	17,848,755	2,100,000	2,100,000
Finance income		193,753	118,358	55,065	23,010
Other income		1,640,436	225,241	398,507	60,088
Selling and distribution expenses		(1,661,835)	(2,094,176)	-	-
Administrative expenses		(4,063,931)	(5,229,174)	(683,731)	(2,187,177)
Other expenses		(141,883)	(119,618)	-	-
Finance costs		(340,143)	(307,940)	(19,066)	-
Profit/(Loss) before tax	22	8,263,376	10,441,446	1,850,775	(4,079)
Tax expense	23	(1,761,850)	(2,372,639)	(15,729)	-
Profit/(Loss) for the financial year		6,501,526	8,068,807	1,835,046	(4,079)
<b>Other comprehensive income, net of tax:-</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Revaluation of land and buildings		3,874,785	-	-	-
Tax effect on items that will not be reclassified subsequently to profit or loss		(849,489)	-	-	-
Realisation of revaluation reserve upon depreciation of revalued assets		171,705	166,205	-	-
Transfer of revaluation reserve to retained earnings		(171,705)	(166,205)	-	-
		3,025,296	-	-	-
<b>Total comprehensive income/(loss) for the financial year</b>		9,526,822	8,068,807	1,835,046	(4,079)
<b>Profit/(Loss) attributable to:-</b>					
Owners of the Company		6,501,526	8,068,807	1,835,046	(4,079)
Profit/(Loss) for the financial year		6,501,526	8,068,807	1,835,046	(4,079)
<b>Total comprehensive income/(loss) attributable to:-</b>					
Owners of the Company		9,526,822	8,068,807	1,835,046	(4,079)
Total comprehensive income/(loss) for the financial year		9,526,822	8,068,807	1,835,046	(4,079)
<b>Earnings per share attributable to owners of the Company</b>					
Earnings per ordinary share					
- Basic (sen)	33	1.56	4.35		
- Diluted (sen)	33	-	-		

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

# Statements of Changes in Equity

## for the Financial Year Ended 31 December 2020

	<u>Note</u>	<u>Share capital</u> RM	<u>Merger deficit</u> RM	<u>Revaluation reserve</u> RM	<u>Retained earnings</u> RM	<u>Total equity</u> RM
<b>Group</b>						
Balance at 1 January 2019		500,020	-	7,430,575	28,122,748	36,053,343
<u>Transactions with owners:</u>						
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	24	-	-	-	(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
Profit for the financial year		-	-	-	6,501,526	6,501,526
Other comprehensive income for the financial year		-	-	2,853,591	171,705	3,025,296
Total comprehensive income for the financial year		-	-	2,853,591	6,673,231	9,526,822
Balance at 31 December 2020		54,753,941	(31,299,980)	10,117,961	39,952,556	73,524,478

## Statements of Changes in Equity

### for the Financial Year Ended 31 December 2020

	<u>Note</u>	<u>Share capital</u> RM	<u>Accumulated losses</u> RM	<u>Total equity</u> RM
<b>Company</b>				
Balance at 1 January 2019		20	(41,142)	(41,122)
Transactions with owners:				
Issuance of shares pursuant to acquisition of subsidiary company		31,799,980	-	31,799,980
Insurance of shares		24,421,750	-	24,421,750
Share issuance expenses		(1,467,809)	-	(1,467,809)
Interim single tier dividend	24	-	(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
Profit for the financial year		-	1,835,046	1,835,046
Other comprehensive income for the financial year		-	-	-
Total comprehensive loss for the financial year		-	1,835,046	1,835,046
Balance at 31 December 2020		54,753,941	(288,610)	54,465,331

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

# Statements of Cash Flows

## for the Financial Year Ended 31 December 2020

		← Group →	← Company →		
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		8,263,376	10,441,446	1,850,775	(4,079)
<b>Adjustments for:-</b>					
Depreciation of property, plant and equipment		1,826,095	1,725,161	-	-
Depreciation of right-of-use assets		863,779	294,925	-	-
Fair value gain on derivative financial instruments		(88,946)	(128,499)	-	-
Fair value gain on other investments		(398,507)	(60,088)	(398,507)	(60,088)
Gain on disposal of property, plant and equipment		(161,429)	-	-	-
Interest expense		340,143	307,940	19,066	-
Interest income		(193,753)	(118,358)	(55,065)	(23,010)
Reversal of impairment losses on revaluation of property, plant and equipment		(949,163)	-	-	-
Rent concession for lease liabilities		(23,940)	-	-	-
Unrealised loss on foreign exchange		126,758	119,618	-	-
Operating profit/(loss) before working capital changes		9,604,413	12,582,145	1,416,269	(87,177)
Changes in working capital:-					
Inventories		(5,544,303)	(701,424)	-	-
Receivables		2,167,072	638,446	119,285	(157,921)
Payables		631,491	1,724,593	6,754	(112,252)
Cash generated from/(used in) operations		6,858,673	14,243,760	1,542,308	(357,350)
Tax paid		(1,742,583)	(1,974,099)	(14,013)	-
Net cash flows from/(used in) operating activities		5,116,090	12,269,661	1,528,295	(357,350)
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(3,127,086)	(4,073,776)	-	-
Proceeds from disposal of property, plant and equipment		163,000	-	-	-
Acquisition of subsidiary company		-	-	(1)	(31,799,980)
Net addition in other investments		(700,000)	(18,001,000)	(700,000)	(18,001,000)
Interest received		193,753	118,358	55,065	23,010
Net cash flows used in investing activities		(3,470,333)	(21,956,418)	(644,936)	(49,777,970)
<b>FINANCING ACTIVITIES</b>					
Proceeds from issuance of share capital, net of share issuance expenses		-	22,953,941	-	54,753,921
Dividend paid		(2,078,435)	(1,000,000)	(2,078,435)	-
Interest paid		(215,705)	(302,069)	(19,066)	-
Lease interest payments		(124,438)	(5,871)	-	-
Repayment of borrowings	A	(651,783)	(584,152)	-	-
Payment of principal portion of lease liabilities	A	(569,962)	(78,129)	-	-
Net cash flows (used in)/from financing activities		(3,640,323)	20,983,720	(2,097,501)	54,753,921
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		(1,994,566)	11,296,963	(1,214,142)	4,618,601
Effect of exchange rate changes		(146,784)	(73,371)	-	-
At beginning of financial year		14,895,658	3,672,066	4,638,614	20,013
At end of financial year	B	12,754,308	14,895,658	3,424,472	4,638,614



# Statements of Cash Flows

## for the Financial Year Ended 31 December 2020

### NOTES TO THE STATEMENTS OF CASH FLOWS

#### A. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	1.1.2020 RM	Addition RM	Rent concession for lease liabilities RM	Repayments RM	Other RM	31.12.2020 RM
Lease liabilities	98,033	3,440,891	(23,940)	(569,962)	-	2,945,022
Borrowings -						
Term loans	6,193,231	-	-	(651,783)	-	5,541,448
Dividend payables	2,078,435	-	-	-	(2,078,435)	-
Total liabilities arising from financing activities	8,369,699	3,440,891	(23,940)	(1,221,745)	(2,078,435)	8,486,470

	1.1.2019 RM	Addition RM	Rent concession for lease liabilities RM	Repayments RM	Other RM	31.12.2019 RM
Lease liabilities	176,162	-	-	(78,129)	-	98,033
Borrowings -						
Term loans	6,777,383	-	-	(584,152)	-	6,193,231
Dividend payables	-	-	-	-	2,078,435	2,078,435
Total liabilities arising from financing activities	6,953,545	-	-	(662,281)	2,078,435	8,369,699

Company	1.1.2020 RM	Other RM	31.12.2020 RM
Dividend payables	2,078,435	(2,078,435)	-
	1.1.2019 RM	Other RM	31.12.2019 RM
Dividend payables	-	2,078,435	2,078,435

#### B. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fixed deposits with licensed banks (Note 12)	5,600,000	11,500,828	-	4,500,000
Cash and bank balances (Note 13)	7,154,308	3,394,830	3,424,472	138,614
	12,754,308	14,895,658	3,424,472	4,638,614

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

# Notes to the Financial Statements

31 December 2020

## 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 activities of the subsidiary companies are disclosed in Note 6 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 21st April 2021.

## 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.

# Notes to the Financial Statements

## 31 December 2020

## 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 consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/ amendments/improvements to MFRSs which are mandatory for the financial periods 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*

# Notes to the Financial Statements

31 December 2020

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

### 2.4 MFRSs (cont'd)

#### 2.4.1 Adoption of new or revised MFRSs (cont'd)

- 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*

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.

During the financial year, the Company has early adopted the following amendment that issued and effective for financial period beginning on or after 1 June 2020.

- Amendment to MFRS 16 Leases – Covid-19-Related Rent Concessions

On 28 May 2020, the MASB issued COVID-19-Related Rent Concessions - amendment to MFRS 16 Leases. The amendments provide relief to lessees from applying MFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor as a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under MFRS 16, if the change were not a lease modification.

On 6 April 2021, the MASB further issued amendment that extends the availability of the practical expedient provided in 2020 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

#### 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 June 2020 issued by Malaysian Accounting Standards Board ("MASB") and they have not been early adopted by the Group and the Company. The Group and the Company intend 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 2021

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4\* and MFRS 16 – *Interest Rate Benchmark Reform – Phase 2*

##### (b) Amendments effective for financial period beginning on or after 1 January 2022

- Amendments to MFRSs contained in the document entitled - *Annual Improvements to MFRS Standards 2018-2020*
- Amendments to MFRS 3 Business Combinations - *Reference to the Conceptual Framework*
- Amendments to MFRS 116 Property, Plant and Equipment - *Proceeds before Intended*
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - *Onerous Contract-Cost of Fulfilling a Contract*

# Notes to the Financial Statements

## 31 December 2020

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

### 2.4 MFRSs (cont'd)

#### 2.4.2 Standards issued but not yet effective (cont'd)

##### (c) MFRS and amendments effective for financial period beginning on or after 1 January 2023

- MFRS 17 Insurance Contracts
- Amendments to MFRS 4 Insurance Contracts – *Extension of the Temporary Exemption from Applying MFRS 9*
- Amendments to MFRS 17 Insurance Contracts
- Amendment to MFRS 101 Presentation of Financial Statements – *Classification of Liabilities as Current or Non-current*
- Amendment to MFRS 101 Presentation of Financial Statements – *Disclosure of Accounting Policies*
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – *Definition of Accounting Estimates*

##### (d) 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*

\*Not applicable to the Group's and the Company's operations.

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.

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.



# Notes to the Financial Statements

## 31 December 2020

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

#### 2.5 Significant accounting estimates and judgements (cont'd)

##### 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 29 (a) 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 29 to the Financial Statements.

# Notes to the Financial Statements

## 31 December 2020

## 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.

#### 2.5.7 Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management make assumptions about future operating results. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

## 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 subsidiaries made up to the end of the reporting periods.

# Notes to the Financial Statements

31 December 2020

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

### 3.1 Basis of consolidation (cont'd)

#### 3.1.2 Consolidation (cont'd)

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-subsidary relationships were not established.

#### 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.

# Notes to the Financial Statements

## 31 December 2020

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

#### 3.1 Basis of consolidation (cont'd)

##### 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.

#### 3.2 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.

# Notes to the Financial Statements

## 31 December 2020

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

#### 3.2 Property, plant and equipment (cont'd)

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:-

Buildings	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.

#### 3.3 Leased assets

##### 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.
- 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.



# Notes to the Financial Statements

## 31 December 2020

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

#### 3.3 Leased assets (cont'd)

##### The Group as lessee (cont'd)

##### **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%
Factory buildings	5.5 years
Canteen	2.67 years
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.

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.

# Notes to the Financial Statements

## 31 December 2020

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

#### 3.3 Leased assets (cont'd)

##### 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.

##### Amendment to MFRS 116 Leases: Covid-19-Related Rent Concessions

The Company has applied the amendment to MFRS 116 Leases: Covid-19-Related Rent Concessions. The Company apply the practical expedient allowing it not to assess whether a rent concession related to COVID-19 is a lease modification. The Company apply the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company choose not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assess whether there is a lease modification.

#### 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.

#### 3.5 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.

# Notes to the Financial Statements

## 31 December 2020

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

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

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

##### 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.

(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.

# Notes to the Financial Statements

31 December 2020

## 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):-

(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.

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.

# Notes to the Financial Statements

## 31 December 2020

### 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)

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.

##### 3.5.2.2 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.

# Notes to the Financial Statements

## 31 December 2020

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

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

##### 3.5.2 Financial liabilities (cont'd)

##### 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.

##### (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.



# Notes to the Financial Statements

## 31 December 2020

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

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

##### 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.

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.

# Notes to the Financial Statements

## 31 December 2020

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

#### 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.

#### 3.8 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.

# Notes to the Financial Statements

## 31 December 2020

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

#### 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.

# Notes to the Financial Statements

31 December 2020

## 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.

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.

# Notes to the Financial Statements

## 31 December 2020

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

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

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 have 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 20 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.

##### 3.14.4 Rendering of services

Shipping revenue is measured at the fair value of the consideration receivable and is recognised at a point in time when the goods have been transferred to the forwarder.

#### 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.

# Notes to the Financial Statements

## 31 December 2020

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

#### 3.15 Tax expenses

##### 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

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

#### 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.
- (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.



# Notes to the Financial Statements

## 31 December 2020

### 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 (cont'd):-

- (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.

# Notes to the Financial Statements

31 December 2020

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Freehold factory buildings RM	Computer and office equipment RM	Factory machinery and equipment RM	Electrical installation, furniture and fittings RM	Renovation RM	Motor vehicles RM	Signboard RM	Building in progress RM	Total RM
<b>Cost or valuation</b>										
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
<b>Representing:-</b>										
At cost	-	-	433,654	17,618,333	153,224	280,605	1,471,370	85,690	345,270	20,388,146
At valuation: 2018	10,418,119	9,052,615	-	-	-	-	-	-	-	19,470,734
At 1.1.2020	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
Additions	-	-	51,423	1,591,671	-	-	676,742	-	807,250	3,127,086
Disposal	-	-	-	(5,940)	-	-	(774,558)	-	-	(780,498)
Written off	-	-	(900)	-	-	-	-	-	-	(900)
Revaluation	1,523,881	386,385	-	-	-	-	-	-	-	1,910,266
At 31.12.2020	11,942,000	9,439,000	484,177	19,204,064	153,224	280,605	1,373,554	85,690	1,152,520	44,114,834
<b>Representing:-</b>										
At cost	-	-	484,177	19,204,064	153,224	280,605	1,373,554	85,690	1,152,520	22,733,834
At valuation: 2020	11,942,000	9,439,000	-	-	-	-	-	-	-	21,381,000
	11,942,000	9,439,000	484,177	19,204,064	153,224	280,605	1,373,554	85,690	1,152,520	44,114,834

# Notes to the Financial Statements

## 31 December 2020

### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (cont'd)

	Freehold land RM	Freehold factory buildings RM	Computer and office equipment RM	Factory machinery and equipment RM	Electrical installation, and furniture and fittings RM	Renovation RM	Motor vehicles RM	Signboard RM	Building in progress RM	Total RM
<b>Accumulated depreciation</b>										
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
Charge for the financial year	-	181,052	40,867	1,441,984	14,111	35,587	104,015	8,479	-	1,826,095
Disposal	-	-	-	(4,369)	-	-	(774,558)	-	-	(778,927)
Written off	-	-	(900)	-	-	-	-	-	-	(900)
Revaluation	-	(890,157)	-	-	-	-	-	-	-	(890,157)
At 31.12.2020	-	15,088	336,701	14,182,364	134,588	193,395	616,687	21,504	-	15,500,327
<b>Net carrying amount</b>										
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
At 31.12.2020	11,942,000	9,423,912	147,476	5,021,700	18,636	87,210	756,867	64,186	1,152,520	28,614,507

# Notes to the Financial Statements

## 31 December 2020

### 4. 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:-

	2020 RM	Group 2019 RM
Freehold land	9,642,000	8,418,119
Freehold factory buildings	9,423,913	8,328,422
	19,065,913	16,746,541

#### Revaluation of land and buildings

The Group applies revaluation model in measuring its land and buildings. Freehold land and buildings of the Group were revalued on 5 November 2020 by Sr. Chia Zi Jin, Registered Valuer (V1047) from CRA Valuers & Realty Consultants, an independent professional valuer, on an open market value basis to reflect the market value of existing use.

The market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The market value of the freehold land and buildings were determined based on the comparison approach and depreciated replacement cost approach respectively.

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 freehold land has been generally derived using the comparison method 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 price per square foot of comparable properties. Level 2 fair value of buildings has been generally derived using the depreciated replacement cost approach. The most significant input into this valuation approach is the adjustment for factors such as physical deterioration, functional and economic obsolescence.

#### Comparison approach

The comparison approach entails comparing the property with comparable property which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial interest and restriction if any, occupancy status, built-up area, building construction, finishes and services, age and condition of building and other relevant characteristics.

# Notes to the Financial Statements

## 31 December 2020

### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

#### Revaluation of land and buildings (cont'd)

##### Cost approach

The cost approach entails separate valuations of the land and building to arrive at the market value.

The land is valued by reference to transactions of similar lands in the surrounding with adjustments made for differences in location, terrain, size and shape of land, tenure, title restrictions if any and other relevant characteristics.

The buildings are valued by reference to their depreciated replacement costs, i.e. the replacement cost of the buildings as new less an appropriate adjustment for profits and depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation.

The land and buildings values are then summated to arrive at the market value of the subject property.

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

#### Group

	Freehold land RM	Freehold factory buildings RM	Total RM
<b>At cost</b>			
At 1.1.2019, 31.12.2019 and 31.12.2020	10,606,943	5,075,532	15,682,475
<b>Accumulated depreciation</b>			
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
Charge for the financial year	-	101,511	101,511
At 31.12.2020	-	706,392	706,392
<b>Net carrying amount</b>			
At 31.12.2019	10,606,943	4,470,651	15,077,594
At 31.12.2020	10,606,943	4,369,140	14,976,083

# Notes to the Financial Statements

## 31 December 2020

### 5. 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

	<u>Leasehold land</u> RM	<u>Leasehold factory buildings</u> RM	<u>Factory building</u> RM	<u>Hostels</u> RM	<u>Canteen</u> RM	<u>Total</u> RM
<b>Cost or valuation</b>						
At 1.1.2019, 31.12.2019 and 1.1.2020	2,310,500	8,013,855	-	176,162	-	10,500,517
Addition	-	-	3,377,422	-	63,469	3,440,891
Revaluation	687,500	(511,855)	-	-	-	175,645
At 31.12.2020	2,998,000	7,502,000	3,377,422	176,162	63,469	14,117,053
<b>Representing:-</b>						
At cost	-	-	3,377,422	176,162	63,469	3,617,053
At valuation: 2020	2,998,000	7,502,000	-	-	-	10,500,000
	2,998,000	7,502,000	3,377,422	176,162	63,469	14,117,053
<b>Accumulated depreciation</b>						
At 1.1.2019	38,677	1,393,994	-	-	-	1,432,671
Depreciation charges	56,354	160,277	-	78,294	-	294,925
At 31.12.2019	95,031	1,554,271	-	78,294	-	1,727,596
Depreciation charges	56,353	160,277	562,904	78,294	5,951	863,779
Revaluation	(146,687)	(1,701,193)	-	-	-	(1,847,880)
At 31.12.2020	4,697	13,355	562,904	156,588	5,951	743,495
<b>Net carrying amount</b>						
At 31.12.2019	2,215,469	6,459,584	-	97,868	-	8,772,921
At 31.12.2020	2,993,303	7,488,645	2,814,518	19,574	57,518	13,373,558



# Notes to the Financial Statements

## 31 December 2020

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

Lease liabilities are presented in the statements of financial position as follows:-

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Current	622,684	78,013
Non-current	2,322,338	20,020
	2,945,022	98,033

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

	Group	
	<u>2020</u> RM	<u>2019</u> RM
As at 1 January	98,033	176,162
Addition	3,440,891	-
Accretion of interest	124,438	5,871
Rent concession	(23,940)	-
Payment	(694,400)	(84,000)
As at 31 December	2,945,022	98,033

Future minimum lease payments were as follows:-

#### Group

	Minimum lease payment due		
	<u>Within 1 year</u> RM	<u>2 to 5 years</u> RM	<u>Total</u> RM
<u>2020</u>			
Lease payments	734,160	2,503,900	3,238,060
Finance charges	(111,476)	(181,562)	(293,038)
	622,684	2,322,338	2,945,022
<u>2019</u>			
Lease payments	80,640	20,160	100,800
Finance charges	(2,627)	(140)	(2,767)
	78,013	20,020	98,033

The Group leases factory building, hostels and canteen under operating leases. The leases run for a period of 1 to 3 years with automatically renew for 1 to 3 years after expiry. Lease payments are negotiated on each renewal.

The maturity analysis of lease liabilities is disclosed in Note 29 (b) to the Financial Statements.

# Notes to the Financial Statements

## 31 December 2020

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

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

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Depreciation expense of right-of-use assets	863,779	294,925
Interest expense on lease liabilities	124,438	5,871
Total amount recognised in profit or loss	988,217	300,796

The Group had total cash outflows for leases of RM694,400 (2019: RM84,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of RM3,440,891 (2019: 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	
	<u>2020</u> RM	<u>2019</u> RM
Leasehold land	2,993,303	2,215,469
Leasehold factory buildings	7,488,645	6,459,584
	10,481,948	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 5 November 2020 by Sr. Chia Zi Jin, Registered Valuer (V1047) from CRA Valuers & Realty Consultants, an independent professional valuer, on an open market value basis to reflect the market value of existing use.

The market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The market value of the leasehold land and buildings were determined based on the comparison approach and depreciated replacement cost approach respectively.

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 has been generally derived using the comparison method 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 price per square foot of comparable properties. Level 2 fair value of buildings has been generally derived using the depreciated replacement cost approach. The most significant input into this valuation approach is the adjustment for factors such as physical deterioration, functional and economic obsolescence.

# Notes to the Financial Statements

## 31 December 2020

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

#### Revaluation of land and buildings (cont'd)

##### Comparison approach

The comparison approach entails comparing the property with comparable property which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial interest and restriction if any, occupancy status, built-up area, building construction, finishes and services, age and condition of building and other relevant characteristics.

##### Cost approach

The cost approach entails separate valuations of the land and building to arrive at the market value.

The land is valued by reference to transactions of similar lands in the surrounding with adjustments made for differences in location, terrain, size and shape of land, tenure, title restrictions if any and other relevant characteristics.

The buildings are valued by reference to their depreciated replacement costs, i.e. the replacement cost of the buildings as new less an appropriate adjustment for profits and depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation.

The land and buildings values are then summated to arrive at the market value of the subject property.

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

#### Group

	Leasehold land RM	Leasehold factory buildings RM	Total RM
<b>At cost</b>			
At 1.1.2019, 31.12.2019 and 31.12.2020	2,173,061	3,818,112	5,991,173
<b>Accumulated depreciation</b>			
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
Charge for the financial year	53,001	76,362	129,363
At 31.12.2020	143,003	1,504,751	1,647,754
<b>Net carrying amount</b>			
At 31.12.2019	2,083,059	2,389,723	4,472,782
At 31.12.2020	2,030,058	2,313,361	4,343,419

# Notes to the Financial Statements

## 31 December 2020

### 6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	<u>2020</u>	<u>2019</u>
	RM	RM
Unquoted shares – At cost:-		
At beginning of financial year	31,799,980	-
Investments made	1	31,799,980
At end of financial year	31,799,981	31,799,980

The particulars of the subsidiary companies are as follows:-

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Effective equity interest</u>		<u>Principal activities</u>
		<u>2020</u>	<u>2019</u>	
		%	%	
Spring Art Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing of ready-to-assemble furniture products
Elisa Home Sdn. Bhd.*	Malaysia	100	-	Trading of ready-to-assemble furniture products.

\* Special audit was carried out by Grant Thornton Malaysia PLT for the purposes of consolidated financial statements.

On 12 November 2020, the Company incorporated a new subsidiary company, Elisa Home Sdn. Bhd.

### 7. INVENTORIES

	Group	
	<u>2020</u>	<u>2019</u>
	RM	RM
Raw materials	6,011,889	4,070,419
Work-in-progress	2,136,918	1,836,943
Finished goods	3,884,008	1,500,850
Packaging materials	252,288	65,874
Goods in transit	738,087	4,801
	13,023,190	7,478,887
Cost of inventories recognised in profit or loss	28,192,390	31,740,451

# Notes to the Financial Statements

## 31 December 2020

### 8. TRADE RECEIVABLES

Trade receivables comprise amounts receivable from sales of goods. The credit terms granted is from cash on delivery to 90 days (2019: 7 days to 90 days). Trade receivables are recognised at their original invoice amounts which represents their fair values on initial recognition.

The currency exposure profile of the trade receivables is as follows (foreign currency balances are unhedged):-

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Ringgit Malaysia	64,644	-
United States Dollar	2,951,296	4,393,537
	3,015,940	4,393,537

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 29 (a) to the Financial Statements.

### 9. OTHER RECEIVABLES

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
<u>Non-current</u>				
Non-trade receivable	527,016	-	-	-
<u>Current</u>				
Advances to workers	39,980	16,120	-	-
Non-trade receivables	240,953	1,773,850	-	-
Deposits	1,020,008	162,857	1,000	-
Deposit for acquisition of access road	274,240	274,240	-	-
Prepayment for listing expenses	-	108,285	-	108,285
Prepayments	781,646	1,155,447	106,000	118,000
Goods and services tax receivable	-	166,596	-	-
	2,356,827	3,657,395	107,000	226,285
	2,883,843	3,657,395	107,000	226,285

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

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Ringgit Malaysia	2,629,793	3,214,989	107,000	226,285
United States Dollar	254,050	442,406	-	-
	2,883,843	3,657,395	107,000	226,285

# Notes to the Financial Statements

## 31 December 2020

### 10. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract/ Notional Amount RM	Assets RM	Liabilities RM	Net RM
<b>Non-hedging derivative</b>				
Forward currency contracts				
2020	7,257,485	7,257,485	(7,022,750)	234,735
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.

### 11. OTHER INVESTMENTS

	<b>Group and Company</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>RM</b>	<b>RM</b>
<b>At fair value through profit or loss</b>		
Cash management funds	19,159,595	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.

### 12. FIXED DEPOSITS WITH LICENSED BANKS

	<b>Group</b>		<b>Company</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fixed deposits with licensed banks	5,600,000	11,500,828	-	4,500,000

The fixed deposits with licensed banks are on fixed rate basis and will mature within 4 days to 3 months (2019: 3 days to 3 months) period.

The average effective interest rates for fixed deposits with licensed banks ranging from 0.85% to 3.45% (2019: 1.90% to 3.50%) per annum.

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



# Notes to the Financial Statements

## 31 December 2020

### 13. CASH AND BANK BALANCES

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

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Ringgit Malaysia	5,857,534	2,111,747	3,424,472	138,614
United States Dollar	1,240,469	1,191,266	-	-
Singapore Dollar	56,305	91,817	-	-
	7,154,308	3,394,830	3,424,472	138,614

### 14. SHARE CAPITAL

	<u>2020</u> Unit	<u>2020</u> RM	<u>2019</u> Unit	<u>2019</u> RM
<b>Group and Company</b>				
Issued and fully paid with no par value:-				
Ordinary shares				
At beginning of financial year	415,687,000	54,753,941	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	415,687,000	54,753,941	415,687,000	54,753,941

The Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

### 15. MERGER DEFICIT

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

### 16. REVALUATION RESERVE

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

### 17. BORROWINGS

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Current Secured:-		
Term loan (I)	307,445	271,180
Term loan (II)	384,195	362,181
	691,640	633,361

# Notes to the Financial Statements

## 31 December 2020

### 17. BORROWINGS (CONT'D)

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Non-current Secured:-		
Term loan (I)	2,159,549	2,481,980
Term loan (II)	2,690,259	3,077,890
	4,849,808	5,559,870
	5,541,448	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 RM19,065,913 and RM10,481,948 (2019: RM16,746,541 and RM8,675,053) respectively as disclosed in Notes 4 and 5 to the Financial Statements; and
- ii) corporate guarantee by the Company.

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

	<u>Number of instalments</u>	<u>Monthly repayment</u>	<u>Commencement date</u>
Term loan (I)	174	RM32,000	October 2013
Term loan (II)	120	RM39,516	April 2018

The term loans bear interest at effective rates ranging from 3.14% to 3.34% (2019: 4.20% to 4.38%) per annum.

The entire borrowings are denominated in Ringgit Malaysia.

### 18. DEFERRED TAX LIABILITIES

	Group	
	<u>2020</u> RM	<u>2019</u> RM
At beginning of financial year	2,965,726	2,599,615
Under provision in prior year (Note 23)	313,139	117,385
Recognised within equity through other comprehensive income	849,489	-
Crystallisation of deferred tax liabilities arising from revaluation reserve (Note 23)	(41,209)	(39,890)
Recognised in profit or loss (Note 23)	(31,710)	288,616
At end of financial year	4,055,435	2,965,726

# Notes to the Financial Statements

## 31 December 2020

### 18. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group	
	<u>2020</u>	<u>2019</u>
	RM	RM
Carrying amount of qualifying property, plant and equipment in excess of its tax base	1,183,000	815,000
Revaluation of land and buildings	2,876,005	2,067,725
Others	(3,570)	83,001
	4,055,435	2,965,726

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item due to uncertainty of its recoverability:

	<u>2020</u>
Group	RM
Unutilised business losses	3,987

### 19. TRADE PAYABLES

Trade payables are unsecured, non-interest bearing and the normal credit term granted by the suppliers ranging from 30 to 90 days (2019: 30 to 90 days).

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

	Group	
	<u>2020</u>	<u>2019</u>
	RM	RM
Ringgit Malaysia	4,321,723	4,403,666
United States Dollar	481,150	227,749
	4,802,873	4,631,415

# Notes to the Financial Statements

## 31 December 2020

### 20. OTHER PAYABLES

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Accruals*	971,092	743,091	24,000	17,247
Amount due to a subsidiary company	-	-	1	-
Contract liabilities^	283,149	289,156	-	-
Non-trade payables	668,369	439,194	-	-
Sales tax payable	4,761	-	-	-
	1,927,371	1,471,441	24,001	17,247

\*Consisting mainly of accrued salaries and staff allowances.

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

The amount due to a subsidiary company is non-trade in nature, unsecured, bears no interest and repayable upon demand.

The currency exposure profile of other payables is as follows (foreign currency balances are unhedged):-

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Ringgit Malaysia	1,644,222	1,182,285	24,001	17,247
United States Dollar	283,149	289,156	-	-
	1,927,371	1,471,441	24,001	17,247

### 21. REVENUE

#### Company

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

#### Group

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

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

	<u>2020</u>		<u>2019</u>	
	RM	%	RM	%
Middle East	41,450,173	76.18	37,825,086	61.57
Asia Pacific	7,942,655	14.60	20,526,878	33.41
North America and Latin America	3,758,712	6.91	1,846,099	3.01
Africa	333,233	0.61	816,122	1.33
Europe	926,923	1.70	417,055	0.68
	54,411,696		61,431,240	

# Notes to the Financial Statements

## 31 December 2020

### 21. REVENUE (CONT'D)

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

	<u>2020</u> RM	<u>2019</u> RM
Sales of goods at point in time on delivery	54,408,602	61,431,240
Services rendered at point in time on delivery	3,094	-
	54,411,696	61,431,240

#### 21.1 Performance Obligations

Information about the Group's performance obligations are summarised below:-

##### Ready-to-assemble furniture

The performance obligation is satisfied upon delivery of the ready-to-assemble furniture and payment is generally due on delivery to 90 days of delivery.

### 22. PROFIT/(LOSS) BEFORE TAX

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

	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
	Group		Company	
Auditors' remuneration				
- statutory	63,000	63,000	17,000	17,000
- non-statutory	16,000	10,000	12,000	10,000
Depreciation of property, plant and equipment	1,826,095	1,725,161	-	-
Depreciation of right-of-use assets	863,779	294,925	-	-
Interest expenses:-				
- bankers' acceptances	-	6,643	-	-
- term loans	215,705	295,292	-	-
- bank overdrafts	-	134	-	-
- lease liabilities	124,438	5,871	-	-
- charged by a subsidiary company	-	-	19,066	-
Loss on foreign exchange:-				
- unrealised	126,758	119,618	-	-
- realised	15,125	-	-	-
Gain on foreign exchange:-				
- realised	-	(36,654)	-	-
Fair value gain on derivative financial instruments	(88,946)	(128,499)	-	-
Fair value gain on other investments	(398,507)	(60,088)	(398,507)	(60,088)
Interest income	(193,753)	(118,358)	(55,065)	(23,010)
Gain on disposal of property, plant and equipment	(161,429)	-	-	-
Reversal of impairment loss on revaluation of property, plant and equipment	(949,163)	-	-	-

The estimated monetary value of benefits provided to the Directors of the Company during the financial year by way of usage of the subsidiary's assets and other benefits amounted to RM32,900 (2019: RM32,900).

# Notes to the Financial Statements

## 31 December 2020

### 22. PROFIT/(LOSS) BEFORE TAX (CONT'D)

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

	<b>Fees RM</b>	<b>Other emoluments RM</b>	<b>Total RM</b>
<b>Group</b>			
<u>2020</u>			
Executive Directors	-	1,329,357	1,329,357
Non-Executive Directors	134,926	5,900	140,826
	134,926	1,335,257	1,470,183
<u>2019</u>			
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
<b>Company</b>			
<u>2020</u>			
Non-Executive Directors	134,926	5,900	140,826
<u>2019</u>			
Non-Executive Directors	92,318	6,000	98,318

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

<b>Number of Directors</b>	<b>&lt;RM100,000</b>	<b>RM100,000 to RM1,000,000</b>
<b>Group</b>		
<u>2020</u>		
Executive Directors	-	2
Non-Executive Directors	3	-
<u>2019</u>		
Executive Directors	-	2
Non-Executive Directors	3	-



# Notes to the Financial Statements

## 31 December 2020

### 22. PROFIT/(LOSS) BEFORE TAX (CONT'D)

The remunerations paid to the Directors of the Company analysed into bands are as follows (cont'd):-

<u>Number of Directors</u>	<u>&lt;RM100,000</u>	<u>RM100,000 to RM1,000,000</u>
<b>Company</b>		
<u>2020</u>		
Non-Executive Directors	3	-
<u>2019</u>		
Non-Executive Directors	3	-

### 23. TAX EXPENSE

	<u>2020</u> <u>RM</u>	<u>Group</u> <u>2019</u> <u>RM</u>	<u>Company</u> <u>2020</u> <u>RM</u>	<u>2019</u> <u>RM</u>
Current year's tax expense	1,922,000	1,988,017	12,000	-
(Over)/Under provision of tax expense in prior financial year	(400,370)	18,511	3,729	-
Under provision of deferred tax in prior financial year (Note 18)	313,139	117,385	-	-
Deferred tax liabilities (Note 18)	(31,710)	288,616	-	-
Crystallisation of deferred tax upon depreciation of revalued assets (Note 18)	(41,209)	(39,890)	-	-
	1,761,850	2,372,639	15,729	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated taxable profit for the financial year.

# Notes to the Financial Statements

31 December 2020

## 23. TAX EXPENSE (CONT'D)

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	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Profit/(Loss) before tax	8,263,376	10,441,446	1,850,775	(4,079)
Tax at Malaysian statutory tax rate of 24%	1,983,210	2,505,947	444,186	(979)
<u>Tax effects in respect of:-</u>				
Expenses not deductible for tax purposes	307,924	560,621	167,456	979
Non-taxable income	(401,801)	-	(599,642)	-
(Over)/Under provision of tax expense in prior financial year	(400,370)	18,511	3,729	-
Under provision of deferred tax in prior financial year	313,139	117,385	-	-
Deferred tax assets not recognised on unutilised business losses	957	-	-	-
Utilisation of increased exports claim	-	(265,185)	-	-
Utilisation of automation capital allowance	-	(524,750)	-	-
Crystallisation of deferred tax upon depreciation of revalued assets	(41,209)	(39,890)	-	-
Total tax expense	1,761,850	2,372,639	15,729	-

## 24. DIVIDENDS

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> 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

## 25. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Salaries, bonus, overtime and allowances	8,111,116	6,932,115	140,826	98,318
Defined contribution plan	424,156	356,131	-	-
Social contribution plan	83,660	50,075	-	-
Other benefits	21,159	352,316	-	-
	8,640,091	7,690,637	140,826	98,318

# Notes to the Financial Statements

## 31 December 2020

### 25. EMPLOYEE BENEFITS EXPENSES (CONT'D)

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

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>Directors' remuneration</b>				
Salaries, bonus, overtime and allowances	1,112,150	906,000	5,900	6,000
Defined contribution plan	221,260	180,000	-	-
Social contribution plan	1,847	1,847	-	-
	1,335,257	1,087,847	5,900	6,000

### 26. RELATED PARTY DISCLOSURES

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

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Transaction with Directors:-				
- Dividend paid to	-	1,000,000	-	-
Transactions with subsidiary companies:-				
- Dividend received from	-	-	2,100,000	2,100,000
- Interest expense	-	-	19,066	-
- Interest income	-	-	26,710	-
- Investment in subsidiary	-	-	1	-
Transaction with a related company:-				
- Interest income	15	-	-	-

A related company refers to a company in which certain Directors have interest in it.

(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 22 and 25 to the Financial Statements. The Company has no other members of key management personnel apart from the Board of Directors.

(c) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Note 20 to the Financial Statements.

# Notes to the Financial Statements

## 31 December 2020

### 27. COMMITMENTS

	Group	
	<u>2020</u>	<u>2019</u>
	RM	RM
<u>Authorised and contracted for:-</u>		
Purchase of access road	260,000	260,000
Purchase of machineries	635,383	-

### 28. CONTINGENT LIABILITIES

#### Corporate guarantees

	Company	
	<u>2020</u>	<u>2019</u>
	RM	RM
<u>Unsecured:-</u>		
Corporate guarantees given to licensed financial institutions for credit facilities granted to a subsidiary company- limit	25,320,000	-

The corporate guarantees do not have determinable effect on the terms of the credit facilities due to the banks requiring guarantee as a pre-condition for approving the credit facilities granted to the subsidiary company. The actual terms of the credit facilities are likely to be the best indicator of “at market” terms and hence the fair value of the credit facilities are equal to the credit facilities and contract bond amount received by the subsidiary company. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

#### Bank guarantees

As at the reporting date, the Group has contingent liabilities in respect of bank guarantee from banks amounted to RM560,500 (2019: RM630,000).

# Notes to the Financial Statements

## 31 December 2020

### 29. 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").

	<b>Carrying amount RM</b>	<b>FAAC RM</b>	<b>FVTPL RM</b>	<b>OFL RM</b>
<b>Group</b>				
<b>2020</b>				
<b>Financial assets</b>				
Trade receivables	3,015,940	3,015,940	-	-
Other receivables	2,102,197	2,102,197	-	-
Derivative financial instruments	234,735	-	234,735	-
Other investments	19,159,595	-	19,159,595	-
Fixed deposits with licensed banks	5,600,000	5,600,000	-	-
Cash and bank balances	7,154,308	7,154,308	-	-
	37,266,775	17,872,445	19,394,330	-
<b>Financial liabilities</b>				
Trade payables	4,802,873	-	-	4,802,873
Other payables	1,639,461	-	-	1,639,461
Borrowings	5,541,448	-	-	5,541,448
	11,983,782	-	-	11,983,782
	<b>Carrying amount RM</b>	<b>FAAC RM</b>	<b>FVTPL RM</b>	<b>OFL RM</b>
<b>2019</b>				
<b>Financial assets</b>				
Trade receivables	4,393,537	4,393,537	-	-
Other receivables	2,227,067	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	-	-
	39,723,139	21,516,262	18,206,877	-
<b>Financial liabilities</b>				
Trade payables	4,631,415	-	-	4,631,415
Other payables	1,182,285	-	-	1,182,285
Borrowings	6,193,231	-	-	6,193,231
	12,006,931	-	-	12,006,931

# Notes to the Financial Statements

## 31 December 2020

### 29. 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").

	<u>Carrying amount</u> RM	<u>FAAC</u> RM	<u>FVTPL</u> RM	<u>OFL</u> RM
<b>Company</b>				
<u>2020</u>				
<b>Financial assets</b>				
Other receivables	1,000	1,000	-	-
Other investments	19,159,595	-	19,159,595	-
Cash and bank balances	3,424,472	3,424,472	-	-
	22,585,067	3,425,472	19,159,595	-
<b>Financial liability</b>				
Other payables	24,001	-	-	24,001
<u>2019</u>				
<b>Financial assets</b>				
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	-	-
	22,699,702	4,638,614	18,061,088	-
<b>Financial liability</b>				
Other payables	17,247	-	-	17,247

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

	<b>Group</b>		<b>Company</b>	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Financial assets categorised as FAAC	(86,704)	29,669	55,065	23,010
Financial assets categorised as FVTPL	487,453	188,587	398,507	60,088
Financial liabilities categorised as OFL	(77,132)	(296,344)	(19,066)	-



# Notes to the Financial Statements

## 31 December 2020

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Categories of financial instruments (cont'd)

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

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Total interest income for financial assets categorised as FAAC	193,753	118,358	55,065	23,010
Total interest expenses for financial liabilities categorised as OFL	(215,705)	(302,069)	(19,066)	-

#### 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	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>Classes of financial assets:-</b>				
Trade receivables	3,015,940	4,393,537	-	-
Other receivables	2,102,197	2,227,067	1,000	-
Other investments	19,159,595	18,061,088	19,159,595	18,061,088
Fixed deposits with licensed banks	5,600,000	11,500,828	-	4,500,000
Cash and bank balances	7,154,308	3,394,830	3,424,472	138,614
Carrying amount	37,032,040	39,577,350	22,585,067	22,699,702

# Notes to the Financial Statements

## 31 December 2020

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Risk management objectives and policies (cont'd)

##### (a) Credit risk (cont'd)

##### Exposure to credit risk (cont'd)

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 59% (2019: 81%) of the Group's total trade receivables balances was due from 2 (2019: 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 8 and 9 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.

# Notes to the Financial Statements

## 31 December 2020

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Risk management objectives and policies (cont'd)

##### (a) Credit risk (cont'd)

##### Receivables (cont'd)

The ageing analysis of trade receivables is as follows:-

##### Group

		Expected credit loss			
	Gross carrying amount RM	Individually impaired RM	Collectively impaired RM	Total impaired RM	Net RM
<b>2020</b>					
Within terms	2,907,271	-	-	-	2,907,271
Past due 1 to 30 days	99,474	-	-	-	99,474
Past due 61 to 90 days	2,640	-	-	-	2,640
Past due more than 90 days	6,555	-	-	-	6,555
	3,015,940	-	-	-	3,015,940

		Expected credit loss			
	Gross carrying amount RM	Individually impaired RM	Collectively impaired RM	Total impaired RM	Net RM
<b>2019</b>					
Within terms	4,392,956	-	-	-	4,392,956
Past due 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 guarantee

The Company provides unsecured financial guarantees to financial institutions, in respect of credit facilities granted to a subsidiary company. The maximum exposure to credit risk is as disclosed in Note 28 to the Financial Statements as at the reporting date.

The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies. As at the end of the reporting period, there was no indication that the subsidiary companies would default in payment.

# Notes to the Financial Statements

## 31 December 2020

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Risk management objectives and policies (cont'd)

##### (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 as and 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.

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as below:-

Group	Less than 1 year RM	2-5 years RM	More than 5 years RM	Total RM
<u>2020</u>				
Trade payables	4,802,873	-	-	4,802,873
Other payables	1,639,461	-	-	1,639,461
Borrowings	858,192	3,432,768	1,921,020	6,211,980
Lease liabilities	734,160	2,503,900	-	3,238,060
Total undiscounted financial liabilities	8,034,686	5,936,668	1,921,020	15,892,374
Financial guarantee	560,500	-	-	560,500
<u>2019</u>				
Trade payables	4,631,415	-	-	4,631,415
Other payables	1,182,285	-	-	1,182,285
Borrowings	881,124	3,524,496	2,946,847	7,352,467
Lease liabilities	80,640	20,160	-	100,800
Total undiscounted financial liabilities	6,775,464	3,544,656	2,946,847	13,266,967
Financial guarantee	630,000	-	-	630,000
Company	Less than 1 year RM	2-5 years RM	More than 5 years RM	Total RM
<u>2020</u>				
Other payables	24,001	-	-	24,001
Total undiscounted financial liability	24,001	-	-	24,001
<u>2019</u>				
Other payables	17,247	-	-	17,247
Total undiscounted financial liability	17,247	-	-	17,247

# Notes to the Financial Statements

## 31 December 2020

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Risk management objectives and policies (cont'd)

##### (b) Liquidity risk (cont'd)

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.

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	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Fixed rate instrument</b>				
<u>Financial asset</u>				
Fixed deposits with licensed banks	5,600,000	11,500,828	-	4,500,000
<u>Financial liability</u>				
Lease liabilities	(2,945,022)	(98,033)	-	-
Net financial asset	2,654,978	11,402,795	-	4,500,000
<b>Floating rate instrument</b>				
<u>Financial liability</u>				
Term loans	(5,541,448)	(6,193,231)	-	-
Net financial liability	(5,541,448)	(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.

# Notes to the Financial Statements

## 31 December 2020

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Risk management objectives and policies (cont'd)

##### (c) Interest rate risk (cont'd)

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 125 (2019: +/- 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.

	<u>2020</u> RM	<u>2019</u> RM
<u>Effect on profit for the financial year</u>		
+125 bp (2019: + 25 bp)	(69,268)	(15,483)
-125 bp (2019: - 25 bp)	69,268	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.

The Group's exposure to foreign currency risk are as follows:-

#### Group

	<u>2020</u>		<u>2019</u>	
	<u>USD</u> RM	<u>SGD</u> RM	<u>USD</u> RM	<u>SGD</u> RM
Trade receivables	2,951,296	-	4,393,537	-
Other receivables	254,050	-	442,406	-
Cash and bank balances	1,240,469	56,305	1,191,266	91,817
Trade payables	(481,150)	-	(227,749)	-
	3,964,665	56,305	5,799,460	91,817

# Notes to the Financial Statements

## 31 December 2020

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Risk management objectives and policies (cont'd)

##### (d) Foreign currency risk (cont'd)

###### 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% (2019: 1%) change of the RM/USD exchange rate and a +/- 1% (2019: 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	2020 RM	2019 RM
Effect on profit for the financial year (decrease)		
- USD	(39,647)	(57,995)
- SGD	(563)	(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.
- 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.



# Notes to the Financial Statements

## 31 December 2020

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Fair value of financial instruments (cont'd)

##### Carried at fair value

##### Fair value hierarchy-Level 2

	Group		Company	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
<b>Financial assets:-</b>				
Derivative financial instruments	234,735	145,789	-	-
Other investments	19,159,595	18,061,088	19,159,595	18,061,088
	19,394,330	18,206,877	19,159,595	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 (2019: no transfer in either direction).

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.

##### Not carried at fair value

	Level 2	Group
	RM	Carrying amount
		RM
<u>2020</u>		
<b>Financial asset:-</b>		
Other receivables – non-current	510,468	527,016

There has been no transfer between Level 1 and Level 2 fair value during the financial year.

The fair value is estimated by discounting the contractual cash flows by reference to an observable suitable interest rate.

### 30. 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 2020 compared to 31 December 2019.

# Notes to the Financial Statements

## 31 December 2020

### 30. CAPITAL MANAGEMENT (CONT'D)

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	
	2020 RM	2019 RM
Total equity	73,524,478	63,997,656
Borrowings	5,541,448	6,193,231
Lease liabilities	2,945,022	98,033
	8,486,470	6,291,264
Debt-to-equity ratio	0.12	0.10

### 31. EVENTS AFTER REPORTING DATE

- (a) The Malaysian Government has again imposed the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") for selected states which are severely affected by the COVID-19 pandemic on 13 January 2021. Besides, the Malaysian King declared state of emergency for the country until 1 August 2021 to curb the spread of Covid-19 on 12 January 2021.

The restrictions imposed have not, however, negatively impacted the Group's financial performance as the country's main essential services were allowed to operate throughout the MCO / CMCO, under guidelines set by the National Security Council, Ministry of Health and Ministry of International Trade and Industry respectively.

As at the date of authorisation of this financial statement, the COVID-19 pandemic situation is still evolving and uncertain. The Group will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic.

- (b) The Company issued a Bonus Issue of 166,274,800 free warrants ("Warrants") on the basis of two (2) warrants for every five (5) existing ordinary shares held in the Company which was completed and listed on the ACE Market of Bursa Malaysia Securities Berhad on 4 March 2021.

# Notes to the Financial Statements

## 31 December 2020

### 32. 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:-

<u>Operating segments</u>	<u>Business activities</u>
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.

# Notes to the Financial Statements

## 31 December 2020

### 32. OPERATING SEGMENT - GROUP (CONT'D)

Business segments		Manufacturing		Investment holding		Elimination		Notes	Consolidated	
Group	Revenue:-	2020 RM	2019 RM	2020 RM	2019 RM	2020 RM	2019 RM		2020 RM	2019 RM
External customers		54,411,696	61,431,240	-	-	-	-		54,411,696	61,431,240
Inter-segment revenue		43,494	-	2,100,000	2,100,000	(2,143,494)	(2,100,000)	A	-	-
		54,455,190	61,431,240	2,100,000	2,100,000	(2,143,494)	(2,100,000)		54,411,696	61,431,240
<b>Results:-</b>										
Interest income		184,474	95,348	55,065	23,010	(45,786)	-		193,753	118,358
Interest expense		(366,863)	(307,940)	(19,066)	-	45,786	-		(340,143)	(307,940)
Depreciation of property, plant and equipment		(1,826,095)	(1,725,161)	-	-	-	-		(1,826,095)	(1,725,161)
Depreciation of right-of-use assets		(863,779)	(294,925)	-	-	-	-		(863,779)	(294,925)
Tax expense		(1,746,121)	(2,372,639)	(15,729)	-	-	-		(1,761,850)	(2,372,639)
Other non-cash income		1,096,720	8,881	398,507	60,088	-	-	B	1,495,227	68,969
Segment profit/(loss)		8,694,990	12,758,117	(285,224)	(2,127,089)	-	-	C	8,409,766	10,631,028
<b>Group Assets:-</b>										
Segment assets		70,427,829	58,993,952	54,491,048	54,725,967	(31,859,201)	(31,799,980)		93,059,676	81,919,939
Additions to non-current assets other than financial instruments		6,567,977	4,073,776	-	-	-	-	D	6,567,977	4,073,776
<b>Liabilities:-</b>										
Segment liabilities		6,758,436	6,085,609	24,001	17,247	(52,193)	-	E	6,730,244	6,102,856

# Notes to the Financial Statements

## 31 December 2020

### 32. 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 items:-

	<u>2020</u> RM	<u>2019</u> RM
Fair value gain on derivative financial instruments	88,946	128,499
Fair value gain on other investments	398,507	60,088
Gain on disposal of property, plant and equipment	161,429	-
Rent concession for lease liabilities	23,940	-
Reversal of impairment loss on revaluation of property, plant and equipment	949,163	-
Unrealised loss on foreign exchange	(126,758)	(119,618)
	1,495,227	68,969

- C. The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in the consolidated profit or loss:-

	<u>2020</u> RM	<u>2019</u> RM
Segment profit	8,409,766	10,631,028
Interest income	193,753	118,358
Finance costs	(340,143)	(307,940)
Profit before tax	8,263,376	10,441,446

- D. Additions to non-current assets other than financial instruments consist of:-

	<u>2020</u> RM	<u>2019</u> RM
Property, plant and equipment	3,127,086	4,073,776
Right-of-use assets	3,440,891	-
	6,567,977	4,073,776

# Notes to the Financial Statements

## 31 December 2020

### 32. 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 (cont'd):-

- E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

	<u>2020</u> RM	<u>2019</u> RM
Segment liabilities	6,730,244	6,102,856
Borrowings	5,541,448	6,193,231
Lease liabilities	2,945,022	98,033
Deferred tax liabilities	4,055,435	2,965,726
Dividend payable	-	2,078,435
Tax payable	263,049	484,002
Total liabilities	19,535,198	17,922,283

The Group's operation is predominantly carried out in Malaysia.

#### Information about major customers

The following is major customers with revenue equal or more than 10% of the Group's total revenue:-

	Segment	<u>2020</u> RM	<u>2019</u> RM
Customer A	Manufacturing	38,962,684	37,014,548
Customer B	Manufacturing	-	10,792,397

### 33. 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:-

	<u>2020</u>	<u>2019</u>
Profit for the financial year attributable to owners of the Company (RM)	6,501,526	8,068,807
Weighted average number of ordinary shares in issue	415,687,000	185,446,000
Basic earnings per ordinary share (sen)	1.56	4.35

#### (b) Diluted earnings per ordinary share

There is no diluted earnings per ordinary share as there is no potential dilutive ordinary share as at the reporting date.

# 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	10,482	20.11.2020
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	13,185	15.11.2020
Lot 1850, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor.	Investment land	10,269 square metres	Vacant	Freehold	2,300	15.11.2020
Lot 343, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor.	Agriculture land	20,234 square metres	Vacant (Propose to be Factory C)	Freehold	5,881	15.11.2020



# Analysis of Shareholdings

as at 3 May 2021

Class of Share : Ordinary shares  
Voting Rights : One vote per share  
Issued share capital : 415,689,400

Category	No. of Holders	% of Holders	No. of Shares	% of Shares
1 - 99	2	0.073	100	0.000
100 - 1,000	251	9.207	130,000	0.031
1,001 - 10,000	1,147	42.076	7,136,800	1.716
10,001 - 100,000	1,138	41.746	41,650,000	10.019
100,001 - 20,784,469 (*)	184	6.749	70,150,800	16.875
20,784,470 AND ABOVE (**)	4	0.146	296,621,700	71.356
<b>TOTAL</b>	<b>2,726</b>	<b>100.000</b>	<b>415,689,400</b>	<b>100.000</b>

**REMARK :** \* - LESS THAN 5% OF ISSUED SHARES  
\*\* - 5% AND ABOVE OF ISSUED SHARES

## SUBSTANTIAL HOLDERS' HOLDINGS

No.	Name of Substantial Holders	Holdings	%
1.	LIM KOK ENG	238,425,540	57.356
2.	KWAN CHIAN POH	58,196,160	13.999
	<b>TOTAL</b>	<b>296,621,700</b>	<b>71.356</b>

## DIRECTORS' HOLDINGS

No.	Name of Directors	Holdings	%
1.	ISMAIL BIN TUNGAK	150,000	0.036
2.	KWAN CHIAN POH	58,196,160	13.999
3.	LAW SANG THIAM	300,000	0.072
4.	LIM KOK ENG	238,425,540	57.356
5.	TAN MENG LOON	300,000	0.072
	<b>TOTAL</b>	<b>297,371,700</b>	<b>71.536</b>

# Analysis of Shareholdings

## as at 3 May 2021

### LIST OF TOP 30 SHAREHOLDERS

No.	Name of Shareholders	Holdings	%
1.	LIM KOK ENG	138,660,660	33.356
2.	LIM KOK ENG*	99,764,880	23.999
3.	KWAN CHIAN POH	33,254,940	7.999
4.	KWAN CHIAN POH*	24,941,220	5.999
5.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GENTING UTAMA SDN BHD (M&A)	7,780,000	1.871
6.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM POET CHERN	2,300,000	0.553
7.	LIM JUN YI	1,913,000	0.460
8.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH BOON POH (008)	1,800,000	0.433
9.	TAN TSI HUA	1,794,600	0.431
10.	PHANG FOONG SIN	1,500,000	0.360
11.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG SUE KHE (E-BPT/EDU)	1,349,100	0.324
12.	NEW AIK PIN	1,251,000	0.300
13.	NG TENG SONG	1,200,000	0.288
14.	TEY LAY HUA	1,050,000	0.252
15.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KAI SHEN (E-JAH/MUA)	1,028,300	0.247
16.	CHAN SAU LAI	1,000,000	0.240
17.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY KUAN TEA @ TAY SWEE SENG	1,000,000	0.240
18.	LIM GE FANG	1,000,000	0.240
19.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW AH TIEN (E-KUG)	1,000,000	0.240
20.	TO SWEE KIM	1,000,000	0.240
21.	YAP CHOON WAH	1,000,000	0.240
22.	KONG KWAI CHING	990,000	0.238
23.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	957,100	0.230
24.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW WEI LIANG (CEB)	900,000	0.216
25.	AH YONG @ TEH AH HEONG	800,000	0.192
26.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NGAM CHUI LAN (E-BPT/EDU)	791,000	0.190
27.	LIM POET CHERN	780,000	0.187
28.	TEE TIAN ENG	650,000	0.156
29.	LIM YEN TECK	600,000	0.144
30.	TEU LIAT SOO	570,000	0.137
<b>TOTAL</b>		<b>332,625,800</b>	<b>80.017</b>

# Analysis of Warrantholdings

as at 3 May 2021

## ANALYSIS BY SIZE OF WARRANTHOLDINGS

(Malaysia & Foreign - Combine)

No. Warrants in Issue : 166,272,400  
Exercise Price of Warrants : RM0.28  
Expiry Date of Warrants : 22 Feb 2025  
No. of Warrant Holders : 2,174

Size of Warrantholdings	No. of Holders	% of Holders	No. of Warrants	% of Warrants
1 - 99	217	9.981	10,418	0.006
100 - 1,000	278	12.787	147,912	0.088
1,001 - 10,000	963	44.296	4,173,710	2.510
10,001 - 100,000	603	27.736	20,824,000	12.524
100,001 - 8,313,619 (*)	109	5.013	29,444,680	17.708
8,313,620 AND ABOVE (**)	4	0.183	111,671,680	67.161
<b>TOTAL</b>	<b>2,174</b>	<b>100.000</b>	<b>166,272,400</b>	<b>100.000</b>

**REMARK :** \* - LESS THAN 5% OF ISSUED WARRANTS  
\*\* - 5% AND ABOVE OF ISSUED WARRANTS

## SUBSTANTIAL HOLDERS' WARRANTHOLDINGS

No.	Name of Substantial Holders	Holdings	%
1.	LIM KOK ENG	88,393,216	53.161
2.	KWAN CHIAN POH	23,278,464	14.000
	<b>TOTAL</b>	<b>111,671,680</b>	<b>67.161</b>

## DIRECTORS' WARRANTHOLDINGS

No.	Name of Directors	Holdings	%
1.	ISMAIL BIN TUNGGAK	60,000	0.036
2.	KWAN CHIAN POH	0	0.000
3.	LAW SANG THIAM	120,000	0.072
4.	LIM KOK ENG	88,393,216	53.161
5.	TAN MENG LOON	0	0.000
	<b>TOTAL</b>	<b>88,573,216</b>	<b>53.269</b>

# Analysis of Warrantholdings

## as at 3 May 2021

### LIST OF TOP 30 WARRANTHOLDERS

(Without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Name of Warrantholders	Warrantholdings	%
1.	LIM KOK ENG	48,487,264	29.161
2.	LIM KOK ENG*	39,905,952	24.000
3.	KWAN CHIAN POH	13,301,976	8.000
4.	KWAN CHIAN POH*	9,976,488	6.000
5.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHYI BOON	1,752,000	1.053
6.	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR KHOO YIK CHOU (AK0035)	1,235,000	0.742
7.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH BOON POH (008)	1,070,000	0.643
8.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KOK WENG (MY2166)	1,000,000	0.601
9.	SER TOH CHON CHIEN	890,000	0.535
10.	TAN TECK MENG	858,600	0.516
11.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG SUE KHE (E-BPT/EDU)	739,640	0.444
12.	CHIA HUWE KIAW	600,000	0.360
13.	LIM AI YEE	600,000	0.360
14.	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHEAH HON MUN	530,900	0.319
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BEE YIN	500,000	0.300
16.	NG ENG KIAT	500,000	0.300
17.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW WEI LIANG (CEB)	500,000	0.300
18.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOK CHUN YUN (MY3416)	493,000	0.296
19.	NG TENG SONG	480,000	0.288
20.	YAP FEI YUN	466,960	0.280
21.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY KUAN TEA @ TAY SWEE SENG	400,000	0.240
22.	LIM GE FANG	400,000	0.240
23.	TO SWEE KIM	400,000	0.240
24.	YAP CHOON WAH	400,000	0.240
25.	TEU LIAT SOO	368,000	0.221
26.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KAM LIEH (E-BPJ)	332,000	0.199
27.	TAN KWEE KUAN	320,000	0.192
28.	LAW AH TIEN	300,000	0.180
29.	LIM FOOK HIN	300,000	0.180
30.	LOOI SIEW LEE	300,000	0.180
<b>TOTAL</b>		<b>127,407,780</b>	<b>76.625</b>

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Third Annual General Meeting of SPRING ART HOLDINGS BERHAD (“Spring Art Holdings” or the “Company”) will be conducted entirely through live streaming from the Meeting Venue at Mahkota 1, Level 9, Classic Hotel, No. 69, Jalan Ali, Pekan Muar, 84000 Muar, Johor on Tuesday, 29 June 2021 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 2020 together with the Directors’ and Auditors’ Reports thereon.
2. To approve the payment of Directors’ fees and allowances up to RM1,600,000 for the financial year ending 31 December 2021 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. **Ordinary Resolution 1**
3. To declare a final single tier dividend of 0.4 sen per share in respect of the financial year ended 31 December 2020. **Ordinary Resolution 2**
4. To re-elect the following Directors who retire in accordance with Clause 90 of the Company’s Constitution:
  - i) Kwan Chian Poh **Ordinary Resolution 3**
  - ii) Law Sang Thiam **Ordinary Resolution 4**
5. To approve the appointment of Messrs. Crowe Malaysia PLT in place of retiring Auditors, Messrs Grant Thornton Malaysia PLT for which Notice of Nomination as set out in Appendix A of the 2020 Annual Report has been received and to authorise 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.

# Notice of Annual General Meeting

## NOTICE OF ENTITLEMENT DATE AND DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Third Annual General Meeting, the proposed final single tier dividend of 0.4 sen per share in respect of the financial year ended 31 December 2020, will be paid on 07 July 2021 to depositors registered in the Record of Depositors of the Company at the close of business on 15 June 2021.

A depositor shall qualify for entitlement only in respect of:-

- a) Shares transferred into the Depositor's Securities Account before 5.00 p.m. on 15 June 2021 in respect of ordinary transfers; or
- b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By order of the Board,

NG MEI WAN  
(SSM Practicing Certificate No.: 201908000801) (MIA 28862)  
TAN HUI KHIM  
(SSM Practicing Certificate No.: 201908000859) (LS 0009936)  
Company Secretaries  
Muar, Johor Darul Takzim

28 May 2021

## Notes:

### 1. IMPORTANT NOTICE

The Meeting 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 Third Annual General Meeting in person at the Meeting 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 Third 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 Third 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 2021 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.

# Notice of Annual General Meeting

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 Third Annual General Meeting.**
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 the **Procedures for RPV in the Information for Shareholders on Third Annual General Meeting.**

## Explanatory Notes:

### 9. 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.

### 10. Item 2 of the Agenda – Ordinary Resolution 1

#### **Approval of Directors' fees and allowances for the financial year ending 31 December 2021**

Directors' fees and allowances approved for the financial year ended 31 December 2020 was RM1.5 million. The Directors' fees and allowances proposed for the financial year ending 31 December 2021 are calculated based on the number of scheduled Board and Committee Meetings for year 2021 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.

### 11. 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 mandate now sought is a renewal from the previous mandate obtained at the last AGM held on 29 June 2020 which will expire at the conclusion of the forthcoming AGM.
- (c) As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 29 June 2020.
- (d) 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.



# Notice of Annual General Meeting

## 12. ANNUAL REPORT

The Annual Report for the financial year ended 31 December 2020 is now available at the Company's corporate website, [www.springart.com.my](http://www.springart.com.my). Printed copy of the Annual Report shall be provided to the shareholders upon request soonest possible from the date of receipt of the request.

Shareholder who wishes to receive the printed Annual Report may request at <https://tiih.online> by select "Request for Annual Report" under the "Investor Services" to submit the request form electronically or contacting Tricor Investor & Issuing House Services Sdn. Bhd. [197101000970 (11324-H)] at 03-27839299 or email your request to [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com).

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Rule 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 Third Annual General Meeting of the Company.

# Appendix A

LIM KOK ENG  
 No. 315 Jalan Selatan  
 Bukit Bakri  
 84200 Muar Johor

Date: 21 April 2021

The Board of Directors  
**SPRING ART HOLDINGS BERHAD**  
**Registration No.: 201801016143 (1278159-A)**  
 Lot PLO 49 Jalan Rami 4  
 Kawasan Perindustrian Bukit Pasir  
 84300 Bukit Pasir Muar Johor

Dear Sirs,

## NOTICE OF NOMINATION OF AUDITORS

I, the undersigned, being a registered shareholder of Spring Art Holdings Berhad ("the Company"), hereby nominate Messrs. CROWE MALAYSIA PLT [201906000005 (LLP0018817-LCA) & AF 1018] for appointment as the new Auditors of the Company in place of the retiring Auditors, Messrs. GRANT THORNTON MALAYSIA PLT [201906003682 (LLP0022494-LCA) & AF 0737] at the forthcoming Annual General Meeting of the Company, pursuant to Section 271(4) of the Companies Act 2016.

Therefore, I propose that the following resolution as an ordinary resolution to be tabled for shareholders' approval at the forthcoming Annual General Meeting of the Company:

"THAT Messrs. CROWE MALAYSIA PLT [201906000005 (LLP0018817-LCA) & AF 1018], having consent to act, be hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. GRANT THORNTON MALAYSIA PLT [201906003682 (LLP0022494-LCA) & AF 0737], to hold office until the conclusion of the next Annual General Meeting AND THAT authority be hereby given to the Directors to fix their remuneration".

Thank you.

Yours faithfully,

  
 LIM KOK ENG  
 Shareholder

# Administrative Details for the Third Annual General Meeting (“3rd AGM”) of Spring Art Holdings Berhad

**Date :** Tuesday, 29 June 2021  
**Time :** 11.00 a.m.  
**Meeting Venue :** Mahkota 1, Level 9, Classic Hotel, No. 69, Jalan Ali, Pekan Muar, 84000 Muar, Johor.

## PRECAUTIONARY MEASURES AGAINST THE CORONAVIRUS DISEASE (“COVID-19”)

- In view of the COVID-19 outbreak and as part of the safety measures, the Company will conduct the 3rd AGM on a **fully virtual basis through live streaming and online remote voting** via Remote Participation and Voting (“RPV”) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd’s (“Tricor”) **TIIH Online** website at <https://tiih.online>. This is in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 and subsequently revised on 6 May 2021 (including any amendment that may be made from time to time).
- The venue of the 3rd AGM 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 at the main venue of the meeting. No shareholders/proxy(ies) from the public will be physically present at the meeting venue.
- We **strongly encourage** you to attend the 3rd AGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 3rd AGM.
- Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 3rd AGM at short notice. Kindly check the Company’s website at [www.e-serbadk.com](http://www.e-serbadk.com) or announcements for the latest updates on the status of the 3rd AGM.
- The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

## REMOTE PARTICIPATION AND VOTING (“RPV”) FACILITIES

- The RPV facilities are available on Tricor’s **TIIH Online** website at <https://tiih.online>.
- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely at the 3rd AGM using RPV facilities from Tricor.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

## PROCEDURES TO REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 3rd AGM using the RPV facilities:

### Before the 3rd AGM Day

Procedure	Action
i. Register as a user with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, access to website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the “e-Services” select “<b>Create Account by Individual Holder</b>”. Refer to the tutorial guide posted on the homepage for assistance.</li> <li>Registration as a user will be approved within one (1) working day and you will be notified via e-mail.</li> <li>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.</li> </ul>

## Administrative Details for the Third Annual General Meeting ("3rd AGM") of Spring Art Holdings Berhad

ii. Submit your request to attend 3rd AGM remotely	<ul style="list-style-type: none"> <li>Registration is open from 11.00 a.m. Friday 28 May 2021 until the day of 3rd AGM on Tuesday, 29 June 2021. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 3rd AGM to ascertain their eligibility to participate the 3rd AGM using the RPV.</li> <li>Login with your user ID (i.e. e-mail address) and password and select the corporate event: <b>(Registration) SPRING ART HOLDINGS 3RD AGM".</b></li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select "Register for Remote Participation and Voting".</li> <li>Review your registration and proceed to register.</li> <li>System will send an <b>e-mail to notify</b> that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the Record of Depositors as at 22 June 2021, the system will send you an <b>e-mail after 28 June 2021 to approve or reject</b> your registration for remote participation.</li> </ul> <p><i>(Note: Please allow sufficient time for approval of new user of TIH Online and registration for the RPV) .</i></p>
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### On the 3rd AGM Day

Procedure	Action
i. Login to TIH Online	<ul style="list-style-type: none"> <li>Login with your user ID and password for remote participation at the 3rd AGM at any time from 10.30 a.m. i.e. 30 minutes before the commencement of meeting at 11.00 a.m. on Tuesday, 29 June 2021.</li> </ul>
ii. Participate through Live Streaming	<ul style="list-style-type: none"> <li>Select the corporate event: <b>(Live Stream Meeting) SPRING ART HOLDINGS 3RD AGM"</b> to engage in the proceedings of the 3rd 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 try to respond to questions submitted by remote participants during the 3rd AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</li> </ul>
iii. Online remote voting	<ul style="list-style-type: none"> <li>Voting session commences from 11:00 a.m. on Tuesday, 29 June 2021 until a time when the Chairman announces the end of the session.</li> <li>Select the corporate event: <b>(Remote Voting) SPRING ART HOLDINGS 3RD AGM</b> or if you are on the live stream meeting page, you can select <b>"GO TO REMOTE VOTING PAGE"</b> button below the Query Box.</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
iv. End of remote participation	<ul style="list-style-type: none"> <li>Upon the announcement by the Chairman on the conclusion of the 3rd AGM, the Live Streaming will end.</li> </ul>

### Note to users of the RPV facilities:

- (i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIH Online on the day of meeting will indicate your presence at the virtual meeting.
- (ii) 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.
- (iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to [tih.online@my.tricorglobal.com](mailto:tih.online@my.tricorglobal.com) for assistance.

# Administrative Details for the Third Annual General Meeting ("3rd AGM") of Spring Art Holdings Berhad

## Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors as at 22 June 2021 shall be eligible to attend, speak and vote at the 3rd AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.
- In view that the 3rd AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
- If you wish to participate in the 3rd AGM yourself, please do not submit any Form of Proxy for the 3rd AGM. You will not be allowed to participate in the 3rd AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 3rd AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Monday, 28 June 2021 at 11.00 a.m.**:

(i) In Hard copy:

- By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;
- By fax at 03-2783 9222 or e-mail to [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

(ii) By Electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
<b>i. Steps for Individual Shareholders</b>	
Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, please access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance.</li> <li>If you are already a user with TIIH Online, you are not required to register again.</li> </ul>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> <li>After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.</li> <li>Select the corporate event: <b>SPRING ART HOLDINGS 3RD AGM - "Submission of Proxy Form"</b>.</li> <li>Read and agree to the Terms and Conditions and confirm the Declaration.</li> <li>Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.</li> <li>Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes.</li> <li>Review and confirm your proxy(s) appointment.</li> <li>Print the form of proxy for your record.</li> </ul>

## Administrative Details for the Third Annual General Meeting ("3rd AGM") of Spring Art Holdings Berhad

ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>Access TIIH Online at <a href="https://tiih.online">https://tiih.online</a></li> <li>Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects <b>"Create Account by Representative of Corporate Holder"</b>.</li> <li>Complete the registration form and upload the required documents.</li> <li>Registration will be verified, and you will be notified by email within one (1) to two (2) working days.</li> <li>Proceed to activate your account with the temporary password given in the email and re-set your own password.</li> </ul> <p>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</p>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> <li>Login to TIIH Online at <a href="https://tiih.online">https://tiih.online</a></li> <li>Select the corporate exercise name: <b>SPRING ART HOLDINGS 3RD AGM - "Submission of Proxy Form"</b>.</li> <li>Agree to the Terms &amp; Conditions and Declaration.</li> <li>Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein.</li> <li>Prepare the file for the appointment of proxies by inserting the required data.</li> <li>Proceed to upload the duly completed proxy appointment file.</li> <li>Select "Submit" to complete your submission.</li> <li>Print the confirmation report of your submission for your record.</li> </ul>

### POLL VOTING

- The voting at the 3rd AGM will be conducted by poll in accordance with Rule 8.31A(1) of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).
- Members/proxies/corporate representatives/attorneys can proceed to vote on the resolutions at any time from 10.00 a.m. on Tuesday, 29 June 2021 but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" provided above for guidance on how to vote remotely via TIIH Online.
- Upon completion of the voting session for the 3rd AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

### PRE-MEETING SUBMISSION OF QUESTIONS

- The Board recognises that the 3rd AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 3rd AGM, shareholders may in advance, before the 3rd AGM, submit questions to the Board of Directors via Tricor's TIIH Online website at <https://tiih.online>, by selecting "e-Services" to login, post your questions and submit it electronically no later than Monday, 28 June 2021. The Board of Directors will endeavor to address the questions received at the 3rd AGM.

## Administrative Details for the Third Annual General Meeting (“3rd AGM”) of Spring Art Holdings Berhad

### NO DOOR GIFTS/FOOD VOUCHERS

- There will be no distribution of door gifts or food vouchers for the 3rd AGM as the meeting will be conducted on a fully virtual basis.
- The Company would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

### ENQUIRIES

If you need any assistance, kindly 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](mailto:is.enquiry@my.tricorglobal.com)

Contact persons :

Mohammad Amirul Iskandar : +603-2783 9263 / email : [Mohammad.Amirul@my.tricorglobal.com](mailto:Mohammad.Amirul@my.tricorglobal.com)

Mohamad Khairudin Bin. Tajudin : +603-2783 7973 / email : [Mohamad.Khairudin@my.tricorglobal.com](mailto:Mohamad.Khairudin@my.tricorglobal.com)



**SPRING ART HOLDINGS BERHAD**

REGISTRATION NO.: 201801016143 (1278159-A)  
(Incorporated in Malaysia under the Companies Act 2016)

CDS Account No.	
No of Shares Held	

\*I/We .....  
[Full name in block and/or telephone number]

\*NRIC No./Passport No./Company No. .... of .....

..... being a \*Member/Members of Spring Art Holdings Berhad

("Company"), hereby appoint .....

of.....

\*and/or ..... of .....

..... or failing \*him/her, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on my/our behalf at the Third Annual General Meeting of the Company will be conducted entirely through live streaming from the Meeting Venue at Mahkota 1, Level 9, Classic Hotel, No. 69, Jalan Ali, Pekan Muar, 84000 Muar, Johor on Tuesday, 29 June 2021 at 11.00 a.m. and at any adjournment thereof in the manner as indicated below:-

No.	Ordinary Resolution	For	Against
1	Approval of Directors' fees and allowances for the financial year ending 31 December 2021		
2	Payment of final single tier dividend of 0.4 sen per share		
3	Re-election of Kwan Chian Poh as Director		
4	Re-election of Law Sang Thiam as Director		
5	Appointment of Messrs Crowe Malaysia PLT in place of retiring Auditors, Messrs Grant Thornton Malaysia PLT and to authorize the Directors to fix their remuneration		
6	Authority for Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016		

[Please indicate with a "x" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific instructions, your proxy will vote or abstain as he/she thinks fit]

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

Proxy	No of Shares	Percentage
1		
2		
Total		100%

Dated this..... day of ..... 2021

.....  
Signature of Shareholder or Common Seal

**Notes:**
**1. IMPORTANT NOTICE**

The Meeting 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 Third Annual General Meeting in person at the Meeting 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 Third Annual General Meeting via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its **TIH Online** website at <https://tih.online>. **Please follow the Procedures for RPV in the Information for Shareholders on Third 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 2021 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 Third Annual General Meeting.**
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 the **Procedures for RPV in the Information for Shareholders on Third Annual General Meeting.**

**Personal Data Privacy**

By submitting the proxy form, the member or proxy accepts and agrees to the collection, use and disclosure of their personal data by the Company (or its agents or service providers) for the purpose of preparation and compilation of documents relating to the Second Annual General Meeting (including any adjournment thereof).

Please fold here

Affix  
Stamp

The Share Registrars  
**SPRING ART HOLDINGS BERHAD**  
REGISTRATION 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

Please fold here





**SPRING ART HOLDINGS BERHAD**  
Registration No.: 201801016143 (1278159-A)  
(Incorporated in Malaysia under the Companies Act 2016)

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E : info@springart.com

**[www.springart.com](http://www.springart.com)**

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