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

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2026

PART A – EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

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

This interim financial report should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2025 and the accompanying notes attached to this interim financial report.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the Group’s annual audited financial statements for the year ended 31 December 2025.

Adoption of new or revised MFRSs

The Group and the Company have applied the following standards, amendments to published standards and IC Interpretation approved by Malaysian Accounting Standards Board (“MASB”) for the first time for the financial year beginning on 1 January 2026:

- Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments
- Amendments to MFRS 9 and MFRS 7: Contracts Referencing Nature-dependent Electricity
- Annual Improvements to MFRS Accounting Standards – Volume 11

The adoption of the above MFRSs, amendments to published standards and IC Interpretation did not have any material impact on the current and prior year financial statements of the Group and of the Company.

Standards issued but not yet effective

The following are MFRSs, Amendments to MFRSs and IC Interpretations with effective dates on or after 1 January 2027 issued by MASB and they have not been early adopted by the Group. The Group intends to adopt these new standards, amendments to the published standards and interpretations, if applicable, when they become effective.

(a) MFRS and amendments effective for financial period beginning on or after 1 January 2027

- MFRS 18 Presentation and Disclosure in Financial Statements
- MFRS 19 Subsidiaries without Public Accountability: Disclosures
- Amendments to MFRS 19: Subsidiaries without Public Accountability: Disclosures
- Amendments to MFRS 121: Translation to a Hyperinflationary Presentation Currency

(b) <u>Amendments effective for a date yet to be confirmed</u>

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

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

A3. AUDITORS' REPORT

The audited financial statements for the financial year ended 31 December 2025 was not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

A5. EXTRAORDINARY AND EXCEPTIONAL ITEMS

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

A6. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

A7. CHANGES IN DEBT AND EQUITY SECURITIES

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

Type of Securities	As at 01.01.2026	Allotment	Conversion	As at 31.03.2026
Ordinary shares	415,691,400	-	-	415,691,400

A8. DIVIDENDS PAID

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

A9. SEGMENTAL INFORMATION

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

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.03.2026	31.03.2025	31.03.2026	31.03.2025
	RM'000	RM'000	RM'000	RM'000
Middle East	5,635	9,314	5,635	9,314
Asia Pacific	2,124	1,000	2,124	1,000
North America and Latin America	649	681	649	681
Europe	1,482	625	1,482	625
Africa	98	-	98	-
Total	**9,988**	**11,620**	**9,988**	**11,620**

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

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

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

A13. CHANGES IN CONTINGENT LIABILITIES/ASSETS

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

	RM'000
Corporate guarantees for credit facilities granted to subsidiaries (unsecured)	13,600

A14. CAPITAL COMMITMENTS

The material capital commitments of the Group as at 31 March 2026 are as follows:

	As at 31.03.2026 RM'000	As at 31.03.2025 RM'000
Authorised and Contracted for:		
Purchase of property, plant and equipment	-	236
	-	**236**

A15. RELATED PARTY TRANSACTIONS

(i) **Spring Art Industries Sdn. Bhd. and Kejora Bitara Sdn. Bhd.**

Kejora Bitara Sdn. Bhd. is a company in which Datuk Lim Kok Eng and Datin Kwan Chian Poh have interest.

	Transaction value	
	As at 31.03.2026 RM'000	As at 31.03.2025 RM'000
Nature of transaction:		
• Rental payable by Spring Art Industries Sdn. Bhd. to Kejora Bitara Sdn. Bhd. in respect of the rental of office and factory (1)	88	88

Note:

(1) Spring Art Industries Sdn. Bhd. entered into a tenancy agreement dated 15 August 2024 with Kejora Bitara Sdn. Bhd. for the rental of an office and factory space located at No. K45, Jalan Rami 3, Kawasan Perindustrian Bukit Pasir, 84300 Muar, Johor for a period commencing from 15 August 2024 to 14 August 2027.

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

B1. PERFORMANCE REVIEW

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

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter 31.03.2026 RM'000	Preceding Year Corresponding Quarter 31.03.2025 RM'000	+/- %	Current Year-To-Date 31.03.2026 RM'000	Preceding Year Corresponding Period 31.03.2025 RM'000	+/- %
Revenue	9,988	11,620	(14.0)	9,988	11,620	(14.0)
PBT	41	73	(43.8)	41	73	(43.8)

The Group recorded revenue of RM9.99 million for the current financial quarter ended 31 March 2026 ("Q1 2026"), a decrease of 14.0% as compare to the preceding year corresponding quarter ended 31 March 2025 ("Q1 2025").

The decrease in revenue was primarily influenced by geopolitical tensions in the Middle East, which created a more cautious market environment during the period. As a result, some customers delayed their spending and purchase decisions, which affected the sales performance. Despite these challenges, the Company continued to operate steadily and maintain good relationships with customers.

The Group's PBT decreased by 43.8% from PBT of RM0.07 million in Q1 2025 to RM0.04 million in Q1 2026. The weakening of the US Dollar against the Malaysian Ringgit lowered the value of foreign sales when converted into local currency, which further affected the Group's overall financial performance.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER RESULTS

	INDIVIDUAL QUARTER		CHANGES	
	Current Year Quarter 31.03.2026 RM'000	Preceding Quarter 31.12.2025 RM'000	RM'000	%
Revenue	9,988	14,109	(4,121)	(29.2)
PBT	41	1,211	(1,170)	(96.6)

The Group recorded revenue of RM9.99 million in Q1 2026 as compared to RM14.11 million recorded in the preceding quarter ended 31 December 2025 ("Q4 2025"), it was a decrease of RM4.12 million during current financial quarter.

The decrease in revenue contribution from customers in the Middle East decreased in Q1 2026 compared to Q4 2025, was primarily due to geopolitical tensions in the region which led to softer demand for bedroom and living room furniture.

The PBT decreased by RM1.17 million primarily due to lower sales which reduced overall revenue contribution during the period. In addition, higher depreciation of property, plant and equipment arising from prior capital investment further impacted profitability. The decline further affected by increased spending on exhibition costs and other expenses.

B3. PROSPECT AND OUTLOOK FOR THE CURRENT FINANCIAL YEAR

The global furniture industry is expected to experience slower growth in the near term, mainly due to cautious consumer spending, higher interest rates and ongoing uncertainties in the global economic environment. In addition, geopolitical tensions in the Middle East may continue to add uncertainty to global trade flows, energy prices and overall market sentiment, which could directly or indirectly affect operating costs and demand conditions. While demand from housing development and home improvement activities continues to provide some support, overall market conditions are expected to remain soft.

The industry is also undergoing changes in consumer preferences, with increasing demand for multifunctional, space-saving, and affordable furniture, especially in urban areas. In addition, the continued growth of e-commerce platforms is reshaping traditional distribution channels and intensifying competition across both domestic and international markets.

At the same time, the industry continues to face several challenges, including fluctuations in raw material prices, rising labour and operating costs and demand uncertainty due to economic conditions and property market trends. Competitive pressures from regional manufacturers, particularly in price-sensitive segments, also remain a key concern.

Moving forward, the Group will continue to focus on improving operational efficiency, strengthening its supply chain management, and enhancing its production capabilities to remain competitive. The Group is also actively exploring opportunities to diversify its revenue streams beyond the furniture segment by leveraging its existing expertise and resources to venture into related or new business areas. This is aimed at reducing reliance on any one segment and improving long-term business sustainability.

The Group will also continue to strengthen its presence in e-commerce channels, maintain close relationships with customers in key export markets and focus on higher value-added products through improved design and product development.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. INCOME TAX EXPENSE/(CREDIT)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.03.2026	31.03.2025	31.03.2026	31.03.2025
	RM'000	RM'000	RM'000	RM'000
Current tax expense	46	17	46	17
Deferred tax income	(43)	(110)	(43)	(110)
Total tax expense/(credit)	**3**	**(93)**	**3**	**(93)**

B6. STATUS OF CORPORATE PROPOSALS

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

B7. GROUP'S BORROWINGS AND DEBT SECURITIES

The Group's borrowings are as follows:

	As At 31.03.2026 RM'000	As At 31.03.2025 RM'000
Non-current :		
Hire purchase payable	1,767	2,250
Term loans	10,064	12,091
	11,831	14,341
Current :		
Hire purchase payable	572	600
Term loans	1,197	1,364
	1,769	1,964
Total borrowings	**13,600**	**16,305**

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

B8. FINANCIAL INSTRUMENTS - DERIVATIVES

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

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

	NOTIONAL AMOUNT AS AT		FAIR VALUE LOSS/(GAIN) AS AT	
	31.03.2026 RM'000	31.03.2025 RM'000	31.03.2026 RM'000	31.03.2025 RM'000
Foreign currency contracts				
Less than one year	2,354	2,444	49	(64)

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

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B9. MATERIAL LITIGATION

There were no material litigation involving the Group as at 31 March 2026.

B10. DIVIDEND

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

B11. DISCLOSURE ON SELECTED EXPENSE/INCOME ITEMS AS REQUIRED BY THE LISTING REQUIREMENTS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.03.2026 RM'000	31.03.2025 RM'000	31.03.2026 RM'000	31.03.2025 RM'000
Depreciation of property, plant and equipment	1,020	1,130	1,020	1,130
Depreciation of right-of-use assets	153	153	153	153
Fair value loss/(gain) on derivative financial instruments	49	(64)	49	(64)
Obsolete inventories written off	36	-	36	-
Loss/(Gain) on foreign exchange				
Realised	163	14	163	14
Unrealised	(207)	46	(207)	46
Interest income	(73)	(128)	(73)	(128)
Finance costs	148	188	148	188

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B12. EARNINGS PER SHARE

Basic earnings per share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.03.2026	**31.03.2025**	**31.03.2026**	**31.03.2025**
Profit after tax attributable to owners of the Company (RM'000)	38	166	38	166
Weighted average number of ordinary shares in issue ('000) **(a)**	415,691	415,691	415,691	415,691
Basic earnings per share (sen)	**0.01**	**0.04**	**0.01**	**0.04**
Profit after tax attributable to owners of the Company (RM'000)	38	166	38	166
Weighted average number of ordinary shares for diluted earnings per ordinary share computation ('000) **(b)**	415,691	415,691	415,691	415,691
Diluted earnings per share (sen)	**0.01**	**0.04**	**0.01**	**0.04**

Notes:

(a) Basic earnings per share is calculated based on the Company's number of ordinary shares at the end of the reporting period which is 415,691,400 shares.

(b) The diluted earnings per share is equal to the basic earnings per share because there were no potential ordinary shares as at the end of the reporting period.

Board of Directors
Spring Art Holdings Berhad
26th May 2026