SPRING ART HOLDINGS BERHAD

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

ANNUAL REPORT 2022

Furnishing your dream home

5TH ANNUAL GENERAL MEETING

DATE	22 JUNE 2023, THURSDAY
TIME	11:00 AM
VENUE	**BEI BOUTIQUE HOTEL** Centro Meeting Hall, Level 3, 8-3, Jalan Abdul Rahman, 84000 Muar, Johor.

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

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CORPORATE PROFILE

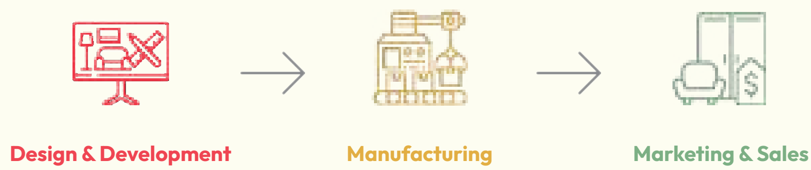
Spring Art Holdings Berhad ("Spring Art Holdings" or the "Company") was incorporated in Malaysia on 25 April 2018 under the Companies Act 2016 as a public limited company. Spring Art Holdings was incorporated as a special purpose vehicle to facilitate the listing of its wholly-owned subsidiary, Spring Art Industries Sdn. Bhd. ("Spring Art") on the ACE Market of Bursa Malaysia Securities Berhad ("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.

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.

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

Our activities are guided by a set of core values that form the basis of our corporate culture. These values set the standards and expectations for our conduct, as well as our responsibilities to our stakeholders. Supporting our core values is our commitment to the sustainability of our business and activities. This commitment is made at the very top of our organisation, beginning with the Board and filters all the way down to our day-to-day staff on the ground.

People	We expect our **people** to approach everything with fire in their belly and never give up on doing what they believe is right.
Emphasis	We place high **emphasis** on products' quality to enhance customer satisfaction.
Respect	We **respect** for and openness to cultures, views and opinions different from one's own.
Sensitivity	We maintain a **sensitivity** to customers' needs to become more 'agile' and more responsive to customers.
Innovation	We are committed to research, development, and **innovation** to understand customers and markets demand.

Safety	We stress on the **safety** in workplace to ensure the health safety and welfare at work of employees.
Technology	We focus on **technology** development to drive towards Industry 4.0 Malaysia.
Efficiency	We highlight on production **efficiency** to derive better cost management across all functions.
Notability	We build our company's identity and **notability** to catch attention of new customers.
Teamwork	We believe **teamwork** enables ordinary people to achieve extraordinary things.

CORPORATE STRUCTURE

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

100%

100%

SPRING ART INDUSTRIES SDN. BHD.
REGISTRATION NO.: 199601042802 (415155-P)

ELISA HOME SDN. BHD.
REGISTRATION NO.: 202001036676 (1392997-V)

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

AUDITOR

Crowe Malaysia PLT
201906000005
(LLP0018817-LCA) & AF 1018
Chartered Accountants
8, Jalan Pesta 1/1, Taman Tun Dr.
Ismail 1, Jalan Bakri, 84000 Muar,
Johor

Telephone number : +606-952 4328
Fax number : +606-952 7328

REGISTERED OFFICE

No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr Ismail 1, Jalan Bakri
84000 Muar, Johor

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

Telephone number : +606-985 9971
Fax number : +606-985 9972
Email address : info@springart.com
Website : www.springart.com

PRINCIPLE BANKERS

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

STOCK EXCHANGE LISTING

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

SOLICITOR

Alan Tan & Associates
Advocates & Solicitors
No. 9-9 A & 9-10 A, Lorong Haji Wan
Ibrahim, Jalan Abdul Rahman
84000 Muar, Johor

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

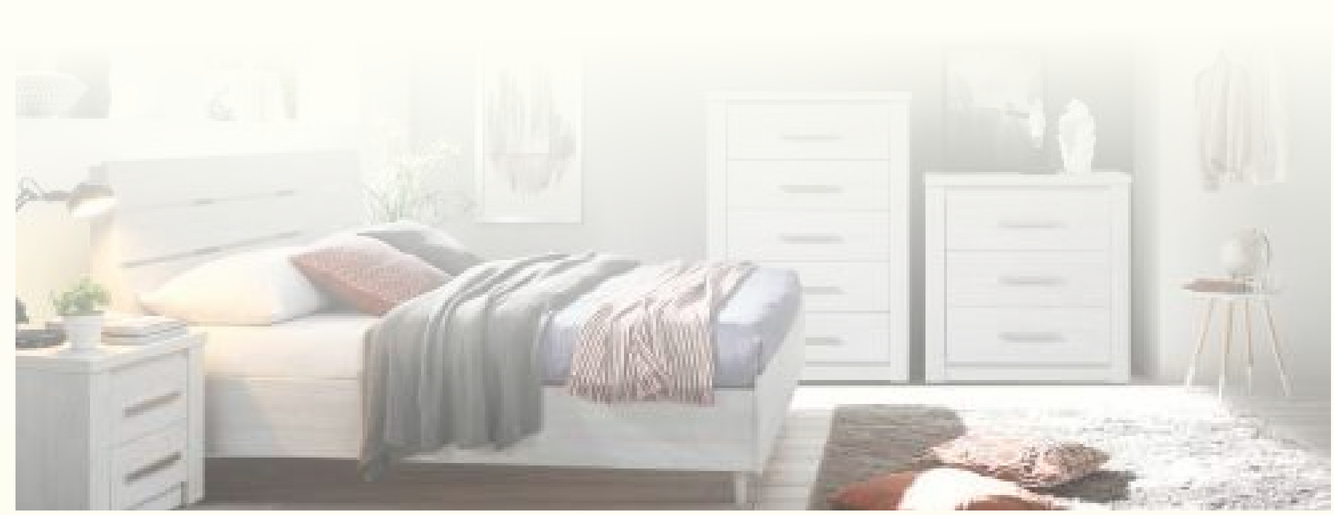
SHARE REGISTRAR AND ISSUING HOUSE

Tricor Investor & Issuing House
Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur

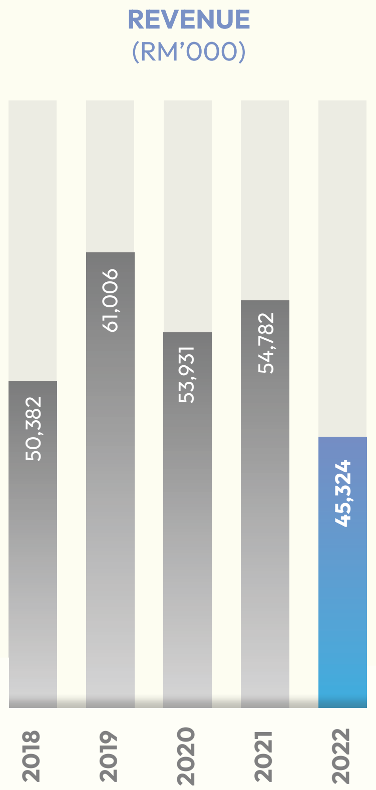
Telephone number : +603-2783 9299
Fax number : +603-2783 9222

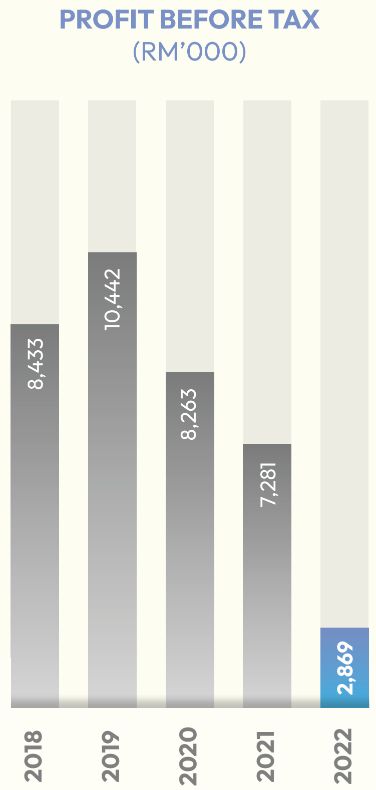
KEY FINANCIAL HIGHLIGHTS

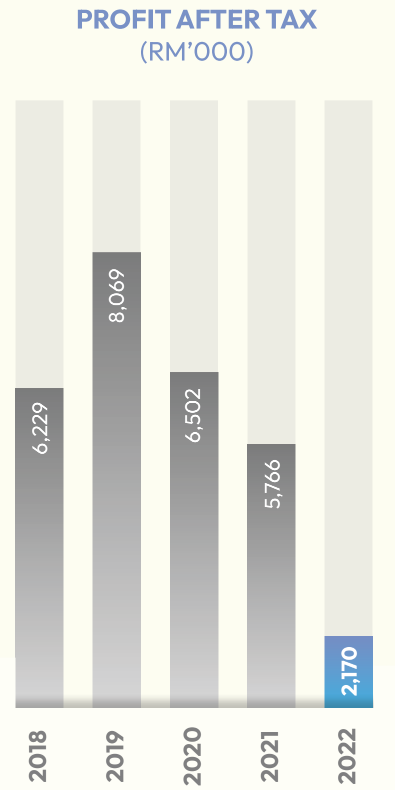
FIVE YEARS FINANCIAL HIGHLIGHTS	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	50,382	61,006	53,931	54,782	**45,324**
Profit Before Tax	8,433	10,442	8,263	7,281	**2,869**
Profit After Tax	6,229	8,069	6,502	5,766	**2,170**
Net Assets	36,053	63,997	73,524	77,628	**80,160**
Net Profit Attributable To Equity Holders	6,229	8,069	6,502	5,766	**2,170**
Weighted Average Number Of Shares In Issue ('000)	500	185,446	415,687	415,689	**415,689**
Earnings Per Share (EPS) (sen)	1,245.45	4.35	1.56	1.39	**0.52**
Net Assets Per Share (RM)	72.11	0.15	0.18	0.19	**0.19**

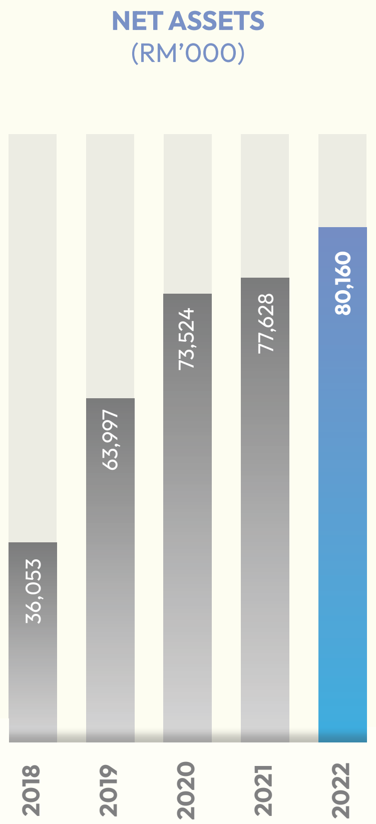


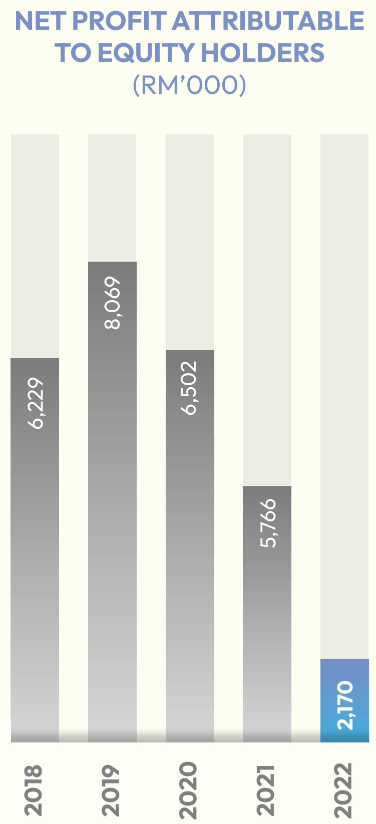
KEY FINANCIAL HIGHLIGHTS

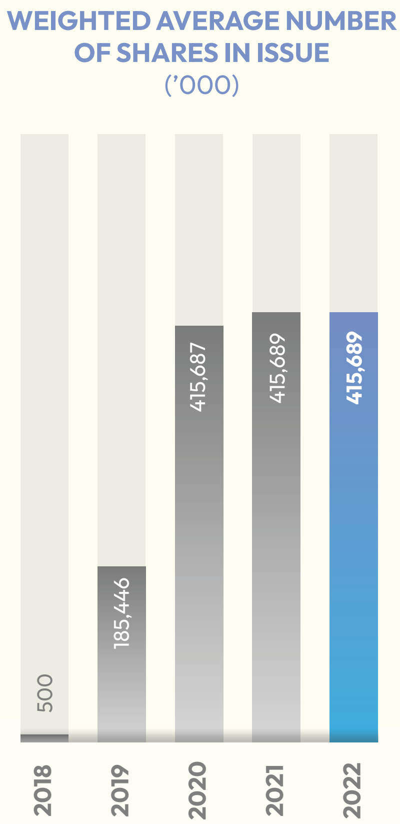












DIRECTORS' PROFILE

HAJI ISMAIL BIN TUNGGAK

Independent Non-Executive Chairman

PERSONAL DETAILS

Nationality	Age	Gender
Malaysian	**73**	**Male**

Positions

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 Tangkak. In 1976, he was transferred to Sungai Mati as Head of Branch. As Head of Branch, he was in-charge of overseeing the entire operations of these respective branches.

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

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

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

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.

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

DIRECTORS' PROFILE

LIM KOK ENG*

Managing Director

PERSONAL DETAILS

Nationality
Malaysian

Age
57

Gender
Male

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

PERSONAL DETAILS

Nationality
Malaysian

Age
55

Gender
Female

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

PERSONAL DETAILS

Nationality	Age	Gender
Malaysian	**47**	**Male**

Positions

Audit and Risk Management Committee	***Chairman***
Remuneration Committee	***Member***
Nomination Committee	***Member***

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 was appointed to our Board on 19 November 2018.

He began his career with 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 as an Audit Director and established an accounting firm, namely Messrs Ivan Law & Co where he is presently the Managing Partner. In 2017, he established a tax advisory firm, namely Messrs Taxavenue Advisory PLT where he is presently a Managing Partner.

He sits on the Board as Independent Non-Executive Director and Chairman of Audit and Risk Management Committee of MCE Holdings Berhad which is listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Board as Independent Non-Executive Director and Chairman of Audit and Risk Management Committee of Ecoscience International Berhad, which is listed on the ACE Market of Bursa Malaysia Securities Berhad.

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

DIRECTORS' PROFILE

TAN MENG LOON

Independent Non-Executive Director

PERSONAL DETAILS

Nationality	Age	Gender
Malaysian	**38**	**Male**

Positions

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.

Tan Meng Loon has been appointed as Director on the Board of Muar Lions Renal Centre on 28 January 2022.

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

TEO MIOW LOO

Chief Financial Officer

PERSONAL DETAILS

Nationality	Age	Gender
Malaysian	**42**	**Female**

Teo Miow Loo, Malaysian, female, aged 42, is our Chief Financial Officer. She 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 Messrs 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 2022 (FYE 2022).

OPERATING ENVIRONMENT

While the aftermath of the COVID-19 pandemic continued to be felt throughout the year in review, the transition to endemic management of the disease heralded a return to normalcy. The Malaysian economy gradually recovered as consumer sentiments improved.

The pace of the recovery in the domestic economy, however, was tempered by various geopolitical developments such as a COVID-19 resurgence in China, the Russia-Ukraine conflict that caused a significant hike in crude oil prices and supply chain disruptions, and various other international and domestic factors. Rising inflationary pressures from prolonged supply chain disruptions, global food shortages and other factors further stymied global and domestic economic recovery.

In 2022, [1]global economic growth moderated to 3.2% from initial forecasts of 6.0%. This is the weakest growth since 2001, except for the 2008 global financial crisis and the acute phase of the COVID-19 pandemic. [2]In Malaysia, gross domestic product ("GDP") growth for 2022 was on track to exceed initial projections of 6.5%-7.0%.

In Malaysia, four upward revisions made by Bank Negara Malaysia to the Overnight Policy Rate ("OPR") saw rates climb to 2.75%. Along with rising interest rates, the furniture manufacturing sectors continued to face labour shortage and high raw material costs.

Amid this backdrop, the Group will continue to focus on the Group's core competency, stay vigilant and putting in place various cost cutting and control strategies and take timely and appropriate action plans to mitigate the adverse impact of the challenges on the Group's financial performance.

Source:
1. https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022
2. https://www.theedgemarkets.com/article/ambank-sees-malaysias-2022-gdp-growth-859-and-45-2023

BUSINESS AND OPERATIONS OVERVIEW

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.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

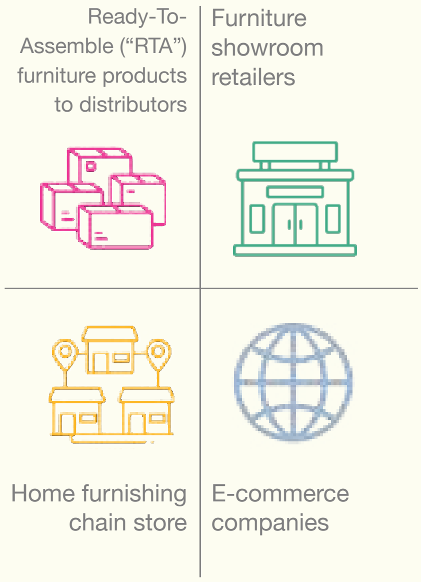
The Group's revenue is mainly derived from sales of Ready-To-Assemble ("RTA") furniture products to distributors, furniture showroom retailers, home furnishing chain store and e-commerce companies. RTA furniture products have become increasingly popular as people will prefer online shopping to avoid 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 if compared to RTA furniture products.

The Group's revenue is generated from local and overseas sales and the currency used in invoicing is RM, USD and SGD. Approximately 82.5% of our revenues were denominated in USD for FYE 2022 with the remainder denominated in RM and SGD.

The completion of Factory C will be postponed to Q2 2023 due to the delay of electricity supply from Tenaga Nasional Berhad to our Factory C's electricity substation. However, the Group is confident that the future prospects of the Group will be favourable after the completion of the Factory C.

The Group recognised that innovation and continuous improvement are pivotal to remain competitive in the furniture business. Thus, the Group will continue to focus on our design and development efforts to expand our product range. The Group aim to expand the product range by releasing four new collections annually, with a focus on living room furniture and bedroom furniture every year, to appeal to changing consumer preferences. With the design and development capabilities, we believe that our variety of choice in product range will contribute to increase sales for our Group.

SALES REVENUE SOURCE

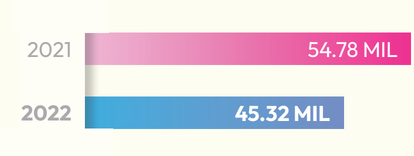


FINANCIAL PERFORMANCE REVIEW

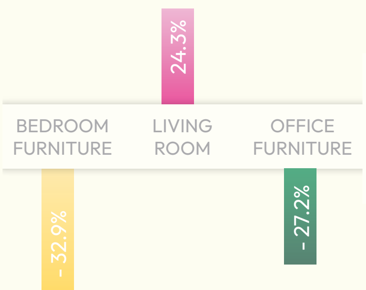
1. ANALYSIS OF FINANCIAL RESULTS AND FINANCIAL CONDITION

REVENUE

OVERALL REVENUE (RM)



REVENUE GAINS OR LOST BY FURNITURE TYPE



For FYE 2022, the Group's overall revenue decreased by 17.27% to RM45.32 million as compared to RM54.78 million recorded in FYE 2021. However, total sales volume for the financial year under review decreased by 25.3% was mainly due to the reduced demand from existing customers.

The revenue from bedroom furniture and living room furniture contributed 86.7% of the Group's revenue for the financial year under review and 85.6% of total sales volume. Sales volume for bedroom furniture decreased by 32.9% and living room increased by 24.3% while sales volume for office furniture decreased by 27.2%.

Sales volume decreased from 303,279 units in FYE 2021 to 226,698 units in FYE 2022, mainly due to decrease in bedroom furniture from 232,020 units in FYE 2021 to 155,659 units in FYE 2022 and decrease in office furniture from 30,442 units in FYE 2021 to 22,173 units in FYE 2022.

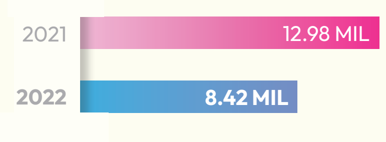
In FYE 2022, we experienced sales growth in Asia Pacific by RM5.65 million or 73.7% as well as in Africa countries of RM0.20 million or 110.7% mainly due to increase of demands from new customers.

The Group aims to further increase the group's presence in the North America and European markets to secure orders for coming increase production capacity from Factory C.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

COST OF SALES AND GROSS PROFIT (GP)

OVERALL GROSS PROFIT (GP) (RM)



The Group's cost of sales decreased by RM4.89 million or 11.7% from RM41.80 million in FYE 2021 to RM36.91 million in FYE 2022. The decrease was mainly due to decrease in the Group's overall revenue from RM54.78 million in FYE 2021 to RM45.32 million in FYE 2022.

In FYE 2022, the Group's GP decreased by approximately RM4.56 million or 35.1% to RM8.42 million as compared to RM12.98 million in FYE 2021. This decrease was mainly attributable to the increase in direct materials cost impacted by the hike in the ocean freight charges and also the implementation of minimum wages to RM1500.

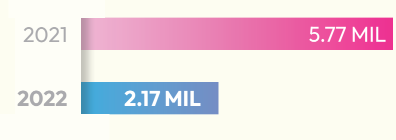
TRADE PAYABLES

The normal credit terms granted to our Group by our suppliers are cash term to 90 days. As at 01 March 2023, approximately RM0.78 million or 98.8% of our Group's total trade payables as at 31 December 2022 have been paid.

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

OVERALL PROFIT BEFORE TAX (PBT) (RM)

OVERALL PROFIT AFTER TAX (PAT) (RM)



The Group's PBT and PBT margin deteriorated from approximately RM7.28 million and 13.3% for FYE 2021 to approximately RM2.87 million and 6.3% for FYE 2022. Correspondingly, the Group's PAT and PAT margin decreased from approximately RM5.77 million or 10.5% for FYE 2021 to approximately RM2.17 million and 4.8% in FYE 2022.

The effective tax rate was higher at 24.4% in FYE 2022 compared with the effective tax rate to 20.8% in FYE 2021.

TRADE RECEIVABLES

As at 01 March 2023, approximately RM2.21 million or 95.1% of our Group's total trade receivables as at 31 December 2022 have been collected.

Our Group's normal trade terms are cash term to 45 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 aging 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 2022.

INVENTORIES

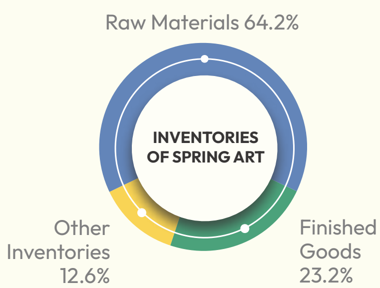
Our Group's inventories consist of raw materials, goods in transit, packaging materials, work-in-progress and finished goods.

We keep our inventories low as we manufacture on a 'made-to-order' basis. Our Group's inventory turnover period ranges from 146 days to 147 days from FYE 2021 to FYE 2022.

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.

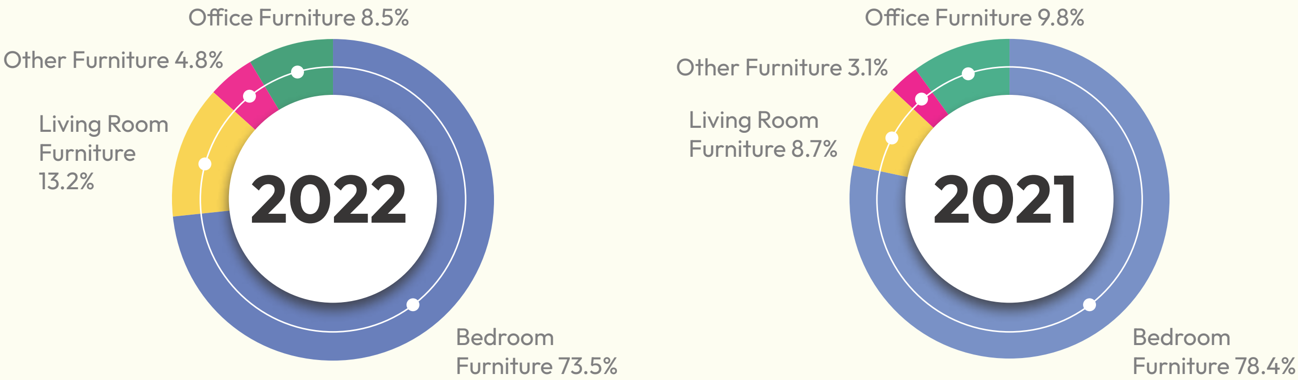
As at 31 December 2022, the inventories of our Group amounting to approximately RM10.20 million. From the total of RM10.20 million, 64.2% is comprised of raw material as we started to stock up the particle boards for extra 3 months usage before the price adjustment. Meanwhile, another 23.2% is comprised of finished goods.



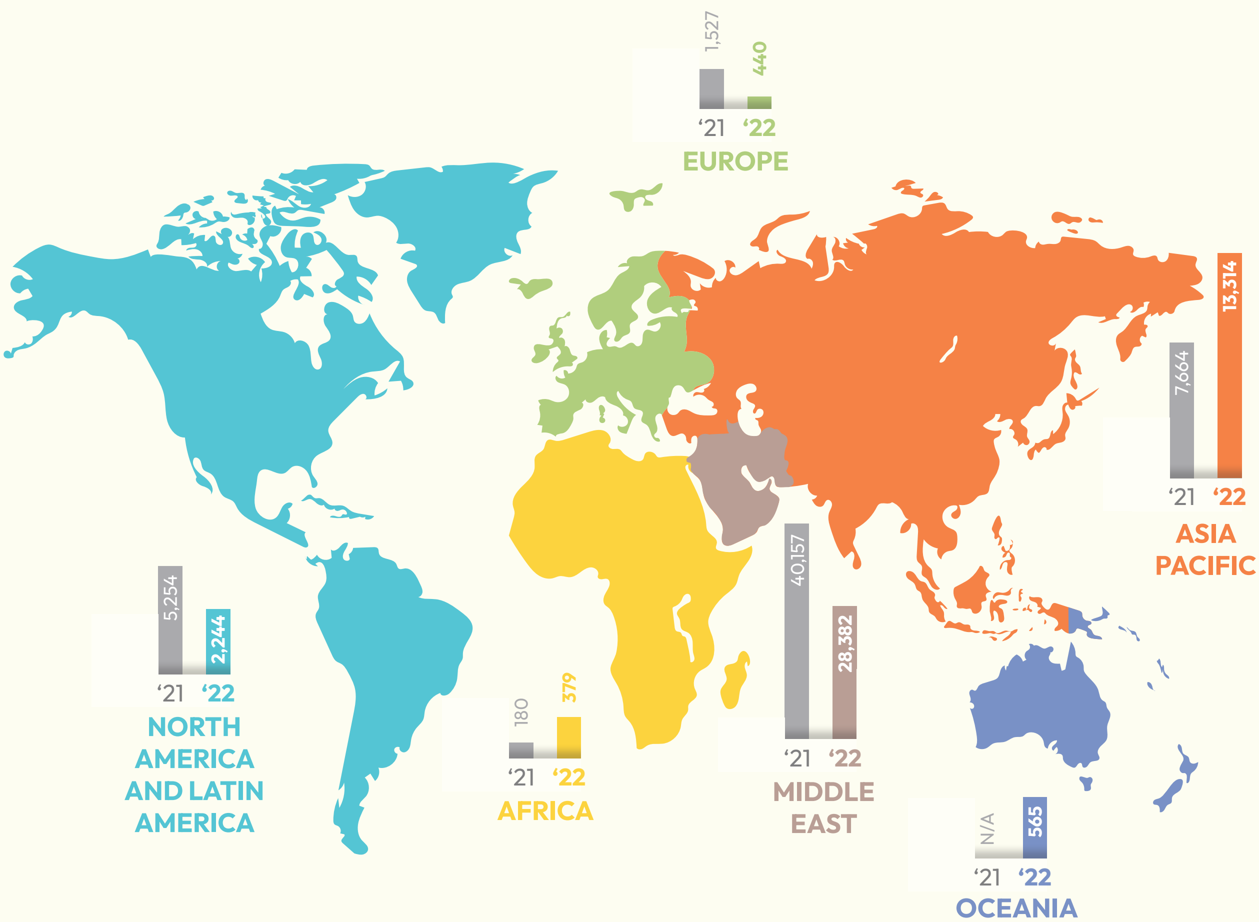
MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

2. REVIEW OF OPERATING ACTIVITIES

REVENUE BY PRODUCT CATEGORY



REVENUE BY PRODUCT REGION



MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

PRODUCT	FYE 2021		FYE 2022	
	RM '000	%	RM '000	%
Office furniture	5,350	9.8	**3,848**	**8.5**
Bedroom furniture	42,928	78.4	**33,313**	**73.5**
Living room furniture	4,779	8.7	**5,982**	**13.2**
Other furniture	1,725	3.1	**2,181**	**4.8**
Total	54,782	100.0	**45,324**	**100.0**

REGION	FYE 2021		FYE 2022	
	RM '000	%	RM '000	%
Middle East	40,157	73.3	**28,382**	**62.6**
Asia Pacific	7,664	14.0	**13,314**	**29.4**
North America and Latin America	5,254	9.6	**2,244**	**5.0**
Europe	1,527	2.8	**440**	**1.0**
Africa	180	0.3	**379**	**0.8**
Oceania	-	-	**565**	**1.2**
Total	54,782	100.0	**45,324**	**100.0**

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.

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.

Our foreign workers are primarily from Bangladesh and Nepal

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 Sustainability Statement 2022, as shown on page 030 of this Annual Report.

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.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

FUTURE PLANS AND PROSPECTS

The sharp rise in inflation and the conflict in Eastern Europe continue affecting the supply chain disruptions and soaring commodity prices, it continues to add pressure on businesses. The Group anticipates that the export market will remain challenging as customers are still carrying too much inventory in their warehouse.

Nevertheless, the Group will continue to focus on the Group's core competency, stay vigilant and putting in place various cost cutting and control strategies and take timely and appropriate action plans to mitigate the adverse impact of the challenges on the Group's financial performance.

The completion of Factory C will be postponed to Q2 2023 due to the delay of electricity supply from Tenaga Nasional Berhad to our Factory C's electricity substation. However, the Group has obtained Certificate of Practical Completion ("CPC") on 28 March 2023. The Group is confident that the future prospects of the Group will be favourable after the completion of the Factory C. It is expected to increase the annual capacity to reach a combined manufacturing capacity of 821,000 units per annum.

With the increasing production capacity, the Group is now focused in driving more research and development activities in enhancing our products to better suit the needs of our customers. The Group businesses will continue with their business plans to expand market coverage and product range and at the same time, remain vigilant and responsive to market changes.

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.

Given our track record in penetrating these foreign markets, we will continue to focus on export markets to grow our business. The Group aims to further increase our presence in the North America and European markets in future.

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

DIVIDEND POLICY

The 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, the 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, I wish to extend my heartfelt gratitude to all my fellow Board Members who have contributed to the Group with their invaluable expertise and experience. 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.

Lim Kok Eng
Managing Director

SUSTAINABILITY STATEMENT 2022

Corporate Sustainability Statement,

Spring Art Holdings Berhad ("Spring Art Holdings" or the "Company") and its subsidiaries (the "Group") 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.

The Board is pleased to present this Corporate Sustainability Statement ("Statement") for financial year ended 31 December 2022 ("FYE2022") which illustrates our strategic approaches in facing sustainability challenges and opportunities in an effort to improve our business, environment and society.

SCOPE OF SUSTAINABILITY

This 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.

BASIS OF THIS STATEMENT

This Statement was prepared based on available internal information and in a manner as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities"), in accordance with the ACE Market Listing Requirements and Sustainability Reporting Guide and Toolkits issued by Bursa Securities.

MATERIALITY ASSESSMENT

We have conducted a materiality assessment to reassess the material matters which are relevant to our Group in the contexts of Economic, Environmental and Social. Please refer to our Material Matter Matrix in this Statement.

FEEDBACK

In our continuous efforts to improve our sustainability measures and reporting standards, we welcome stakeholders' feedback on this Statement and any other relevant matters. Comments and queries related to this Statement can be directed to info@springart.com. This Statement also made available on the Group's website at www.springart.com.

SUSTAINABILITY COMMITMENTS

The United Nations Member States has introduced the 2030 Agenda for Sustainable Development Goals ("SDG") in 2015 to serve as a universal call to action for the planet protection and sustainable prosperity for all. The Group supports sustainable development by focusing on the identified seven (7) SDGs which are more relevant to the business operations.

SUSTAINABILITY STATEMENT 2022

With the relevant SDGs identified in mind, the Group has formulated the sustainability strategies by embedding our sustainability commitments within the Economic, Environmental, Social and Governance contexts as follows:

ECONOMIC

- To expand and grow the businesses continuously.
- To meet our customers' demand and to deliver quality products and services on time.
- To generate sustainable returns to shareholders.

ENVIRONMENTAL

- To preserve our environment by minimising environmental damaging effects arising from our daily operations.
- To promote and encourage green actions for the protection of natural environment.

SOCIAL

- To promote a well-balanced, motivative and productive workplace.
- To prioritise health, safety and wellbeing of our people.

GOVERNANCE

- To ensure and uphold full compliance to all applicable rules, laws and regulations.
- To advocate and ensure ethical, accountable and transparent business dealing within the Group.

To further strengthen our sustainability commitment, we have established an Environmental, Social and Governance ("ESG") Policy with the following aims in order to build a greater value for our shareholders, including empowering communities, encouraging social inclusivity and improving the environments: -

E ENVIRONMENTAL
S SOCIAL
G GOVERNANCE

- To enhance investor perception and public trust that works towards value enhancement for stakeholders in the long run;
- To make the Earth a better place to live in through responsible investing;
- To ensure that potentially harmful occupational health and safety, environmental and social effects are properly assessed, addressed and monitored; and
- To stand on the integrity of corporate governance across the Group's investee companies, shareholders, the Board and all employees

SUSTAINABILITY GOVERNANCE STRUCTURE

BOARD OF DIRECTORS Ultimate responsibility for the Group's sustainability initiatives and strategies

AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

- Oversees and monitors internal control system and risk management activities within the Group
- Reviews, oversees and monitors risk management function within the Group

NOMINATION COMMITTEE ("NC")

Evaluates and oversees Board and Senior Management appointment related matters.

REMUNERATION COMMITTEE ("RC")

Evaluates, develops and establishes remuneration policy and packages for individual Directors.

Table 1: *Sustainability Governance Structure*

SUSTAINABILITY STATEMENT 2022

An integrated sustainability governance is in place in the Group to facilitate proper planning, implementation and oversight of sustainability initiatives and strategies. The Board is ultimately accountable for overseeing the Group's sustainability initiatives and strategies as a whole. To ensure an effective discharge of responsibilities, the Board is supported by three (3) Board Committees, i.e., Audit and Risk Management Committee, Nomination Committee and Remuneration Committee to look into the Group's internal controls, risk management, Board effectiveness as well as sustainability affairs.

The Board recognises the importance of sustainability in all its business operation and had included sustainability as one of the criteria in the performance evaluations of all employees including its board members.

BUSINESS ETHICS IN ENSURING SUSTAINABILITY

In an effort to ensure good corporate governance and sound business ethics across all business units, we have implemented the following policies to promote ethical business conducts amongst the Group: -

CORPORATE CODE OF CONDUCT & ETHICS ("CODE")

- Employees are required: -
  - To act honestly and legally at all times;
  - To ensure confidentiality of the Group's information;
  - To avoid any conducts that could risk or damage the Group's reputation; and
  - To avoid personal interest being ahead of the Group's interest.
- All applicable laws, rules and regulations must be adhered to accordingly.
- Any conflict of interest must be avoided/ disclosed promptly.
- Disclosure of confidential information to unauthorised personnel and insider trading are strictly prohibited.
- All employees must not engage in any fraudulent or dishonest activity.
- Discrimination and harassment in workplace are prohibited.

ANTI-BRIBERY AND CORRUPTION POLICY ("ABAC")

- The Group has zero-tolerance against all form of bribery and corruption.
- The Group is committed to acting professionally, fairly and with integrity in all our relationships and business dealings.
- Due diligence shall be conducted before entering into any formalised relationship.
- "No Gift" policy is implemented.
- Facilitation payments are strictly disallowed.

WHISTLE-BLOWING POLICY

- Employees or other stakeholders are encouraged to make disclosures openly and honestly and concerns or complaints raised will be treated fairly and confidentially.
- Disclosure can be made to the Chairman of Whistleblowing Committee, Mr. Law Sang Thiam, via email at whistleblower@springart.com or send to the Group's address at PLO 49, Jalan Rami 4, Kawasan Perindustrian Bukit Pasir, 84300 Bukit Pasir, Muar, Johor.
- Investigation shall then be conducted and appropriate disciplinary actions will be undertaken, if necessary.

All the Code, ABAC and Whistle-Blowing Policy are made available on Spring Art's website at www.springart.com.

We are pleased to announce that no employees had been disciplined or dismissed, no contracts with suppliers or customers have been terminated., nor have any public cases been brought against the Group and its employees due to non-compliance with the Code, ABAC and/or any laws and regulations in FYE2022.

SUSTAINABILITY STATEMENT 2022

STAKEHOLDER ENGAGEMENT

Spring Art Holdings acknowledge the synergetic relationships amongst our various stakeholders and the significance of having regular engagement with them. We have identified our stakeholders, along with respective interest areas and engagement approaches, in the following table: -

STAKEHOLDERS	FOCUS AREA	STAKEHOLDERS ENGAGEMENT MODE
SUPPLIERS	• Ensure sustainable supply of quality services and materials • Ensure product quality and safety • Supplier selection and credit terms	• Regular visits • Correspondences • Supplier evaluation & appraisal • Meeting and trade fairs
GOVERNMENT & REGULATORS	• Compliance with relevant laws and regulations • Standard and certification • Occupational health and safety	• Correspondences • Audit/inspection • Ad-hoc report submission as and when requested by regulators
EMPLOYEES	• Work-life balance • Employee health and safety • Employee benefits • Career development • Training and development	• Appraisals • Staff orientation • Open communication • Meetings • Company social events
INVESTORS	• Financial and operational performance • Business Management & Corporate governance • Share price performance	• Annual General Meetings ("AGM") / Extraordinary General Meetings ("EGM") • Company website • Announcement • Quarterly financial results and annual report • Press releases and interviews
CUSTOMERS	• Improve customer's satisfaction • Enhance product value • Competitive pricing and on-time delivery • New products development	• Regular visits • Compliance audit • Customer survey • Meeting • Exhibition

SUSTAINABILITY STATEMENT 2022

STAKEHOLDERS	FOCUS AREA	STAKEHOLDERS ENGAGEMENT MODE
BANKERS / FINANCIER	• Financial and operational performance • Repayment capabilities	• Media release • Regular visits
COMMUNITY	• Job creation for local communities • Environmental impact from operations • Economic support	• Community outreach program • Corporate volunteering program • Company website/social media
ANALYST / MEDIA	• Financial and operational performance • Business strategies and future plans • Announcement and development of the Group	• Media release • AGM and EGM • Press conference and media interviews
BOARD OF DIRECTORS	• Sustainable business growth • Financial results • Business risks and corporate strategies • Continuous business and operational improvements	• AGM and EGM • Quarterly and ad-hoc Board meetings • Company events

MATERIAL MATTERS ASSESSMENT AND APPROACH

Materiality assessment is an essential procedure for us to identify and prioritise any arising sustainability risks and opportunities that are significant and relevant to our Group's business operations as well as the interest of our various stakeholders. We perform an annual materiality assessment according to the following process: -

1. IDENTIFICATION

Identify the material matters that are relevant to the Group's business operations.

2. ASSESSMENT

Assess material matters from both business and stakeholder perspectives.

3. RANKING

Rank each identified material matter by prioritising its impacts to the business and stakeholder respectively.

***Table 2:** Process of Materiality Assessment*

SUSTAINABILITY STATEMENT 2022

We have reassessed our material matters in FYE 2022 and ranked twelve (12) key areas which matter the most to the Group and various stakeholders, scaling from "Important" to "Most Important" as shown in the following **Material Matters Matrix**: -

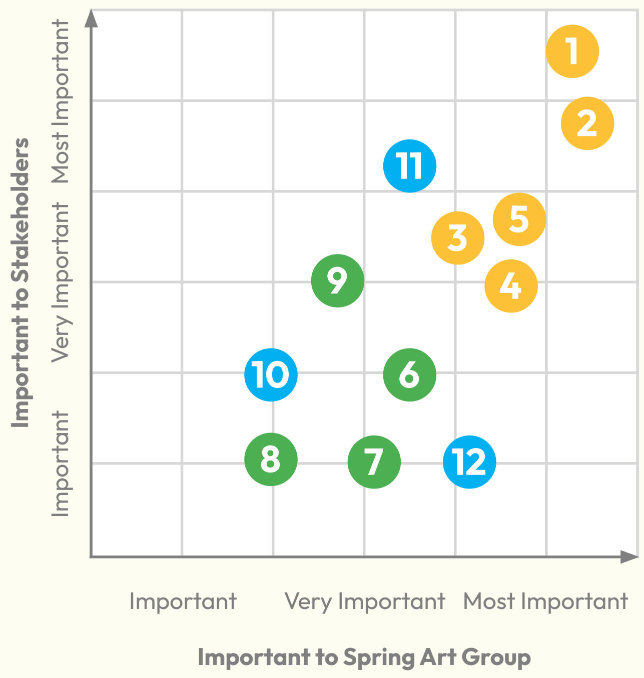


Chart 1: *Scatter Plot Matrix of Material Matters*

Legend / Category

Economic   Environmental   Social

Labels

1. Business Profitability
2. Business Expansion
3. Products Recognition and Quality Assurance
4. Supply Chain Management
5. Customer Satisfaction
6. Material Management
7. Environmental Compliance
8. Go Green in Our Workplace
9. Energy Efficiency and Consumption
10. Employees Diversity and Equal Opportunities
11. Occupational Safety and Health
12. Employees Engagement

Table 3: *List of Material Matters*

ECONOMIC

The Group strives to create long-term value to our various stakeholders and achieve sustainable business growth by delivering quality and innovative products and services.

1 BUSINESS PROFITABILITY

	AUDITED		
	FYE 2020	FYE 2021	FYE 2022
	RM '000	RM '000	RM '000
Revenue	53,931	54,782	**45,324**
Gross Profit	12,637	12,985	**8,416**
Profit After Tax ("PAT")	6,502	5,766	**2,170**

The lower revenue in FYE 2022 was mainly due to the reduced demand from Middle East as an impact of slow-down in economy coupled with the high stock-holding level at customers' warehouses. However, the Group still manage to continue their profitability and achieved PAT of RM2.17 million in FYE 2022.

We will continue to intensify sales and marketing efforts to secure more customers locally and overseas in order to boost our market shares and deliver great values to our various stakeholders.

SUSTAINABILITY STATEMENT 2022

2 BUSINESS EXPANSION

A wholly-owned subsidiary, namely Elisa Home Sdn. Bhd. ("Elisa") was incorporated in November 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: - ***"ELISA" - E-commerce Live in Spring Art***

Elisa achieved the total sales of RM 6 million in the second year of business in FYE2022. This is a good start to the Group to cater the local market as RTA furniture products are more suitable to online sales compared to assembled furniture products. Furthermore, RTA furniture products become more and more popular as people will prefer online shopping to avoid crowded area due to COVID-19 pandemic.

Besides, the construction of our new factory namely Factory C, with a total estimated factory built-up area of approximately 103,926 square feet will complete in Q2 2023 due to the delay of electricity supply from Tenaga Nasional Berhad to our Factory C's electricity substation. Factory C is expected to increase our annual capacity to reach a combined manufacturing capacity of approximately 821,000 units per annum. With the increasing production capacity, the Group is now focused in driving more research and development activities in enhancing our products to better suit the needs of our customers.

The Board will continue to explore on other business expansion opportunities in order to achieve sustainable business growth.

3 PRODUCTS RECOGNITION AND QUALITY ASSURANCE

The Group recognises that product recognition with positive and reputable branding is the key to stand strong in the market and support sustainable business growth.

We are dedicated to enhance our product visibility and market presence by intensifying sales and marketing efforts continuously in order to boost our market shares in furniture industry.

As a manufacturer and exporter of RTA products, the Group plays a pivotal role in our customers' supply chains. Therefore, we placed upmost emphasis and committed to deliver products of the highest quality and safety standard to customers with integrity, diligent and care. We apply stringent standards and requirements in our quality management system across the business operations.

Our high-quality products are assured by the accreditation of ISO 9001:2015 on our Quality Management System, under the scope of "Manufacturing of Furniture". As a quality-driven company, we will continue to maintain and/or improve our products quality in order to achieve our long-term business goals and success.

4 SUPPLY CHAIN MANAGEMENT

Effective supply chain management with consistent delivery of quality products from our suppliers is the key to ensure smooth and efficient operations in our Group.

Procurement is a core function within the supply chain management. We ensure our procurement team abide with the highest business ethics during procurement process to prevent any potential bribery actions. Evaluation and selection of qualified suppliers should also be carried out on fair and unbiased basis.

To manage and maintain the quality of supplies, we conduct annual supplier assessment for all suppliers listed on the approved suppliers listing. The assessment takes into consideration of pricing competitiveness, quality of products, after-sales support and/or services, product warranty and supplier's financial position. Decision shall be made on whether to continue or terminate the business relationship with respective suppliers using a rating approach.

We are also actively sourcing for new suppliers with better credit term and/or better quality of products or services to expand our pool of qualified suppliers. It helps to reduce the concentration and dependency risks while ensuring the consistency of supplies and stability of our raw materials cost.

5 CUSTOMER SATISFACTION

To remain competitive in the market, we placed great emphasis on customer satisfaction. All customers' feedbacks, whether good or bad, will be taken constructively as customers' requirements and expectations motivate us to improve further. All customers' queries or complaints shall be addressed appropriately on timely manner.

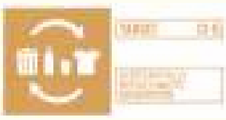
Through Elisa, we have launched our E-commerce platform where customers are able to purchase products online at their convenience with the live chat customer support features made available on the platform.

SUSTAINABILITY STATEMENT 2022

ENVIRONMENTAL

The Group believes that preserving the environment and shared natural resources are crucial to ensure our business operations are able to create value sustainably without affecting the quality of life of our surrounding communities.

6 MATERIAL MANAGEMENT

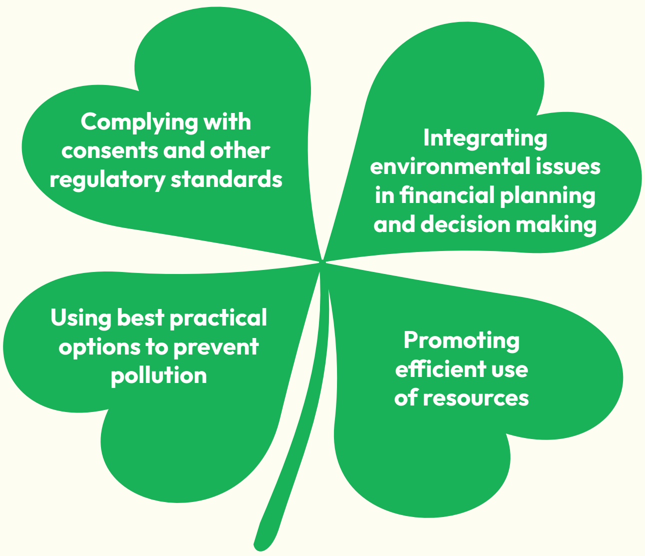


Material management is being practiced in each stage of our production life cycle as we believe that our control efforts made in each stage shall contribute to an effective and efficient production environment while minimising the usage of natural resources. We have implemented several practices in our business operations to conserve our material resources as follows: -

- **Reduce the usage of environmentally harmful raw materials.**
- **Manage waste disposal carefully according to relevant regulatory requirements.**
- **Recycle materials and resources which are recyclable or reusable.**
- **Minimise waste or emission to the environment.**

7 ENVIRONMENTAL COMPLIANCE

With environmental concerns in mind, we ensure our business operations run in compliance to all applicable environment rules and regulations within Malaysia. We also put in place an Environment Policy with the following major aims: -



We are glad to announce that no penalty or fine was imposed by relevant regulatory authorities due to non-compliance to environmental laws and regulations in FYE 2022.

8 GO GREEN IN OUR WORKPLACE

We truly believe that environmental sustainability depends on continuous efforts contributed by all of us. We advocate SDG Target 12.2 within our workplace and promote several green initiatives amongst the Group such as encouraging employees to leverage on technology to conduct virtual meetings and make good use of paper in our daily operation where internal use documents are printed on both sides and scrap papers are collected for drafting purposes, whenever possible.

We also hire external trainers to conduct trainings in our office whenever possible in order to make full use of our office facilities while reduce the needs for our employees to travel for trainings, which in turn enable time and cost savings.

SUSTAINABILITY STATEMENT 2022

9 ENERGY EFFICIENCY AND CONSUMPTION


In line with SDGs Target 8.4 and 9.4, our Group continuously seek for alternatives to enhance energy efficiency of our business operations in order to lower our operational costs while reducing carbon footprint. We are currently implementing the following energy efficiency initiatives across the Group: -

Achieve energy efficiency using environmentally friendly machinery and equipment that can reduce energy usage while performing at the optimal level. Most of the machineries purchased are with the CE certification which proved that those machineries have been assessed to meet high safety, health, and environmental protection requirements.

Regular and scheduled maintenance are performed on our Group's machineries and vehicles to ensure optimal performance and efficiency. Additionally, our machine operators and drivers are trained to not leave machineries and vehicles' engines running when they are idle to minimise emissions.

Conserve electricity and water consumption by managing production schedules effectively and minimise unnecessary electricity and water usage in office working environment.

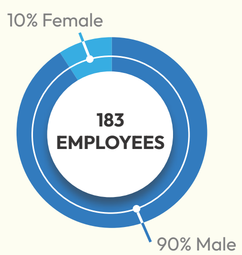
SOCIAL

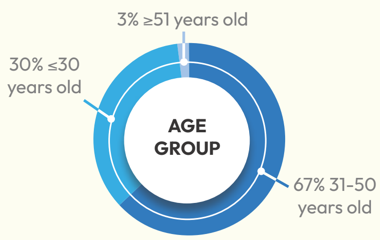
The Group views our people as our pride and cherishes their efforts in contributing to our sustainable business growth. We strive to maintain a healthy and well-balanced workplace for our beloved employees.

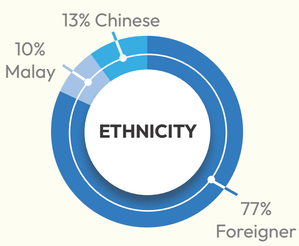
10 EMPLOYEES DIVERSITY AND EQUAL OPPORTUNITIES

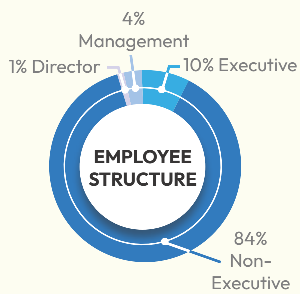
In advocating SDG Target 10.2, no discrimination in terms of race, religion, culture, gender, age and nationality shall be practiced within the Group. The Group believes talent is diverse by nature and we aim to build a diverse workforce that begins with offering equal opportunities and career advancement to people regardless of gender, race and nationality in order to unleash infinite potentials and creativities for our business success.

Our Group is well represented by all age group and ethnicity with men outnumbering women. We attempt to increase the number of women in all positions over the longer term. As at 31 December 2022, we have a total of 183 employees illustrated as follows: -









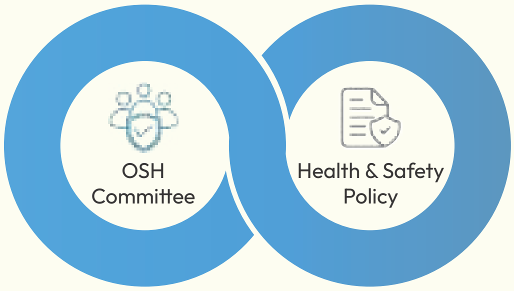
SUSTAINABILITY STATEMENT 2022

11 OCCUPATIONAL SAFETY AND HEALTH ("OSH")

In advocating SDG 3 of ensuring healthy lives for all, our people's health and safety are always within the top priority list of the Group especially during the current COVID-19 pandemic.

We have established a Health and Safety Policy to serve as a guidance in safeguarding our employees, customers as well as the community's health and safety. OSH Committee, led by the Managing Director, was formed to oversee OSH related matters. Investigation will be carried out by OSH team to determine the root cause in the event of any incident or accident happened and appropriate control or action plan will be proposed thereafter on timely basis.

In addition, we maintain first-aid kits across the Group in accordance to the standards and requirements as per Occupational Safety and Health Act.



PREVENTIVE MEASURES FOR COVID-19

Coming to another year where we are still exposed to the health threat arising from the COVID-19 pandemic, we continue to strictly adhere to the COVID-19 Standard Operating Procedures ("SOP") advocated by the Malaysian Government.
Our preventive measures for COVID-19 are as follows: -

Temperature scanner and MySejahtera QR Code are prepared at the entrance of all business premises where employees and visitors are required to conduct temperature screening and MySejahtera QR Code scanning before entering the buildings.

Hand sanitisers are prepared at the premises entrances for the convenience of employees and visitors in line with SDG Target 6.2.

Face masks are provided to our employees on daily basis to protect our people.

Saliva test kits are provided to employees where all employees are required to perform COVID-19 self-test twice a month for the monitoring of workplace safety.

In the fulfillment of SDG Target 3.8, we have also granted leaves for all employees in conjunction with the roll out of vaccination programme by the Government to encourage for vaccination.

Consistently promote awareness on COVID-19 symptom identification, prevention procedures and measures to enhance immunity system by displaying relevant information within the office and warehouse areas.

12 EMPLOYEES ENGAGEMENT

We always cherish our people' contributions to the Group. In general, we provide the following benefits to our employees according to their respective job grade and / or years of service: -

- Medical Leave
- Annual Leave
- Marriage Leave
- Mileage Claims
- Medical Benefits
- Compassionate Leave
- Maternity Leave

Apart from the above mentioned benefits, our employees are also entitled to free COVID-19 testing and interest-free staff loan. These initiatives are offered to support our employees at all times.

CORPORATE SUSTAINABILITY RESPONSIBILITY ACTIVITIES

Annual Dinner & Lucky Draw

Spring Art Sports Day

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 ("Statement") for the financial year ended 31 December 2022.

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 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 Rule 15.25 of the ACE Market Listing Requirements ("AMLR") of Bursa Securities with additional guidance derived from Guidance Note II of AMLR of Bursa Securities and the Corporate Governance Guide (3rd Edition) issued by Bursa Securities.

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 of Bursa Securities, 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

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

The roles of the Chairman and Managing Director ("MD") are clearly separated and the positions were held by different individuals. This duty 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 Chairman before accepting any new directorship. Any Director is, while holding office, at liberty to accept other Board appointment in other companies as 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 Rule 15.06 of AMLR of Bursa Securities).

The Board ordinarily schedules four (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 fifty percent (50%) 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.

There are five (5) Board meeting, five (5) ARMC meeting, two (2) NC meeting and one (1) RC meeting were scheduled during the financial year under review.

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)

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	^5/5	5/5	2/2	^1/1
Lim Kok Eng	^1/1	5/5	-	-	-
Kwan Chian Poh	1/1	5/5	-	-	-
Law Sang Thiam	1/1	5/5	^5/5	2/2	1/1
Tan Meng Loon	1/1	4/5	4/5	^2/2	1/1

^ *Chairman/ Chairperson of the Board or Board Committee*

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

c. Uphold Integrity in Financial Reporting

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

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

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

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 Anti-Bribery and Corruption Policy already adopted on 1 June 2020 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 and Anti-Bribery and Corruption Policy are available on the Company's website at www.springart.com.

e. Whistle-blowing Policy

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

f. Access to Information and Advice

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

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) MD, one (1) ED and two (2) Independent Non-Executive Directors. Presently, one (1) out of five (5) members of the Board is woman Director. The current Board composition complies with Rule 15.02 of AMLR of Bursa Securities that requires at least one-third (1/3) of the Board to be Independent Directors and at least one (1) Director is a woman. The profile of each Director is set out on pages 008 to 012 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 20 November 2018, as the Board recognises the importance of the role the NC plays not only in the selection and assessment of Directors but also in other aspects of CG of which NC can assist the Board to discharge its fiduciary and leadership functions. The NC comprises exclusively of three (3) Non-Executive Directors, with all of them being Independent Directors which is in line with Rule 15.08A(1) of AMLR of Bursa Securities. 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 2022, 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

The NC carried out the annual assessment exercise on performance and effectiveness of the Board and the Board Committees annually. 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 including those seeking re-election possess sufficient qualification to remain on the Board. Only those with satisfactory evaluation are recommended to the Board for re-election. 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 (9) year policy for Independent Non-Executive Directors. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In the event such Director was to be retained as an Independent Director, the Board would have to justify in the notice convening the AGM and seek shareholders' approval through a two-tier voting process at every AGM.

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 008 to 013 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	• Cukai Jualan: Kawalan Kemudahan	2 December 2022
Lim Kok Eng	• The importance of ESG • Understanding the Importance of Section 17A - MACC ACT 2009 to investor relations • Cukai Jualan: Kawalan Kemudahan	13 January 2022 20 October 2022 2 December 2022
Kwan Chian Poh	• The importance of ESG • Understanding the Importance of Section 17A - MACC ACT 2009 to investor relations • Cukai Jualan: Kawalan Kemudahan	13 January 2022 20 October 2022 2 December 2022
Law Sang Thiam	• LHDN Audit & Capital Statement workshop • Half Yearly Tax Updates • Key Taxation Issues: Individual and Companies • Tax Optimisation on Capital & Industrial Building Allowances in 2022 • Taxation of Estate and Trust in Malaysia • ISQM1 Guide and illustrative Manual (IGIM) • AOB's Conversation with Audit Committees • Key Learning Points from Review of MIA's Illustrative MPERS • ISAs for Audit Planning: ISA 300, 315 (Revised), 320 & 450	12 & 13 April 2022 13 June 2022 7 September 2022 14 September 2022 20 September 2022 20 October 2022 17 November 2022 23 November 2022 6 December 2022
Tan Meng Loon	• AOB's Conversation with Audit Committees	17 November 2022

The Company Secretaries normally circulates the relevant statutory and regulatory requirements from time to time for the Board's references 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

4. RC

The RC was established by the Board on 20 November 2018 to assist the Board in the adoption of fair remuneration practices to attract, retain and motivate Executive Directors. The RC composition is in line with Guidance 7.2 of MCCG comprising exclusively of three (3) Independent Non-Executive Directors. During the financial year, the RC has carried out their duties and activities as annunciated in its Terms of Reference which is made available on the Company's website.

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the Board Committees. Hence, the Board has established formal and transparent remuneration policies for the Board and Board Committees, and the procedures in determining the same. The RC reviews the Board remuneration policy annually and in the course of deliberating on the remuneration policy, it considers various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of Non-Executive Directors and Board Committee members, the Company's performance and market conditions. 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 2022 the Board approved the RC's recommendation on remuneration of the ED and MD, remuneration of the Non-Executive Directors, and Directors' fees for FYE 2022 for the approval of the shareholders at the Company's Fourth Annual General Meeting. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board. Disclosure of each Director's remuneration, including that of the MD, is set out in the annual audited financial statements of this Annual Report.

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

	Fees (RM)	Salaries and Other Emoluments (RM)	Defined Contribution Plan (RM)	Total (RM)
Executive Directors				
Lim Kok Eng	Nil	606,002	116,000	722,002
Kwan Chian Poh	Nil	517,502	101,500	619,002
Non-Executive Directors				
Haji Ismail Bin Tunggak	36,000	1,800	Nil	37,800
Law Sang Thiam	36,000	2,200	Nil	38,200
Tan Meng Loon	36,000	1,500	Nil	37,500

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:

Range of Remuneration	Numbers of Directors
Executive Directors:	
RM100,000 to RM1,000,000	2
Non-Executive Directors:	
Below RM100,000	3

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

4. RC (Cont'd)

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

No disclosure of the top five (5) key senior management's remuneration component on named basis is made herein due to confidentiality and sensitivity of each remuneration package.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

1. ARMC and External Audit

In relation to the Step Up 9.4 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 2022, 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 and detailed disclosure on the role and activities undertaken by the ARMC during the financial year is provided in the ARMC Report on pages 045 to 049 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 045 to 049 and pages 050 to 053 respectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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.

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, Tricor Axcelasia Sdn. Bhd. ("Tricor Axcelasia") 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 ARMC Report and the Statement on Risk Management and Internal Control of this Annual Report on pages 045 to 049 and pages 050 to 053 respectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 of Bursa Securities. The annual reports, press releases, quarterly results, Annual Audited Financial Statements and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

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

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 2022 in this Annual Report on pages 015 to 020 and pages 021 to 031 respectively. This is to ensure that the stakeholders are well informed of the business and performance of the Company and to promote transparency and accountability of the Company.

PART II – CONDUCT OF GENERAL MEETINGS

2. Strengthen Relationship Between the Company and Shareholders

a. Encourage shareholder participation at general meetings

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

The Company dispatched its notice of AGM to shareholders at least twenty-eight (28) days before the AGM. The Board believes that this would allow the shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney together with the Notice of AGM, which provides information to shareholders with regard to, among others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy.

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.

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

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

Before the commencement of AGM, the Directors and Management will join the shareholders together with a dedicated team of employees to assist the shareholders on the queries they may have. The proceedings of the fifth AGM will include the chairman's briefing on the Company's overall performance for FYE 2022, the presentation of the external auditors' unqualified report to the shareholders, and Q&A session during which the Chairman 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 Rule 8.31A(1) of the AMLR of Bursa Securities, 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 1.4, 4.5, 5.4, 5.9, 5.10, 7.1, 8.2 & 8.3 of MCCG which are 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 2022.

This Statement was approved by the Board on 27 March 2023.

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 2022.

The ARMC was established on 20 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 experience with basic finance and accounting practices, and one (1) 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 (3) years’ working experience and;
    - o He must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1976; or
    - o 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 ACE Market Listing Requirements ("AMLR") of Bursa Securities as well as the financial literacy and independence enumerations outlined in the MCCG.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

3. Authority

The ARMC is authorised 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.

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.

Five (5) 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	5/5	100%
Haji Ismail Bin Tunggak	Member	5/5	100%
Tan Meng Loon	Member	4/5	80%

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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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.
- Review the quarterly results and year-end financial statements prior the Board's approval, focusing particularly on:
    - o any changes in or implementation of major accounting policies and practices.
    - o significant adjustments and unusual events arising from the audit.
    - o the going-concern assumption.
    - o 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

SUMMARY OF ACTIVITIES AND WORK OF ARMC

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

- Reviewed and discussed 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 approved 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.

- 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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 internal audits function as well as the competency of the internal auditors on a yearly basis.

The internal audit 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.

Tricor Axcelasia Sdn. Bhd. 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 Tricor Axcelasia Sdn. Bhd. 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 Tricor Axcelasia Sdn. Bhd. in providing an independent appraisal on the adequacy, efficiency and effectiveness of the Group's internal control system for FYE 2022. This Report was approved by the Board on 27 March 2023.

Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on pages 050 to 053 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 2022 ("FYE 2022"). 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 Rule 15.26(b) of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Principle B(II) of the 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.

- EDs 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 Tricor Axcelasia 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 safety and health management, production management and payroll function.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION (CONT'D)

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

- reviewing identified high risks areas for compliance with control policies and procedures; identifying business risks which have not been appropriately addressed; and
- evaluating the adequacy and effectiveness of controls.

The Internal Auditors carry out audit assignment based on an audit plan that is reviewed and approved by the 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 MD and ED 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 financial 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 Rule 15.23 of the AMLR of Bursa Securities, 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 Rule 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 27 March 2023.

ADDITIONAL COMPLIANCE INFORMATION

Audit and Non-Audit Fees

The fees payable to the external auditors, Crowe Malaysia PLT in relation to the audit and non-audit services rendered to the Company and the Group respectively for the FYE 2022 were as follows:

	The Company (RM'000)	The Group (RM'000)
Audit fees	20	71
Non-audit fees	4	4

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 under review.

Utilisation of the IPO Proceeds

The status of utilisation of the IPO proceeds as at 31 December 2022 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
	Total	**24,422**	**24,422**	**-**	

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 2022, 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 MFRSs, IFRSs, ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("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 of Bursa Securities and the Act in Malaysia.

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Profit/(Loss) after tax for the financial year	2,169,930	(223,383)
Attributable to:		
Owners of the Company	2,169,930	(223,383)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of previous financial year. The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2022.

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.

ISSUES OF SHARES AND DEBENTURES

During the financial year:

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the warrants.

DIRECTORS' REPORT

WARRANTS

Warrants 2021/2025

As at 31 December 2022, the summary of the movements of Warrants is as follows:

		Number of Warrants			
Issue Date	**Expiry Date**	**At 01.01.2022**	**Exercised**	**Disposed**	**At 31.12.2022**
25.02.2021	24.02.2025	166,272,400	-	-	166,272,400

The ordinary shares issued from the exercise of Warrants shall rank equally in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividend, right, allotment and/or other distribution declared, made or paid prior to the relevant date of allotment and issuance of the new shares arising from the exercise of Warrants. Further details on the Warrants are detailed in Note 12 to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that there are no known bad debts and that no allowance for impairment losses on receivables is required.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have 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 which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities 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.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 22 to the financial statements.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors of the Company who served 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 the subsidiaries.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

The Company

		Number of Ordinary Shares			
		At 01.01.2022	Bought	Sold	At 31.12.2022
Lim Kok Eng	- Direct interest	238,425,540	-	-	238,425,540
	- Indirect interest [(1)]	58,196,160	-	-	58,196,160
Kwan Chian Poh	- Direct interest	58,196,160	-	-	58,196,160
	- Indirect interest [(1)]	238,425,540	-	-	238,425,540
Law Sang Thiam	- Direct interest	300,000	-	-	300,000
Tan Meng Loon	- Direct interest	300,000	-	-	300,000
Haji Ismail Bin Tunggak	- Direct interest	150,000	-	-	150,000

Warrants 2021/2025

		Number of Warrants			
		At 01.01.2022	Entitled	Disposed	At 31.12.2022
Lim Kok Eng	- Direct interest	88,393,216	-	-	88,393,216
	- Indirect interest [(1)]	23,278,464	-	-	23,278,464
Kwan Chian Poh	- Direct interest	23,278,464	-	-	23,278,464
	- Indirect interest [(1)]	88,393,216	-	-	88,393,216
Law Sang Thiam	- Direct interest	120,000	-	-	120,000
Tan Meng Loon	- Direct interest	120,000	-	-	120,000
Haji Ismail Bin Tunggak	- Direct interest	60,000	-	-	60,000

Notes:
[(1)] *Deemed interested through spouse's shareholding in the Company.*

By virtue of their shareholdings in the Company, Lim Kok Eng and Kwan Chian Poh are deemed to have interests in shares in all the subsidiaries during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 27 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are as follows:

	The Group RM	The Company RM
Fees	108,000	108,000
Salaries, bonuses and other benefits	1,095,004	5,500
Defined contribution plans	217,500	-
	1,420,504	113,500
Estimated monetary value of benefits-in-kind	34,000	-

INDEMNITY AND INSURANCE COST

During the financial year, there was no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Group and of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration for the financial year are as follows:

	The Group RM	The Company RM
Audit fees	70,800	20,000
Non-audit fees	4,000	4,000
	74,800	24,000

Signed in accordance with a resolution of the directors dated 27 March 2023

Lim Kok Eng

Kwan Chian Poh

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

We, Lim Kok Eng and Kwan Chian Poh, being two of the directors of Spring Art Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 066 to 125 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 of 31 December 2022 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 27 March 2023

Lim Kok Eng

Kwan Chian Poh

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

I, Teo Miow Loo, MIA Membership Number: 32031, being the officer primarily responsible for the financial management of Spring Art Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 066 to 125 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned Teo Miow Loo at Muar in the State of Johor Darul Takzim
on this 27 March 2023

Teo Miow Loo

Before me

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SPRING ART HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Spring Art Holdings Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, 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 066 to 125.

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 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies 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. 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 Group and 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 and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matter to be communicated in our report.

<table>
<tr><td colspan="2">Carrying amount of inventories
Refer to Note 8 in the financial statements</td></tr>
<tr><td>Key audit matter</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>The Group held inventories with carrying amount of RM 10,204,149 as at 31 December 2022.

The carrying amount of inventories is stated at the lower of cost and net realisable value.

The Group determines the amount of impairment for slow-moving or obsolete inventories based on the ageing of the slow-moving inventories.</td><td>Our procedures included, among others:

• Comparing the net realisable value to the cost of inventories at the end of the reporting period to assess the reasonableness of inventories write-down.

• Performing ageing test on the inventories and reviewing the impairment for slow-moving inventories, where applicable.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SPRING ART HOLDINGS BERHAD (CONT'D)

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 the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing 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 International Standards on Auditing, 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 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SPRING ART HOLDINGS BERHAD (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of the 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 or 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 communicate 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 identify during our audit.

We also provide 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine 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 describe 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.

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.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Ng Kim Kiat
02074/10/2024 J
Chartered Accountant

Muar, Johor Darul Takzim

Date: 27 March 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		The Group		The Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	63,330,766	28,498,877	-	-
Right-of-use assets	6	10,432,794	12,460,165	-	-
Investment in subsidiaries	7	-	-	53,299,980	32,299,980
Long-term receivable		-	221,344	-	-
		73,763,560	41,180,386	53,299,980	32,299,980
CURRENT ASSETS					
Inventories	8	10,204,149	19,420,799	-	-
Trade and other receivables	9	6,532,191	15,950,695	1,000	8,658,726
Dividend receivable		-	-	-	2,300,000
Current tax assets		888,375	184,667	23,000	11,000
Derivative assets	10	37,105	33,588	-	-
Deposits, bank and cash balances	11	13,435,178	22,519,243	1,395,042	11,672,699
		31,096,998	58,108,992	1,419,042	22,642,425
TOTAL ASSETS		104,860,558	99,289,378	54,719,022	54,942,405
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	54,754,613	54,754,613	54,754,613	54,754,613
Merger deficit	13	(31,299,980)	(31,299,980)	-	-
Reserves	14	56,705,343	54,173,490	(59,591)	163,792
TOTAL EQUITY		80,159,976	77,628,123	54,695,022	54,918,405
NON-CURRENT LIABILITIES					
Term loans	15	14,569,368	4,417,786	-	-
Lease liabilities	16	-	1,693,869	-	-
Deferred tax liabilities	17	4,195,000	4,168,000	-	-
		18,764,368	10,279,655	-	-
CURRENT LIABILITIES					
Trade and other payables	18	4,711,917	10,148,255	24,000	24,000
Term loans	15	1,224,297	598,990	-	-
Lease liabilities	16	-	634,355	-	-
		5,936,214	11,381,600	24,000	24,000
TOTAL LIABILITIES		24,700,582	21,661,255	24,000	24,000
TOTAL EQUITY AND LIABILITIES		104,860,558	99,289,378	54,719,022	54,942,405

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		The Group		The Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
REVENUE	19	45,324,123	54,782,347	-	2,300,000
COST OF SALES		(36,908,283)	(41,797,492)	-	-
GROSS PROFIT		8,415,840	12,984,855	-	2,300,000
OTHER INCOME		741,452	1,015,376	281,336	383,138
SELLING AND MARKETING EXPENSES		(1,320,297)	(1,733,001)	-	-
ADMINISTRATIVE EXPENSES		(4,389,882)	(4,447,656)	(498,580)	(567,772)
OTHER EXPENSES		(105,575)	(260,819)	-	-
FINANCE COSTS	21	(472,502)	(277,987)	(49)	(206)
PROFIT/(LOSS) BEFORE TAX	22	2,869,036	7,280,768	(217,293)	2,115,160
INCOME TAX EXPENSE	23	(699,106)	(1,515,037)	(6,090)	-
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY		2,169,930	5,765,731	(223,383)	2,115,160
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of right-of-use assets, net of deferred tax		361,923	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		2,531,853	5,765,731	(223,383)	2,115,160
EARNINGS PER SHARE (SEN)	24				
Basic		0.52	1.39		
Diluted		0.52	1.39		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

			Non-distributable		Distributable	
	Note	Share capital RM	Merger deficit RM	Revaluation reserve RM	Retained profits RM	Total equity RM
The Group						
Balance at 1 January 2021		54,753,941	(31,299,980)	10,117,961	39,952,556	73,524,478
Profit after tax and total comprehensive income for the financial year		-	-	-	5,765,731	5,765,731
Contributions by and distributions to owners of the Company:						
- Issuance of shares upon warrants exercised		672	-	-	-	672
- Dividends	25	-	-	-	(1,662,758)	(1,662,758)
Total transactions with owners		672	-	-	(1,662,758)	(1,662,086)
Realisation of revaluation reserve		-	-	(232,207)	232,207	-
Balance at 31 December 2021		54,754,613	(31,299,980)	9,885,754	44,287,736	77,628,123

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D)

		Non-distributable		Distributable	
	Share capital RM	**Merger deficit** RM	**Revaluation reserve** RM	**Retained profits** RM	**Total equity** RM
The Group					
Balance at 1 January 2022	54,754,613	(31,299,980)	9,885,754	44,287,736	77,628,123
Profit after tax for the financial year	-	-	-	2,169,930	2,169,930
Other comprehensive income for the financial year:					
- Revaluation of right-of-use assets, net of deferred tax	-	-	361,923	-	361,923
Total comprehensive income for the financial year	-	-	361,923	2,169,930	2,531,853
Realisation of revaluation reserve	-	-	(233,794)	233,794	-
Balance at 31 December 2022	54,754,613	(31,299,980)	10,013,883	46,691,460	80,159,976

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D)

	Note	Share capital RM	Distributable (Accumulated losses) /Retained profits RM	Total equity RM
The Company				
Balance at 1 January 2021		54,753,941	(288,610)	54,465,331
Profit after tax and total comprehensive income for the financial year		-	2,115,160	2,115,160
Contributions by and distributions to owners of the Company:				
- Issuance of shares upon warrants exercised		672	-	672
- Dividends	25	-	(1,662,758)	(1,662,758)
Total transactions with owners		672	(1,662,758)	(1,662,086)
Balance at 31 December 2021/1 January 2022		54,754,613	163,792	54,918,405
Loss after tax and total comprehensive expense for the financial year		-	(223,383)	(223,383)
Balance at 31 December 2022		54,754,613	(59,591)	54,695,022

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM	RM	RM	RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before tax	2,869,036	7,280,768	(217,293)	2,115,160
Adjustments for:				
Depreciation of property, plant and equipment	2,142,080	2,112,962	-	-
Depreciation of right-of-use assets	695,210	920,431	-	-
Dividend income	-	-	-	(2,300,000)
Fair value loss/(gain) on financial assets measured at fair value through profit or loss mandatorily				
- derivatives	105,575	190,256	-	-
- short-term investments	-	(258,024)	-	(258,024)
(Gain)/Loss on disposal of property, plant and equipment	(32,616)	23,656	-	-
Gain on modification of leases	(122,702)	-	-	-
Reversal of impairment losses on revaluation of property, plant and equipment	-	(219,000)	-	-
Unrealised (gain)/loss on foreign exchange	(18,313)	46,907	-	-
Interest expense on lease liabilities	53,304	111,524	-	-
Other interest expenses	419,198	166,463	49	206
Interest income	(222,911)	(42,718)	(281,327)	(125,114)
Operating profit/(loss) before working capital changes	5,887,861	10,333,225	(498,571)	(567,772)
Inventories	9,216,650	(5,492,072)	-	-
Trade and other receivables	9,702,967	(11,206,355)	111,300	(5,300)
Trade and other payables	(7,907,493)	3,452,284	-	(1)
CASH FROM/(FOR) OPERATIONS	16,899,985	(2,912,918)	(387,271)	(573,073)
Interest paid	(472,502)	(277,987)	(49)	(206)
Interest received	222,911	42,718	281,327	125,114
Tax paid	(1,490,106)	(1,850,188)	(18,090)	(12,716)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	15,160,288	(4,998,375)	(124,083)	(460,881)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D)

		The Group		The Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Additional investment in an existing subsidiary		-	-	-	(499,999)
Advance to subsidiary		-	-	(12,453,574)	(8,546,426)
Dividend received		-	-	2,300,000	-
Proceeds from disposal of property, plant and equipment		32,616	24,181	-	-
Proceeds from disposal of short-term investments		-	19,417,619	-	19,417,619
Purchase of property, plant and equipment	5(e)	(34,645,117)	(1,826,169)	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(34,612,501)	17,615,631	(10,153,574)	10,371,194
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividend paid		-	(1,662,758)	-	(1,662,758)
Drawdown of term loans		11,818,640	2,857,078	-	-
Placement of pledged fixed deposit		(176,224)	-	-	-
Proceeds from issuance of shares upon warrants exercised		-	672	-	672
Repayment of term loans		(1,041,751)	(3,381,750)	-	-
Repayment of lease liabilities		(397,146)	(623,836)	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		10,203,519	(2,810,594)	-	(1,662,086)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(9,248,694)	9,806,662	(10,277,657)	8,248,227
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(11,595)	(41,727)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		22,519,243	12,754,308	11,672,699	3,424,472
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26(c)	13,258,954	22,519,243	1,395,042	11,672,699

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:

Registered office	:	No. 7 (1st Floor) Jalan Pesta 1/1 Taman Tun Dr. Ismail 1 Jalan Bakri 84000 Muar Johor Darul Takzim
Principal place of business	:	Lot PLO 49 Jalan Rami 4 Kawasan Perindustrian Bukit Pasir 84300 Bukit Pasir, Muar Johor Darul Takzim

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 27 March 2023.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 7. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):

MFRSs and/or IC Interpretations (including the Consequential Amendments)

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use

Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 – 2020

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical accounting estimates and judgements

Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

(a) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Critical accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

(b) Property, plant and equipment under revaluation

Certain properties of the Group are reported at revalued amounts which are based on valuations performed by independent professional valuers by reference to the selling prices of recent transactions and asking prices of similar properties of nearby location and where necessary, adjusting for tenure, location, size and market trends. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuations.

(c) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(d) Impairment of trade receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

(e) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

Critical judgements made in applying accounting policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

4.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, 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. The Group also 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (cont'd)

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

4.2.1 Business combination within the scope of MFRS 3: Business Combination

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(a) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

(b) Non-controlling interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (cont'd)

4.2.1 Business combination within the scope of MFRS 3: Business Combination (cont'd)

(c) 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 the equity of the Group.

(d) Loss of control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.2.2 Business combination under common control

A business combination involving entity under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger has taken effect throughout the financial periods under common control.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (cont'd)

4.2.2 Business combination under common control (cont'd)

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reverse as applicable. The results of the subsidiaries being merged are included for the full financial year.

4.3 Investment in subsidiaries

Investment in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investment in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.4 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and factory buildings, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Factory buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Freehold land and factory buildings are revalued periodically, at least once in every five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Property, plant and equipment (cont'd)

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Factory buildings	2%
Electrical installation, plant and machinery	10% - 20%
Office equipment, furniture and fittings	10% - 20%
Motor vehicles	20%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in accounting estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset. In addition, the Group also makes an annual transfer of the revaluation reserve to retained profits as the asset is used by the Group. In such a case, the amount of the revaluation reserve transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

4.5 Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

All right-of-use assets other than leasehold land and leasehold factory building, are subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Leases (cont'd)

Leasehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Leasehold factory building is stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Leasehold land and leasehold factory building are revalued periodically, at least once in every five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment. The principal annual rates used for this purpose are:

Leasehold land	Over the lease period of 41 years
Leasehold factory building	2%

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

4.6 Impairment

(a) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on this financial asset are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Impairment (cont'd)

(a) Impairment of financial assets (cont'd)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out or weighted average cost method, where applicable, and comprises the purchase price, production costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.8 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Financial instruments (cont'd)

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt instruments

(i) Amortised cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Debt instruments (cont'd)

(iii) Fair value through profit or loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial liabilities

(i) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Financial instruments (cont'd)

(c) Equity instruments (cont'd)

Ordinary shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount 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.

(f) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Financial instruments (cont'd)

(f) Financial guarantee contracts (cont'd)

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

4.9 Fair value measurements

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement 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. However, this basis does not apply to leasing transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.10 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.11 Income taxes

(a) Current tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are 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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Income taxes (cont'd)

(b) Deferred tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.12 Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.14 Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 Revenue from contracts with customers (cont'd)

The Group transfers control of a goods or service at a point in time unless one of the following overtime criteria is met:

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Sale of ready-to-assemble furniture products and its related services

Revenue from sale of ready-to-assemble furniture products and its related services is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

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.

4.15 Revenue from other sources and other operating income

(a) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

4.16 Employee benefits

(a) Short-term benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Functional and foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

4.18 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 revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

5. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM	Factory buildings RM	Electrical installation, plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At cost/valuation							
At 1 January 2022	12,161,000	9,439,000	20,448,689	941,740	1,373,554	1,242,919	45,606,902
Additions	7,509,361	-	1,249,851	426,003	-	27,788,754	36,973,969
Disposals	-	-	(335,612)	-	-	-	(335,612)
Write off	-	-	(10,200)	-	-	-	(10,200)
At 31 December 2022	19,670,361	9,439,000	21,352,728	1,367,743	1,373,554	29,031,673	82,235,059
Representing:							
At valuation	12,161,000	9,439,000	-	-	-	-	21,600,000
At cost	7,509,361	-	21,352,728	1,367,743	1,373,554	29,031,673	60,635,059
	19,670,361	9,439,000	21,352,728	1,367,743	1,373,554	29,031,673	82,235,059

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

	Freehold land RM	Factory buildings RM	Electrical installation, plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Less : Accumulated depreciation							
At 1 January 2022	-	221,671	15,435,334	668,314	782,706	-	17,108,025
Charge for the financial year	-	206,583	1,641,344	128,133	166,020	-	2,142,080
Disposals	-	-	(335,612)	-	-	-	(335,612)
Write off	-	-	(10,200)	-	-	-	(10,200)
At 31 December 2022	-	428,254	16,730,866	796,447	948,726	-	18,904,293
Representing:							
At valuation	-	428,254	-	-	-	-	428,254
At cost	-	-	16,730,866	796,447	948,726	-	18,476,039
	-	428,254	16,730,866	796,447	948,726	-	18,904,293
Carrying amount							
At 31 December 2022	19,670,361	9,010,746	4,621,862	571,296	424,828	29,031,673	63,330,766
Representing:							
At valuation	12,161,000	9,010,746	-	-	-	-	21,171,746
At cost	7,509,361	-	4,621,862	571,296	424,828	29,031,673	42,159,020
	19,670,361	9,010,746	4,621,862	571,296	424,828	29,031,673	63,330,766

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

The Group	Freehold land RM	Factory buildings RM	Electrical installation, plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At cost/valuation							
At 1 January 2021	11,942,000	9,439,000	19,326,678	881,082	1,373,554	1,152,520	44,114,834
Additions	-	-	1,675,112	60,658	-	90,399	1,826,169
Disposals	-	-	(553,101)	-	-	-	(553,101)
Revaluation	219,000	-	-	-	-	-	219,000
At 31 December 2021	12,161,000	9,439,000	20,448,689	941,740	1,373,554	1,242,919	45,606,902
Representing:							
At valuation	12,161,000	9,439,000	-	-	-	-	21,600,000
At cost	-	-	20,448,689	941,740	1,373,554	1,242,919	24,006,902
	12,161,000	9,439,000	20,448,689	941,740	1,373,554	1,242,919	45,606,902

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

	Freehold land RM	Factory buildings RM	Electrical installation, plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Less : Accumulated depreciation							
At 1 January 2021	-	15,088	14,295,638	572,914	616,687	-	15,500,327
Charge for the financial year	-	206,583	1,644,960	95,400	166,019	-	2,112,962
Disposals	-	-	(505,264)	-	-	-	(505,264)
At 31 December 2021	-	221,671	15,435,334	668,314	782,706	-	17,108,025
Representing:							
At valuation	-	221,671	-	-	-	-	221,671
At cost	-	-	15,435,334	668,314	782,706	-	16,886,354
	-	221,671	15,435,334	668,314	782,706	-	17,108,025
Carrying amount							
At 31 December 2021	12,161,000	9,217,329	5,013,355	273,426	590,848	1,242,919	28,498,877
Representing:							
At valuation	12,161,000	9,217,329	-	-	-	-	21,378,329
At cost	-	-	5,013,355	273,426	590,848	1,242,919	7,120,548
	12,161,000	9,217,329	5,013,355	273,426	590,848	1,242,919	28,498,877

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(a) The following property, plant and equipment have been pledged to licensed banks as security for banking facilities granted to the Group (Note 15(a)):

	The Group	
	2022	**2021**
	RM	RM
Carrying amount		
Freehold land	17,370,361	9,861,000
Factory buildings	9,010,746	9,217,329
Capital work-in-progress	9,839,362	-
	36,220,469	19,078,329

(b) The Group's freehold land and factory buildings were last revalued by independent professional valuers in November 2020. The surplus arising from the revaluation, net of deferred tax, has been credited to other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, if any.

(c) Fair value measurements of the freehold land and factory buildings were categorised under Level 2.

Level 2 fair values of freehold land have 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 values of factory buildings have 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.

There were no transfers between level 1 and level 2 during the financial year.

The fair value measurements of the freehold land and factory buildings are based on the highest and best use which does not differ from their actual use.

(d) If the freehold land and factory buildings were measured using the cost model, the carrying amounts would be as follows:

	The Group	
	2022	**2021**
	RM	RM
Freehold land	10,606,943	10,606,943
Factory buildings	4,166,118	4,267,629
	14,773,061	14,874,572

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(e) Purchase of property, plant and equipment are as follows:

	The Group 2022 RM	The Group 2021 RM
Cost of property, plant and equipment purchased	36,973,969	1,826,169
Unpaid balances included under sundry payables (Note 18(b))	(2,328,852)	-
Cash disbursed for purchase of property, plant and equipment	34,645,117	1,826,169

(f) There has been no property, plant and equipment in the Company throughout the current and previous financial years.

6. RIGHT-OF-USE ASSETS

The Group	Leasehold land RM	Leasehold factory building RM	Buildings RM	Total RM
At cost/valuation				
Carrying amount				
At 1 January 2022	2,915,561	7,304,579	2,240,025	12,460,165
Depreciation charges	(78,387)	(185,174)	(431,649)	(695,210)
Derecognition due to lease modification	-	-	(1,808,376)	(1,808,376)
Revaluation	142,747	333,468	-	476,215
At 31 December 2022	2,979,921	7,452,873	-	10,432,794
Representing:				
At valuation	2,979,921	7,452,873	-	10,432,794

The Group	Leasehold land RM	Leasehold factory building RM	Buildings RM	Total RM
At cost/valuation				
Carrying amount				
At 1 January 2021	2,993,303	7,488,645	2,891,610	13,373,558
Additions	-	-	7,038	7,038
Depreciation charges	(77,742)	(184,066)	(658,623)	(920,431)
At 31 December 2021	2,915,561	7,304,579	2,240,025	12,460,165
Representing:				
At valuation	2,915,561	7,304,579	-	10,220,140
At cost	-	-	2,240,025	2,240,025
	2,915,561	7,304,579	2,240,025	12,460,165

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(a) The Group has leased the followings with an option to renew the lease after that date. Their lease terms are as follows:

	The Group	
	2022	**2021**
	years	years
Buildings		
Factory building	-	5.5
Hostel	-	1
Canteen	-	2.7

(b) The leasehold land and leasehold factory building have been pledged to licensed bank as security for banking facilities granted to the Group (Note 15(a)).

(c) The Group's leasehold land and leasehold factory building were last revalued by independent professional valuers in October 2022. The surplus arising from the revaluation, net of deferred tax, has been credited to other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, if any.

(d) Fair value measurements of the leasehold land and leasehold factory building were categorised under Level 2.

Level 2 fair values of leasehold land have 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 values of leasehold factory building have 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.

There were no transfers between level 1 and level 2 during the financial year.

The fair value measurements of the leasehold land and leasehold factory building are based on the highest and best use which does not differ from their actual use.

(e) If the leasehold land and leasehold factory building were measured using the cost model, the carrying amounts would be as follows:

	The Group	
	2022	**2021**
	RM	RM
Leasehold land	1,924,056	1,977,057
Leasehold factory building	2,160,637	2,236,999
	4,084,693	4,214,056

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

(f) The cash disbursed for the additions of right-of-use assets is as follows:

	The Group 2022 RM	The Group 2021 RM
Cost of right-of-use assets acquired	-	7,038
Additions of new lease liabilities (Note 16)	-	(7,038)
Cash disbursed for additions of right-of-use assets	-	-

7. INVESTMENT IN SUBSIDIARIES

	The Company 2022 RM	The Company 2021 RM
Unquoted shares, at cost	53,299,980	32,299,980

(a) The details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/Country of incorporation	Percentage of issued share capital held by parent 2022	Percentage of issued share capital held by parent 2021	Principal activities
Spring Art Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of ready-to-assemble furniture products.
Elisa Home Sdn. Bhd.	Malaysia	100%	100%	Trading of ready-to-assemble furniture products.

(b) In June 2022, the Company subscribed 21,000,000 new ordinary shares in Spring Art Industries Sdn. Bhd. for a total cash consideration of RM 21,000,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8. INVENTORIES

	The Group	
	2022	**2021**
	RM	RM
Raw materials	6,546,213	9,997,359
Work-in-progress	1,224,896	3,448,210
Packing materials	55,137	82,285
Goods-in-transit	9,969	614,999
Finished goods	2,367,934	5,277,946
	10,204,149	19,420,799
Recognised in profit or loss		
Inventories recognised as cost of sales	36,908,283	41,797,492

9. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM	RM	RM	RM
Trade receivables	2,328,637	6,261,844	-	-
Other receivables				
Amount owing by subsidiary	-	-	-	8,546,426
Deposits	2,835,889	8,479,094	1,000	1,000
Prepayments	1,104,599	794,705	-	111,300
Sundry receivables	263,066	415,052	-	-
	4,203,554	9,688,851	1,000	8,658,726
	6,532,191	15,950,695	1,000	8,658,726

(a) The Group's normal trade terms range from cash term - 45 days of credit (2021 : cash term).

(b) As at 31 December 2021, the amount owing by subsidiary is unsecured, interest bearing at 2.9% per annum, repayable on demand and to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

10. DERIVATIVE ASSETS

	Contract/Notional amount		The Group	
	2022	**2021**	**2022**	**2021**
	RM	RM	RM	RM
Forward currency contracts	2,232,105	4,585,152	37,105	33,588

The Group uses forward currency contracts to manage some of its transaction exposure. These contracts are not designated as cash flows or fair value hedges and are entered into for periods consistent with currency translation exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. The settlement dates on forward currency contracts range from April 2023 to July 2023 (2021 : February 2022 to August 2022) after the end of the reporting period.

11. DEPOSITS, BANK AND CASH BALANCES

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM	RM	RM	RM
Cash and bank balances	6,558,954	9,019,243	1,395,042	672,699
Fixed deposits with licensed banks	6,876,224	13,500,000	-	11,000,000
	13,435,178	22,519,243	1,395,042	11,672,699

(a) The fixed deposit with licensed bank of RM 176,224 (2021 : RM Nil) has been pledged to a licensed bank as security for term loan facility granted to the Group (Note 15(a)).

(b) The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bear effective interest rates at 1.6% - 2.4% and Nil (2021 : 1.5% - 2.0% and 1.9% - 2.0%) per annum respectively. The fixed deposits have maturity periods ranging from 14 days to 3 months and Nil (2021 : 14 days to 3 months and 3 months) for the Group and the Company respectively.

12. SHARE CAPITAL

Issued and fully paid-up

	The Group and The Company			
	2022	**2021**	**2022**	**2021**
	Number of shares		RM	RM
Ordinary shares				
At 1 January	415,689,400	415,687,000	54,754,613	54,753,941
Issuance of new shares upon warrants exercised	-	2,400	-	672
At 31 December	415,689,400	415,689,400	54,754,613	54,754,613

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12. SHARE CAPITAL (CONT'D)

Warrants 2021/2025

A total 166,274,800 free warrants were issued by the Company on 25 February 2021 ("Warrants" or "Warrants 2021/2025") on the basis of two (2) warrants for every five (5) existing ordinary shares held. Each Warrant entitles the holder the right to subscribed for one (1) new ordinary share of the Company at an exercise price of RM 0.28 per new ordinary share. The Warrants will expire on 24 February 2025.

The salient terms of the above Warrants 2021/2025 are as follows:

(a) The Warrants are constituted by a Deed Poll executed on 8 February 2021.

(b) The Warrants are traded separately.

(c) The Warrants can be exercised at any time within a period of four (4) years commencing from and including the date of issue, 25 February 2021 to 24 February 2025 ("Exercise Period"). Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.

(d) Each Warrants entitles the holder of the Warrants to subscribe for one (1) new ordinary share in the Company.

(e) The exercise price and the number of Warrants shall be adjusted in the event of alteration to the share capital of the Company, in accordance with the provisions of the Deed Poll.

(f) The holders are not entitled to any voting rights in any general meeting of the Company or to participate in any form of distribution and/or offer of securities in the Company until and unless such holders exercise their Warrants into new ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13. MERGER DEFICIT

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of a subsidiary upon consolidation under the merger accounting principles.

14. RESERVES

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM	RM	RM	RM
Non-distributable				
Revaluation reserve	10,013,883	9,885,754	-	-
Distributable				
Retained profits/(Accumulated losses)	46,691,460	44,287,736	(59,591)	163,792
	56,705,343	54,173,490	(59,591)	163,792

Revaluation reserve

The revaluation reserve represents the increase in the fair value of freehold land, factory buildings, leasehold land and leasehold factory building of the Group (net of deferred tax, where applicable) presented under property, plant and equipment and right-of-use assets respectively.

15. TERM LOANS

	The Group	
	2022	**2021**
	RM	RM
Secured		
Current liabilities	1,224,297	598,990
Non-current liabilities	14,569,368	4,417,786
	15,793,665	5,016,776

(a) The term loans of the Group are secured against the followings:

(i) Certain freehold land, factory buildings and capital work-in-progress of the Group held as property, plant and equipment (Note 5(a));

(ii) Leasehold land and leasehold factory building of the Group held as right-of-use assets (Note 6(b));

(iii) Fixed deposit with licensed bank (Note 11(a)); and

(iv) Corporate guarantee provided by the Company.

(b) The term loans of the Group at the end of reporting period bear effective interest rates at 4.0% - 4.4% (2021 : 3.0% - 3.3%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16. LEASE LIABILITIES

	The Group 2022 RM	The Group 2021 RM
At 1 January	2,328,224	2,945,022
Additions	-	7,038
Interest expense recognised in profit or loss	53,304	111,524
Derecognition due to lease modification	(1,931,078)	-
Repayment of principal	(397,146)	(623,836)
Repayment of interest expenses	(53,304)	(111,524)
At 31 December	-	2,328,224
Analysed by:		
Current liabilities	-	634,355
Non-current liabilities	-	1,693,869
	-	2,328,224

17. DEFERRED TAX LIABILITIES

	The Group 2022 RM	The Group 2021 RM
(a) Movements of deferred tax liabilities		
At 1 January	4,168,000	4,055,435
Recognised in profit or loss (Note 23)	(87,292)	112,565
Revaluation surplus	114,292	-
At 31 December	4,195,000	4,168,000
(b) Components of deferred tax liabilities		
Property, plant and equipment	2,357,000	2,422,000
Right-of-use assets	1,838,000	1,746,000
	4,195,000	4,168,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

18. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Trade payables				
Advance from customers	723,308	1,144,098	-	-
Other trade payables	787,968	7,232,754	-	-
	1,511,276	8,376,852	-	-
Other payables				
Accruals	554,932	775,379	24,000	24,000
Sales and services tax payable	132,738	7,121	-	-
Sundry payables	2,512,971	988,903	-	-
	3,200,641	1,771,403	24,000	24,000
	4,711,917	10,148,255	24,000	24,000

(a) The normal trade terms granted to the Group range from cash term - 90 days of credit (2021 : 30 - 90 days of credit).

(b) Included in sundry payables is an amount of RM 2,328,852 (2021 : RM Nil) payable for the purchase of property, plant and equipment (Note 5(e)).

19. REVENUE

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Revenue from contracts with customers recognised at a point in time				
- Sale of ready-to-assemble furniture products and its related services	45,324,123	54,782,347	-	-
Revenue from other sources				
- Dividend income	-	-	-	2,300,000
	45,324,123	54,782,347	-	2,300,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

20. DIRECTORS' REMUNERATION

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM	RM	RM	RM
Executive directors of the Company				
Salaries, bonuses and other benefits	1,089,504	1,081,847	-	-
Defined contribution plans	217,500	216,000	-	-
	1,307,004	1,297,847	-	-
Estimated monetary value of benefits-in-kind	34,000	34,000	-	-
	1,341,004	1,331,847	-	-
Non-executive directors of the Company				
Fees	108,000	108,000	108,000	108,000
Salaries, bonuses and other benefits	5,500	8,200	5,500	8,200
	113,500	116,200	113,500	116,200
Total directors' remuneration	1,454,504	1,448,047	113,500	116,200
Analysis excluding monetary value of benefits-in-kind:				
Total executive directors' remuneration	1,307,004	1,297,847	-	-
Total non-executive directors' remuneration	113,500	116,200	113,500	116,200
	1,420,504	1,414,047	113,500	116,200

21. FINANCE COSTS

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM	RM	RM	RM
Interest expense on financial liabilities that are not at fair value through profit or loss				
- Advance from subsidiary	-	-	49	206
- Term loans	419,198	166,463	-	-
	419,198	166,463	49	206
Interest expense on lease liabilities	53,304	111,524	-	-
	472,502	277,987	49	206

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

22. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
This is arrived at after charging:				
Auditors' remuneration				
- audit fees	70,800	69,000	20,000	20,000
- non-audit fees:				
- auditors of the Company	4,000	4,000	4,000	4,000
Depreciation of property, plant and equipment	2,142,080	2,112,962	-	-
Depreciation of right-of-use assets	695,210	920,431	-	-
Fair value loss on derivatives measured at fair value through profit or loss mandatorily	105,575	190,256	-	-
Loss on disposal of property, plant and equipment	-	23,656	-	-
Staff costs (including key management personnel (Note 27(c)))				
- short-term employee benefits	6,427,652	7,724,753	113,500	116,200
- defined contribution plans	477,189	459,886	-	-
- others	579,911	1,060,143	-	-
Unrealised loss on foreign exchange	-	46,907	-	-
And crediting:				
COVID-19-related subsidies from government	(6,000)	(81,600)	-	-
Fair value gain on short-term investments measured at fair value through profit or loss mandatorily	-	(258,024)	-	(258,024)
Gain on disposal of property, plant and equipment	(32,616)	-	-	-
Gain on modification of leases	(122,702)	-	-	-
Realised gain on foreign exchange	(291,423)	(395,684)	-	-
Reversal of impairment losses on revaluation of property, plant and equipment	-	(219,000)	-	-
Total interest income on financial assets measured at amortised cost	(222,911)	(42,718)	(281,327)	(125,114)
Unrealised gain on foreign exchange	(18,313)	-	-	-

23. INCOME TAX EXPENSE

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Current tax expense	960,107	1,722,000	-	12,000
(Over)/Under provision in previous financial year	(173,709)	(319,528)	6,090	(12,000)
	786,398	1,402,472	6,090	-
Deferred tax expenses (Note 17)				
- (reversal)/origination of temporary differences	(87,292)	112,565	-	-
	699,106	1,515,037	6,090	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the 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:

	The Group		The Company	
	2022 RM	**2021** RM	**2022** RM	**2021** RM
Profit/(Loss) before tax	2,869,036	7,280,768	(217,293)	2,115,160
Tax at the statutory tax rate	690,000	1,756,000	(52,000)	508,000
Tax effects of:				
- non-deductible expenses	182,815	512,565	52,000	118,000
- non-taxable income	-	(115,000)	-	(614,000)
- saving from tax incentive	-	(319,000)	-	-
(Over)/Under provision of current tax in previous financial year	(173,709)	(319,528)	6,090	(12,000)
	699,106	1,515,037	6,090	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (2021 : 24%) of the estimated assessable profit for the financial year.

24. EARNINGS PER SHARE

	The Group	
	2022 RM	**2021** RM
Profit after tax attributable to owners of the Company	2,169,930	5,765,731
	2022 Units	**2021** Units
Weighted average number of ordinary shares at 31 December	415,688,848	415,688,848
Basic earnings per share (sen)	0.52	1.39

For financial year ended 31 December 2022, the Group has not issued any dilutive potential ordinary shares throughout the reporting period and hence, the diluted earnings per share is equal to the basic earnings per share.

For financial year ended 31 December 2021, the effects of potential ordinary shares arising from the conversion of warrants is anti-dilutive and accordingly, it has been ignored in the calculation of dilutive earnings per share. As a result, the diluted earnings per share is equal to the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

25. DIVIDENDS

	The Group and The Company 2022 RM	2021 RM
In respect of the financial year ended 31 December 2020		
Final dividend of 0.40 sen per ordinary share	-	1,662,758

26. CASH FLOWS INFORMATION

(a) The reconciliations of liabilities arising from financing activities are as follows:

The Group	**Term loans** RM	**Lease liabilities** RM	**Total** RM
2022			
At 1 January	5,016,776	2,328,224	7,345,000
Changes in financing cash flows			
Proceeds from drawdown	11,818,640	-	11,818,640
Repayment of principal	(1,041,751)	(397,146)	(1,438,897)
Repayment of interests	(419,198)	(53,304)	(472,502)
	10,357,691	(450,450)	9,907,241
Other changes			
Modification of leases	-	(1,931,078)	(1,931,078)
Interest expense recognised in profit or loss	419,198	53,304	472,502
	419,198	(1,877,774)	(1,458,576)
At 31 December	15,793,665	-	15,793,665

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26. CASH FLOWS INFORMATION (CONT'D)

(a) The reconciliations of liabilities arising from financing activities are as follows (cont'd):

The Group	Term loans RM	Lease liabilities RM	Total RM
2021			
At 1 January	5,541,448	2,945,022	8,486,470
Changes in financing cash flows			
Proceeds from drawdown	2,857,078	-	2,857,078
Repayment of principal	(3,381,750)	(623,836)	(4,005,586)
Repayment of interests	(166,463)	(111,524)	(277,987)
	(691,135)	(735,360)	(1,426,495)
Other changes			
Acquisition of new leases	-	7,038	7,038
Interest expense recognised in profit or loss	166,463	111,524	277,987
	166,463	118,562	285,025
At 31 December	5,016,776	2,328,224	7,345,000

(b) The total cash outflows for leases as a lessee are as follows:

	The Group 2022 RM	The Group 2021 RM
Interest paid on lease liabilities	53,304	111,524
Payment of lease liabilities	397,146	623,836
	450,450	735,360

(c) The cash and cash equivalents comprise the following:

	The Group 2022 RM	The Group 2021 RM	The Company 2022 RM	The Company 2021 RM
Deposits, bank and cash balances	13,435,178	22,519,243	1,395,042	11,672,699
Less: Fixed deposit pledged to licensed bank	(176,224)	-	-	-
	13,258,954	22,519,243	1,395,042	11,672,699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its entities within the same group of companies.

(b) Significant related party transactions and balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:

	The Company	
	2022	**2021**
	RM	RM
Subsidiary		
- Dividend income	-	(2,300,000)
- Advance to	12,453,574	9,000,000
- Interest income	(219,006)	(113,146)

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

(c) Key management personnel compensation

The key management personnel of the Group and of the Company include executive directors and non-executive directors. Details of the compensation for these key management personnel are disclosed in Note 20.

28. OPERATING SEGMENTS

(a) Business segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely sale and manufacturing of furniture.

NOTES TO THE FINANCIAL STATEMENTS
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28. OPERATING SEGMENTS (CONT'D)

(b) Geographical information

Segmental information on non-current assets is not presented, as all assets are located in Malaysia. Segmental revenue is summarised based on the geographical region as follows:

	The Group	
	2022	**2021**
	RM	RM
Africa	378,845	179,829
Asia (excluding Malaysia)	5,977,807	6,714,554
Europe	440,386	1,526,789
Middle East	28,382,269	40,157,146
North America and Latin America	2,244,200	5,253,844
Oceania	564,886	-
Malaysia	7,335,730	950,185
	45,324,123	54,782,347

(c) Major customers

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

	The Group	
	2022	**2021**
	RM	RM
Customer A	25,087,446	35,709,597

29. CAPITAL COMMITMENTS

	The Group	
	2022	**2021**
	RM	RM
Purchase of property, plant and equipment	3,089,391	20,519,739

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

30.1 Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:

(a) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currency other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Euro ("EUR"), Singapore Dollar ("SGD") and United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure

	EUR RM	**SGD** RM	**USD** RM	**RM** RM	**Total** RM
The Group					
2022					
Financial assets					
Trade and other receivables (N1)	-	261,458	2,016,253	313,992	2,591,703
Derivative assets	-	-	37,105	-	37,105
Deposits, bank and cash balances	-	538,373	1,503,572	11,393,233	13,435,178
	-	799,831	3,556,930	11,707,225	16,063,986
Financial liabilities					
Trade and other payables (N2)	(1,820,231)	-	-	(2,035,640)	(3,855,871)
Term loans	-	-	-	(15,793,665)	(15,793,665)
	(1,820,231)	-	-	(17,829,305)	(19,649,536)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure (cont'd)

	EUR RM	SGD RM	USD RM	RM RM	Total RM
The Group					
2022					
Net financial (liabilities)/assets	(1,820,231)	799,831	3,556,930	(6,122,080)	(3,585,550)
Less : Net financial liabilities denominated in the respective entities' functional currencies	-	-	-	6,122,080	6,122,080
Less : Forward currency contracts (contracted notional principal)	-	-	(2,232,105)	-	(2,232,105)
Currency exposure	(1,820,231)	799,831	1,324,825	-	304,425

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure (cont'd)

	EUR RM	**SGD** RM	**USD** RM	**RM** RM	**Total** RM
The Group					
2021					
Financial assets					
Trade and other receivables (N1)	-	219,610	6,020,744	436,542	6,676,896
Derivative assets	-	-	33,588	-	33,588
Deposits, bank and cash balances	-	201,723	2,534,166	19,783,354	22,519,243
Long-term receivable	-	-	-	221,344	221,344
	-	421,333	8,588,498	20,441,240	29,451,071
Financial liabilities					
Trade and other payables (N2)	-	-	(1,404,288)	(7,592,748)	(8,997,036)
Term loans	-	-	-	(5,016,776)	(5,016,776)
	-	-	(1,404,288)	(12,609,524)	(14,013,812)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency exposure (cont'd)

	EUR RM	SGD RM	USD RM	RM RM	Total RM
The Group					
2021					
Net financial assets	-	421,333	7,184,210	7,831,716	15,437,259
Less : Net financial assets denominated in the respective entities' functional currencies	-	-	-	(7,831,716)	(7,831,716)
Less : Forward currency contracts (contracted notional principal)	-	-	(4,585,152)	-	(4,585,152)
Currency exposure	-	421,333	2,599,058	-	3,020,391

N1 - Excluding deposits and prepayments
N2 - Excluding advance from customers and certain payables

The Company does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:

	The Group	
	2022	**2021**
	RM	RM
Effects on profit after tax		
EUR/RM		
- strengthened by 5%	(69,169)	-
- weakened by 5%	69,169	-
SGD/RM		
- strengthened by 5%	30,394	16,011
- weakened by 5%	(30,394)	(16,011)
USD/RM		
- strengthened by 5%	50,343	98,764
- weakened by 5%	(50,343)	(98,764)

There is no impact on the Group's equity.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 15.

Interest rate risk sensitivity analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after tax and equity of the Group and hence, no sensitivity analysis is presented.

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(a) Market risk (cont'd)

(iii) Equity price risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including deposits, bank and cash balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk also arises principally from loans and advances to subsidiary and corporate guarantee given to financial institutions for credit facilities granted to subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by two (2021 : one) customers which constituted approximately 93% (2021 : 69%) of its trade receivables at the end of the reporting period.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:

	The Group	
	2022	**2021**
	RM	RM
Africa	-	98,740
Asia (excluding Malaysia)	372,618	879,843
Europe	-	573,605
Middle East	1,905,094	4,637,938
North America and Latin America	-	50,228
Malaysia	50,925	21,490
	2,328,637	6,261,844

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(b) Credit risk (cont'd)

(ii) Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries of RM 15,793,665 (2021 : RM 5,016,776), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of impairment losses

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 90 days past due.

Trade receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

Inputs, assumptions and techniques used for estimating impairment losses

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(b) Credit risk (cont'd)

(iii) Assessment of impairment losses (cont'd)

Trade receivables (cont'd)

Inputs, assumptions and techniques used for estimating impairment losses (cont'd)

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over 1 year (2021 : 1 year) before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts as the Group has not identified any forward-looking assumptions which correlate to the historical loss rates.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

The information about the exposure to credit risk for trade receivables is summarised below:

	The Group	
	2022	**2021**
	RM	RM
Carrying amount		
Current (not past due)	2,328,637	5,263,382
1 to 90 days past due	-	998,462
	2,328,637	6,261,844

The Group believes that no impairment allowance is necessary in respect of its trade receivables because the probability of default by these trade receivables were negligible.

Amount owing by subsidiary (non-trade balances)

The Company applies the 3-stage general approach to measure expected credit losses for all inter-company balances.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(b) Credit risk (cont'd)

(iii) Assessment of impairment losses (cont'd)

Amount owing by subsidiary (non-trade balances) (cont'd)

Inputs, assumptions and techniques used for estimating impairment losses

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

The Company considers loans and advances to subsidiary have low credit risks. The Company assumes that there is a significant increase in credit risk when the subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiary is not able to pay when demanded.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the subsidiary.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

At the end of the previous reporting period, there was no indication that the amount owing is not recoverable.

Other receivables

The Group measures the expected credit losses of other receivables that are credit impaired and with a high risk of default on individual basis.

At the end of the reporting period, there was no indication that the other receivables are not recoverable.

Deposits, bank and cash balances

The Group considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Financial guarantee contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	Effective interest rate % per annum	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
The Group						
2022						
Non-derivative financial liabilities						
Trade and other payables (N1)	-	3,855,871	3,855,871	3,855,871	-	-
Term loans	4.0 - 4.4	15,793,665	19,326,418	1,743,788	8,221,304	9,361,326
		19,649,536	23,182,289	5,599,659	8,221,304	9,361,326

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(c) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Effective interest rate % per annum	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
The Group						
2021						
Non-derivative financial liabilities						
Trade and other payables (N1)	-	8,997,036	8,997,036	8,997,036	-	-
Term loans	3.0 - 3.3	5,016,776	5,650,669	746,328	2,985,312	1,919,029
Lease liabilities	4.2	2,328,224	2,509,900	720,000	1,789,900	-
		16,342,036	17,157,605	10,463,364	4,775,212	1,919,029

N1 - Excluding advance from customers and certain payables

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Financial risk management policies (cont'd)

(c) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM
The Company			
2022			
Non-derivative financial liabilities			
Trade and other payables	24,000	24,000	24,000
Financial guarantee contracts in relation to corporate guarantee given to subsidiaries*	-	15,793,665	15,793,665
	24,000	15,817,665	15,817,665
2021			
Non-derivative financial liabilities			
Trade and other payables	24,000	24,000	24,000
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	-	5,016,776	5,016,776
	24,000	5,040,776	5,040,776

* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on net debt-to-equity ratio that complies with debt covenants and regulatory, if any. The net debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to owners of the Company. The net debt-to-equity ratio of the Group at the end of the reporting period was as follows:

	The Group	
	2022	**2021**
	RM	RM
Term loans	15,793,665	5,016,776
Less : Cash and cash equivalents	(13,258,954)	(22,519,243)
Net debt/(Excess funds)	2,534,711	(17,502,467)
Total equity	80,159,976	77,628,123
Net debt-to-equity ratio	0.03	Not applicable*

* The net debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

There was no change in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 Classification of financial instruments

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Financial assets				
Mandatorily at fair value through profit or loss				
Derivative assets	37,105	33,588	-	-
Amortised cost				
Trade and other receivables (N1)	2,591,703	6,676,896	-	8,546,426
Dividend receivable	-	-	-	2,300,000
Deposits, bank and cash balances	13,435,178	22,519,243	1,395,042	11,672,699
Long-term receivable	-	221,344	-	-
	16,026,881	29,417,483	1,395,042	22,519,125
Financial liabilities				
Amortised cost				
Trade and other payables (N2)	3,855,871	8,997,036	24,000	24,000
Term loans	15,793,665	5,016,776	-	-
	19,649,536	14,013,812	24,000	24,000

N1 - Excluding deposits and prepayments
N2 - Excluding advance from customers and certain payables

30.4 Gains or losses arising from financial instruments

	The Group		The Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Financial assets				
Fair value through profit or loss				
Net (losses)/gains recognised in profit or loss	(105,575)	67,768	-	258,024
Amortised cost				
Net gains/(losses) recognised in profit or loss	274,435	(27,571)	281,327	125,114
Financial liabilities				
Amortised cost				
Net losses recognised in profit or loss	(452,409)	(143,081)	(49)	(206)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Fair value information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of the term loans of the Group approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

As at 31 December 2021, the fair value of long-term receivable, approximated to RM 218,105 which are for disclosures purposes, is estimated by discounting the contractual cash flows by reference to an observable suitable interest rate and the fair value is within level 2 of the fair value hierarchy.

The following table sets out the fair value profile of financial instruments that are carried at fair value at the end of the reporting period:

	Fair value of financial instruments carried at fair value				
	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
The Group					
2022					
Financial assets					
Derivative assets					
- forward currency contracts	-	37,105	-	37,105	37,105
2021					
Financial assets					
Derivative assets					
- forward currency contracts	-	33,588	-	33,588	33,588

Fair value of financial instruments carried at fair value

(a) The fair values of forward currency contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contracts using a risk-free interest rate.

(b) There was no transfers between level 1 and level 2 during the financial year.

LIST OF PROPERTIES

The Group's policy on revaluation of landed properties is as stated in Note 4.4 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)	10,433	20.10.2022
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	12,772	15.11.2020
Lot 1850, Jalan Rami 5, 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. (under construction)	Industrial land with 3 adjoining blocks of single storey factory building, two storey office with four storey hostel and guard house	17,688 square metres	Vacant (Propose to be Factory C)	Freehold	15,939	17.09.2021
Lot 407 & Lot 408, Mukim of Sungai Raya, District of Muar, Johor.	Investment land	21,600 square metres	Vacant	Freehold	7,509	-

ANALYSIS OF SHAREHOLDINGS
AS AT 21 MARCH 2023

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	0.099	100	0.000
100 - 1,000	200	9.891	90,900	0.022
1,001 - 10,000	751	37.142	4,657,300	1.120
10,001 - 100,000	865	42.779	32,236,900	7.755
100,001 - 20,784,469 (*)	202	9.990	82,082,500	19.746
20,784,470 and above (**)	2	0.099	296,621,700	71.357
TOTAL	**2,022**	**100.000**	**415,689,400**	**100.000**

Remark : * - Less than 5% of issued shares
** - 5% and above of issued shares

LIST OF SUBSTANTIAL SHAREHOLDERS

		No. of Shares Held			
No.	**Name of Substantial Holders**	**Direct**	**%**	**Indirect**	**%**
1	Lim Kok Eng	238,425,540	57.357	58,196,160 (1)	14.000
2	Kwan Chian Poh	58,196,160	14.000	238,425,540 (1)	57.357

DIRECTORS' SHAREHOLDINGS

		No. of Shares Held			
No.	**Name of Directors**	**Direct**	**%**	**Indirect**	**%**
1	Haji Ismail Bin Tunggak	150,000	0.036	-	-
2	Kwan Chian Poh	58,196,160	14.000	238,425,540 (1)	57.357
3	Law Sang Thiam	300,000	0.072	-	-
4	Lim Kok Eng	238,425,540	57.357	58,196,160 (1)	14.000
5	Tan Meng Loon	300,000	0.072	-	-

Note: (1) Deemed interest by virtue of his/her spouse's interest of the Company.

ANALYSIS OF SHAREHOLDINGS
AS AT 21 MARCH 2023

LIST OF TOP 30 SHAREHOLDERS

No.	Name of Substantial Holders	Holdings	%
1	Lim Kok Eng	238,425,540	57.357
2	Kwan Chian Poh	58,196,160	14.000
3	Soo Mei Siah	5,047,900	1.214
4	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Commerce Trustee Berhad For Maybank Malaysia Smallcap Fund	4,500,000	1.082
5	Tan Tsi Hua	2,751,100	0.661
6	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Koh Boon Poh (008)	2,400,000	0.577
7	Phang Foong Sin	2,003,100	0.481
8	Lim Jun Yi	1,913,000	0.460
9	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Poet Chern	1,792,500	0.431
10	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Roy Soon (TAN8615M)	1,666,400	0.400
11	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Kok San	1,550,000	0.372
12	New Aik Pin	1,350,000	0.324
13	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Kai Shen (E-JAH/MUA)	1,252,700	0.301
14	Ah Yong @ Teh Ah Heong	1,125,000	0.270
15	Tan Cheow Heng	1,095,000	0.263
16	Tey Lay Hua	1,050,000	0.252
17	Hong Li Wood Resources Sdn. Bhd.	1,000,300	0.240
18	Chan Sau Lai	1,000,000	0.240
19	Liew Fook Meng	1,000,000	0.240
20	Lim Ge Fang	1,000,000	0.240
21	To Swee Kim	1,000,000	0.240
22	Yap Choon Wah	1,000,000	0.240

ANALYSIS OF SHAREHOLDINGS
AS AT 21 MARCH 2023

LIST OF TOP 30 SHAREHOLDERS (CONT'D)

No.	Name of Substantial Holders	Holdings	%
23	Ng Teng Song	850,000	0.204
24	M & A Nominee (Tempatan) Sdn. Bhd. Pledged Securities Account For Genting Utama Sdn. Bhd. (M&A)	807,900	0.194
25	Ng Guat Ngoh	800,000	0.192
26	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ting Siew Pin (8118995)	760,000	0.182
27	Yong Kin Yih	679,000	0.163
28	Lim Mui Miaw	663,000	0.159
29	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Heng Sue Khe (E-BPT/EDU)	659,100	0.158
30	Lau Pak Lam	624,600	0.150
	Total	**337,962,300**	**81.287**

ANALYSIS OF WARRANTHOLDINGS
AS AT 21 MARCH 2023

No. Warrants in Issue : 166,272,400
Exercise Price of Warrants : RM0.28
Expiry Date of Warrants : 24 Feb 2025
No. of Warrant Holders : 1,562

Category	No. of Holders	% of Holders	No. of Warrants	% of Warrants
1 - 99	256	16.389	12,194	0.007
100 - 1,000	190	12.164	98,156	0.059
1,001 - 10,000	589	37.708	2,554,890	1.537
10,001 - 100,000	410	26.248	15,546,180	9.350
100,001 - 8,313,619 (*)	115	7.363	36,389,300	21.885
8,313,620 and above (**)	2	0.128	111,671,680	67.162
TOTAL	**1,562**	**100.000**	**166,272,400**	**100.000**

Remark : * - Less than 5% of issued warrants
** - 5% and above of issued warrants

LIST OF SUBSTANTIAL WARRANTHOLDERS

		No. of Warrant Held			
No.	Name of Substantial Holders	Direct	%	Indirect	%
1	Lim Kok Eng	88,393,216	53.162	23,278,464 (1)	14.000
2	Kwan Chian Poh	23,278,464	14.000	88,393,216 (1)	53.162

DIRECTORS’ WARRANTHOLDINGS

		No. of Warrant Held			
No.	Name of Directors	Direct	%	Indirect	%
1	Haji Ismail Bin Tunggak	60,000	0.036	-	-
2	Kwan Chian Poh	23,278,464	14.000	88,393,216 (1)	53.162
3	Law Sang Thiam	120,000	0.072	-	-
4	Lim Kok Eng	88,393,216	53.162	23,278,464 (1)	14.000
5	Tan Meng Loon	120,000	0.072	-	-

Note: (1) Deemed interest by virtue of his/her spouse's interest of the Company.

ANALYSIS OF WARRANTHOLDINGS
AS AT 21 MARCH 2023

LIST OF TOP 30 WARRANTHOLDERS

No.	Name of Warrantholders	Warrantholdings	%
1	Lim Kok Eng	88,393,216	53.162
2	Kwan Chian Poh	23,278,464	14.000
3	Lim Ai Yee	2,300,000	1.383
4	Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Seik Yee Kok	1,875,300	1.127
5	Lim Soon Chier	1,622,700	0.975
6	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Koh Boon Poh (008)	1,578,200	0.949
7	Chia Huwe Kiaw	1,200,000	0.721
8	Tan Teck Meng	858,600	0.516
9	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Heng Sue Khe (E-BPT/EDU)	739,640	0.444
10	Yap Fei Yun	736,960	0.443
11	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chu Chee Leong (CHU0198C)	712,300	0.428
12	Tan Cheow Heng	650,000	0.390
13	Lim Fook Hin	600,000	0.360
14	Yee Cao Hui	559,520	0.336
15	Hong Li Wood Resources Sdn. Bhd.	554,600	0.333
16	Leong Yi Whye	511,800	0.307
17	Lim Kai Kee	510,000	0.306
18	Wong Siew Wah	473,000	0.284
19	Wong Yin Shia	460,000	0.276
20	Chia Huwe Kiaw	432,000	0.259
21	Maybank Nominees (Tempatan) Sdn. Bhd. Cheah Hon Mun	430,900	0.259
22	Tan Kwee Kuan	430,000	0.258
23	Shamsuddin Bin Abdullah	413,600	0.248

ANALYSIS OF WARRANTHOLDINGS
AS AT 21 MARCH 2023

LIST OF TOP 30 WARRANTHOLDERS (CONT'D)

No.	Name of Warrantholders	Warrantholdings	%
24	Lim Ge Fang	400,000	0.240
25	M & A Nominee (Tempatan) Sdn. Bhd. Pledged Securities Account For Lam Kim Goon (PNG)	400,000	0.240
26	To Swee Kim	400,000	0.240
27	Yap Choon Wah	400,000	0.240
28	Boon Kim Yu	390,000	0.234
29	Lim Keng Kiang	386,900	0.232
30	Teu Liat Soo	368,000	0.221
	Total	**132,065,700**	**79.411**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of SPRING ART HOLDINGS BERHAD ("Spring Art Holdings" or the "Company") will be held at BEI Boutique Hotel, Centro Meeting Hall, Level 3, 8-3, Jalan Abdul Rahman, 84000 Muar, Johor on Thursday, 22 June 2023 at 11.00 a.m. for the transaction of the following businesses:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of Directors' fees and benefits up to RM150,000 for the financial year ending 31 December 2023 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. **Ordinary Resolution 1**

3. To re-elect the following Directors who retire in accordance with Clause 90 of the Company's Constitution:

   i) Lim Kok Eng **Ordinary Resolution 2**

   ii) Law Sang Thiam **Ordinary Resolution 3**

4. To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

As Special Business

To consider and if thought fit, to pass the following resolution with or without any modifications as resolution:

5. **Proposed renewal of authority for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 5**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Constitution of the Company and the approvals of the relevant regulatory authorities (where applicable), the Directors of the Company be hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement(s) or option(s) or offer(s) ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares, if any) for the time being ("Proposed General Mandate").

   THAT such approval on the Proposed General Mandate shall continue to be in force until:

   a. the conclusion of the next annual general meeting of the Company held after the approval was given;

NOTICE OF ANNUAL GENERAL MEETING

b. the expiration of the period within which the next annual general meeting of the Company is required to be held after the approval was given; or

c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is the earlier.

THAT the Directors of the Company be hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for such New Shares on the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

AND THAT authority be hereby given to the Directors of the Company, to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation thereto as to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT pursuant to Section 85 of the Companies Act 2016 read together with Clause 8 of the Company's Constitution, approval be hereby given to waive the statutory pre-emptive rights of the shareholders of the Company and to offer New Shares arising from the issuance and allotment of the New Shares pursuant to Sections 75 and 76 of the Companies Act 2016 AND THAT the Directors of the Company are exempted from the obligation to offer such New Shares first to the existing shareholders of the Company."

6. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016.

By order of the Board,

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

20 April 2023

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 15 June 2023 shall be regarded as members and be entitled to attend, participate, speak and vote at the Fifth Annual General Meeting.

2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.

3. 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

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised. Any alterations in the Form of Proxy must be initialed by the member.

6. In the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the Fifth Annual General Meeting as his/her/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy, have been duly completed by the member(s).

7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, 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 forty-eight (48) hours before the time appointed for holding this meeting or any adjournment thereof as Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Fifth Annual General Meeting to vote by way of poll. For electronic lodgement please refer to the Administrative Guide of Fifth Annual General Meeting.

EXPLANATORY NOTES TO THE AGENDA:-

8. **Item 1 of the Agenda**

   This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.

9. **Item 2 of the Agenda – Ordinary Resolution 1**
   Approval of Directors' fees and benefits for the financial year ending 31 December 2023

   Directors' fees and benefits approved for the financial year ended 31 December 2022 was RM150,000. The Directors' fees and benefits proposed for the financial year ending 31 December 2023 are calculated based on the number of scheduled Board and Committee Meetings for year 2023 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 benefits on current financial year basis. In the event the Directors' fees and benefits proposed are insufficient (e.g. due to more meetings), approval will be sought at the next annual general meeting for additional fees and benefits to meet the shortfall.

NOTICE OF ANNUAL GENERAL MEETING

10. **Item 5 of the Agenda – Ordinary Resolution 5**
Proposed renewal of authority for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

(a) The proposed Ordinary Resolution 5, if passed, will grant a mandate ("General Mandate") empowering the Directors of the Company, from the date of the Fifth Annual General Meeting to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement(s) or option(s) or offer(s) ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company up to an amount not exceeding ten percent (10%) of the total number of issued shares capital of the Company. This authority, unless revoked or varied at a general meeting shall continue to be in full force until the conclusion of the next annual general meeting of the Company.

(b) The General Mandate is a renewal of the previous mandate obtained at the last annual general meeting held on 29 June 2022 which will expire at the conclusion of the forthcoming annual general meeting.

(c) As at the date of this Notice, the Company did not issue any new ordinary shares based on the previous mandate obtained at the last annual general meeting.

(d) The General Mandate, if granted 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 current and/or future investment project(s), working capital and/or acquisitions.

(e) By voting in favour the proposed Ordinary Resolution 5, the shareholders of the Company shall agree to waive and deemed to have waived their statutory pre-emptive right and thus will allow the Directors to issue New Shares to any person under the General Mandate without having to offer the New Shares to all existing shareholders of the Company prior to issuance of the New Shares.

11. **ANNUAL REPORT**

The Annual Report for the financial year ended 31 December 2022 is now available at the Company's corporate website, www.springart.com. 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.

STATEMENT ACCOMPANYING NOTICE OF FIFTH ANNUAL GENERAL MEETING

(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of Individuals Standing for Election as Directors

No individual is seeking election as a Director at the Fifth Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Rule 6.04(3) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Please refer to item 10 - Explanatory Notes to the Agenda for Ordinary Resolution 5 on Proposed renewal of authority for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.

ADMINISTRATIVE GUIDE FOR THE FIFTH ANNUAL GENERAL MEETING
("5TH AGM") OF SPRING ART HOLDINGS BERHAD

Date	**: Thursday, 22 June 2023**
Time	**: 11.00 a.m.**
Venue of Meeting	**: BEI Boutique Hotel, Centro Meeting Hall, Level 3, 8-3, Jalan Abdul Rahman, 84000 Muar, Johor**

1. CORPORATE MEMBERS

1. Corporate members who wish to appoint corporate representatives instead of a proxy, must deposit their original or duly certified certificate of appointment of corporate representative to Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") not later than **Tuesday, 20 June 2023 at 11.00 a.m.**

2. Attorneys appointed by power of attorney are required to deposit their power of attorney with Tricor not later than **Tuesday, 20 June 2023 at 11.00 a.m.** to attend and vote at the 5th AGM.

2. GENERAL MEETING RECORD OF DEPOSITORS ("ROD")

1. Only a depositor whose name appears on the ROD as at **15 June 2023** shall be entitled to attend, participate, speak and vote at the 5th AGM or appoint proxies to attend and/or vote on his/her behalf.

3. PROXY

1. You may also submit the Proxy Form electronically via **TIIH Online** website at https://tiih.online not later than **Tuesday, 20 June 2023 at 11.00 a.m.**

2. Alternatively, submit your Proxy Form to Tricor by fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com. However, please ensure that the **Original Proxy Form** is deposited at Tricor's office at 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, not less than forty-eight (48) hours before the time appointed for holding the 5th AGM or any adjournment thereof, otherwise the Proxy Form shall not be treated as valid.

4. ELECTRONIC LODGEMENT OF PROXY FORM

1. The procedures to lodge your proxy form electronically via Tricor's **TIIH Online** website are summarised below:

	Procedure	Action
1. Steps for Individual Members		
(a)	Register as a User with **TIIH Online**	• Please access the website at https://tiih.online. Register as a user under the "e-Services". Select the **"Sign Up"** button and followed by "**Create Account by individual Holder**". Please do refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with **TIIH Online**, you are not required to register again.

ADMINISTRATIVE GUIDE FOR THE FIFTH ANNUAL GENERAL MEETING
("5TH AGM") OF SPRING ART HOLDINGS BERHAD

4. ELECTRONIC LODGEMENT OF PROXY FORM (CONT'D)

1. The procedures to lodge your proxy form electronically via Tricor's **TIIH Online** website are summarised below: (cont'd)

	Procedure	Action
1. Steps for Individual Members (cont'd)		
(b)	Proceed with submission of Proxy Form	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: "**SPRING ART HOLDINGS BERHAD 5th AGM – Submission of Proxy Form**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. • Review and confirm your proxy(s) appointment. • Print Proxy Form for your record.
2. Steps for Corporation or Institutional Members		
(c)	Register as a User with **TIIH Online** website	• Access **TIIH Online** website at https://tiih.online • Under e-Services, the authorised or nominated representative of the corporation or institutional member selects "**Create Account by Representative of Corporate Holder**". • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by e-mail within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the e-mail and re-set your own password. Note: The representative of a corporation or institutional member must register as a user in accordance with the above steps before he/she can subscribe to this corporate member electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.

ADMINISTRATIVE GUIDE FOR THE FIFTH ANNUAL GENERAL MEETING
("5TH AGM") OF SPRING ART HOLDINGS BERHAD

4. ELECTRONIC LODGEMENT OF PROXY FORM (CONT'D)

1. The procedures to lodge your proxy form electronically via Tricor's **TIIH Online** website are summarised below: (cont'd)

	Procedure	Action
2. Steps for Corporation or Institutional Members (cont'd)		
(d)	Proceed with submission of Proxy Form	• Login to **TIIH Online** website at https://tiih.online. • Select the corporate exercise name: "**SPRING ART HOLDINGS BERHAD 5th AGM – Submission of Proxy Form**". • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

5. POLL VOTING

1. The Voting at the 5th AGM will be conducted by poll in accordance with Rule 8.31A(1) of Bursa Malaysia Securities Berhad ACE Market Listing Requirements. The Company has appointed Tricor Investor & Issuing House Services Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting and MK Advisory Management as Scrutineers to verify the poll results.

2. During the 5th AGM, the Chairman will invite the Poll Administrator to brief on the Voting procedures. The voting session will commence as soon as the Chairman calls for the poll to be opened.

3. Upon completion of the voting session for the 5th AGM, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

6. ANNUAL REPORT 2022

1. The Company's Annual Report 2022 is available at the Company's website at www.springart.com.

2. Should you require a printed copy of the Annual Report 2022, please request at our Share Registrar's website at https://tiih.online by selecting "Request for Annual Report" under the "Investor Services" or kindly contact Tricor. Nevertheless, we hope that you would consider the environment before you decide to request for the printed copy.

ADMINISTRATIVE GUIDE FOR THE FIFTH ANNUAL GENERAL MEETING
("5TH AGM") OF SPRING ART HOLDINGS BERHAD

7. REGISTRATION

1. Please present your original MyKad/passport to the registration staff for verification.

2. Upon verification, you are required to write your name, mobile contact and sign the Attendance list placed on the registration table.

3. No person will be allowed to register on behalf of another person even with the original MyKad/passport of the other person.

8. HELP DESK

1. Please proceed to the Help Desk for any clarification or queries apart from registration details.

2. The Help Desk will also handle revocation of proxy's appointment.

9. RECORDING OR PHOTOGRAPHY

1. Strictly **NO** unauthorised recording or photography of the proceedings of the 5th AGM is allowed.

10. ENQUIRY

1. If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line	: +603-2783 9299	
Fax Number	: +603-2783 9222	
Email	: is.enquiry@my.tricorglobal.com	
Contact Persons	:	
Mohammad Amirul	Tel: +603-2783 9263	email: Mohammad.Amirul@my.tricorglobal.com
Mohamad Khairuddin	Tel : +603-2783 7973	email: Mohamad.Khairudin@my.tricorglobal.com

SPRING ART HOLDINGS BERHAD
REGISTRATION NO.: 201801016143 (1278159-A)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	
No of shares held	

*I/We ____
[full name in capital letters]

*NRIC No./Passport No./Registration No. ______________________ of ______________________
[full address]

______________________________________ being a *Member/Members of Spring Art Holdings Berhad ("Company"), hereby appoint ______________________________ *NRIC No./Passport No. ______________________ of ______________________________
[full address]

*and/or ______________________________ *NRIC No./Passport No.______________________

of ____
[full address]

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 Fifth Annual General Meeting of the Company will be held at BEI Boutique Hotel, Centro Meeting Hall, Level 3, 8-3, Jalan Abdul Rahman, 84000 Muar, Johor on Thursday, 22 June 2023 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 benefits for the financial year ending 31 December 2023		
2	Re-election of Lim Kok Eng as Director		
3	Re-election of Law Sang Thiam as Director		
4	Re-appointment of Messrs Crowe Malaysia PLT as Auditors		
5	Renewal of authority for Directors to allot and issue shares pursuant to Sections 75 and 76 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 ______________ 2023

____
Signature of Shareholder or Common Seal

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 15 June 2023 shall be regarded as members and be entitled to attend, participate, speak and vote at the Fifth Annual General Meeting.

2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.

3. 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.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised. Any alterations in the Form of Proxy must be initialed by the member.

6. In the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the Fifth Annual General Meeting as his/her/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy, have been duly completed by the member(s).

7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, 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 forty-eight (48) hours before the time appointed for holding this meeting or any adjournment thereof as Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Fifth Annual General Meeting to vote by way of poll. For electronic lodgement please refer to the Administrative Guide of Fifth Annual General Meeting.

Personal Data Privacy

By submitting the duly executed Proxy Form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the Fifth Annual General Meeting and any adjournment thereof.

Please fold here

Affix
Stamp

The Share Registrar
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.
Registration No. 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Please fold here

www.springart.com

SPRING ART HOLDINGS BERHAD

Registration No.: 201801016143 (1278159-A)

(Incorporated in Malaysia under the Companies Act 2016)

Lot Plo 49, Jalan Rami 4,
Kawasan Perindustrian Bukit Pasir,
84300 Bukit Pasir, Muar,
Johor, Malaysia.

Tel: +606-985 9971   Fax: +606-985 9972   Email: info@springart.com