

# **SYNERGY HOUSE BERHAD**

(Registration No: 202101025778 (1426078 - V))

## **UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2024**

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME <sup>(1)</sup>**

	Individual Quarter 3-Month Ended		Cumulative Quarter 6-Month Ended	
	Current Year Quarter 30.06.2024 RM'000	Preceding Year Corresponding Quarter 30.06.2023 RM'000	Current Year To-Date 30.06.2024 RM'000	Preceding Year Corresponding Period 30.06.2023 RM'000
Revenue	77,354	58,570	161,031	110,152
Operating expenses	(87,428)	(49,765)	(159,787)	(97,671)
Other income	4,558	715	6,456	1,664
Finance costs	(901)	(1,005)	(1,858)	(2,079)
<b>(Loss)/Profit before tax</b>	<b>(6,417)</b>	<b>8,515</b>	<b>5,842</b>	<b>12,066</b>
Income tax income/(expense)	1,652	(2,322)	(1,594)	(3,254)
<b>(Loss)/Profit after tax and total comprehensive (loss)/income for the financial period</b>	<b>(4,765)</b>	<b>6,193</b>	<b>4,248</b>	<b>8,812</b>
<b>Earnings per share <sup>(2)</sup></b>				
- Basic/Diluted (loss)/earnings per share (sen)	(0.95)	1.24	0.85	1.76

**Notes:**

- (1) *The basis of preparation of the unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this interim financial report.*
- (2) *Basic/Diluted earnings per share (“EPS”) is calculated based on the Company’s total number of 500,000,000 ordinary shares as at 30 June 2024 (as at 30 June 2023: 500,000,000 shares). Basic EPS and diluted EPS are the same as the Company does not have any outstanding convertible securities as at the end of the current quarter and financial period under review.*

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION <sup>(1)</sup>**

	Unaudited as at 30.06.2024 RM'000	Audited as at 31.12.2023 RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	35,851	33,621
Right-of-use assets	22,079	21,965
<b>Total non-current assets</b>	<u>57,930</u>	<u>55,586</u>
<b>Current assets</b>		
Inventories	56,464	48,625
Trade receivables	44,316	63,488
Other receivables, deposits and prepayments	7,588	5,754
Derivative assets	-	74
Current tax assets	2,788	218
Short-term investment	25,671	21,316
Deposits with licensed banks	8,292	11,892
Cash and bank balances	14,175	13,450
<b>Total current assets</b>	<u>159,294</u>	<u>164,817</u>
<b>Total assets</b>	<u>217,224</u>	<u>220,403</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	67,419	67,419
Reserves	34,648	33,400
<b>Total equity</b>	<u>102,067</u>	<u>100,819</u>
<b>Non-current liabilities</b>		
Bank borrowings	26,911	26,227
Lease liabilities	682	201
Deferred tax liabilities	2,688	2,688
<b>Total non-current liabilities</b>	<u>30,281</u>	<u>29,116</u>
<b>Current liabilities</b>		
Trade payables	26,781	29,094
Other payables and accruals	11,500	19,886
Bank borrowings	40,508	37,545
Lease liabilities	810	464
Derivative liabilities	204	-
Current tax liabilities	5,073	3,479
<b>Total current liabilities</b>	<u>84,876</u>	<u>90,468</u>
<b>Total liabilities</b>	<u>115,157</u>	<u>119,584</u>
<b>Total equity and liabilities</b>	<u>217,224</u>	<u>220,403</u>
Net assets per share (RM)	0.20 <sup>(2)</sup>	0.20 <sup>(2)</sup>

**Notes:**

- (1) The basis of preparation of the unaudited Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on the Company's number of 500,000,000 ordinary shares as at the end of the reporting period (as at 31 December 2023: 500,000,000 shares).

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>(1)</sup>**

	<b>Share capital</b>	<b>Non-distributable Reorganisation reserve</b>	<b>Revaluation reserve</b>	<b>Distributable Retained profits</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 January 2023</b>	2,610	-	7,655	36,085	46,350
Profit after tax for the financial year	-	-	-	8,812	8,812
Total comprehensive income for the financial year	-	-	-	8,812	8,812
Contributions by and distributions to owners of the Company:-					
- Issuance of ordinary shares pursuant to acquisition of subsidiaries	34,398	-	-	-	34,398
- Proceed from issuance of new shares	34,400	-	-	-	34,400
- Adjustment on the acquisition of subsidiaries	(2,610)	(31,788)	-	-	(49,398)
- Share issuance expenses	(1,379)	-	-	-	(1,379)
- Dividends	-	-	-	(700)	(700)
<b>At 30 June 2023</b>	<b>67,419</b>	<b>(31,788)</b>	<b>7,655</b>	<b>44,197</b>	<b>87,483</b>
<b>At 1 January 2024</b>	<b>67,419</b>	<b>(31,788)</b>	<b>7,655</b>	<b>57,533</b>	<b>100,819</b>
Profit after tax for the financial period	-	-	-	4,248	4,248
Total comprehensive income for the financial period	-	-	-	4,248	4,248
Contributions by and distributions to owners of the Company:					
- Dividends	-	-	-	(3,000)	(3,000)
<b>At 30 June 2024</b>	<b>67,419</b>	<b>(31,788)</b>	<b>7,655</b>	<b>58,781</b>	<b>102,067</b>

**Note:**

(1) *The basis of preparation of the unaudited Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this interim financial report.*

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS <sup>(1)</sup>**

	<b>Current Year To- Date 30.06.2024 RM'000</b>	<b>Preceding Year Corresponding Period 30.06.2023 RM'000</b>
<b>Cash flows for operating activities</b>		
Profit before tax	5,842	12,066
Adjustments for:		
Depreciation of property, plant and equipment	877	614
Depreciation of right-of-use assets	353	338
Gain on reassessment and modification of leases	-	(2)
Gain on disposal of property, plant and equipment	-	(9)
Fair value loss on derivative	(60)	-
Allowance for impairment loss on trade receivable	13,398	-
Trade credit insurance receivable	(3,150)	-
Inventories written off	550	-
Unrealised gain on foreign exchange	(1,288)	(66)
Interest expenses	1,801	1,957
Interest income	(561)	(49)
<b>Operating profit before working capital changes</b>	<b>17,762</b>	<b>14,849</b>
Changes in working capital:		
Inventories	(8,390)	(12,660)
Trade and other receivables	8,814	(7,612)
Trade and other payables	(2,402)	7,254
<b>Cash generated from operations</b>	<b>15,784</b>	<b>1,831</b>
Interest received	561	49
Tax paid	(5,728)	(2,132)
Tax refunded	121	93
<b>Net cash from/(for) operating activities</b>	<b>10,738</b>	<b>(159)</b>
<b>Cash flows for investing activities</b>		
Reversal to right-of use assets	(468)	(32)
Net decrease/(increase) in fixed deposit pledged	6,914	(3,341)
Purchase of property, plant and equipment	(3,106)	(1,290)
Proceeds from disposal of property, plant and equipment	-	38
<b>Net cash from/(for) investing activities</b>	<b>3,340</b>	<b>(4,625)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(8,000)	(700)
Drawdown/(repayment) of borrowings (net)	3,811	(1,985)
Interest paid	(1,800)	(1,957)
Payment of share issue expenses	-	(1,379)
Proceeds from issuance of ordinary shares	-	33,400
Drawdown/(repayment) of lease liabilities (net)	663	(284)
<b>Net cash (for)/from financing activities</b>	<b>(5,326)</b>	<b>28,095</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,752</b>	<b>23,311</b>
Effects of foreign exchange translation	(358)	(79)
<b>Cash and cash equivalents at beginning of period</b>	<b>34,766</b>	<b>16,800</b>
<b>Cash and cash equivalents at end of period</b>	<b>43,160</b>	<b>40,032</b>

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)**

(1)

	<b>Current Year To- Date 30.06.2024 RM'000</b>	<b>Preceding Year Corresponding Period 30.06.2023 RM'000</b>
<b>Cash and cash equivalents comprise the following:</b>		
Short-term investment <sup>(2)</sup>	25,671	-
Deposits with licensed banks	8,292	24,421
Cash and bank balances	14,175	29,579
	<hr/>	<hr/>
	48,138	54,000
Less:		
Deposits pledged to licensed banks	(4,978)	(13,968)
	<hr/>	<hr/>
	43,160	40,032

**Notes:**

- (1) *The basis of preparation of the unaudited Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this interim financial report.*
- (2) *The short-term investment represents the money market funds at fair value. The money market funds represent investment in highly liquid money market instruments and deposits with financial institutions in Malaysia which are redeemable with five (5) day notice at known amounts of cash and are subject to an insignificant risk of changes in value.*

**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING**

**A1 Basis of Preparation**

The interim financial statements of Synergy House Berhad (“**Synergy**” or the “**Company**”) and its subsidiaries (“**Group**”) are unaudited and have been prepared in accordance with MFRS 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“**MASB**”) and Chapter 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial reports should be read in conjunction with the accompanying explanatory notes attached to this interim financial report.

**A2 Significant Accounting Policies**

The significant accounting policies and presentations adopted for the interim financial statements are consistent with those adopted as disclosed in the Group’s annual audited financial statements for the year ended 31 December 2023.

The Group has not applied in advance the following accounting standards and/or interpretation (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the financial year ended 31 December 2023:

**MFRSs and/or Interpretations Committee (“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	: Classification of Liabilities as Current or Noncurrent	1 January 2024
Amendments to MFRS 101	: Disclosure of Accounting Policies	1 January 2023
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.

**A3 Auditors’ Report**

There was no qualification on the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

**A4 Seasonal and Cyclical Factors**

The business operations of the Company are not materially affected by any seasonal or cyclical factors during the current financial quarter and current financial year-to-date.

**A5 Extraordinary and Exceptional Items**

There were no extraordinary and exceptional items of unusual nature affecting the assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and the current financial year-to-date, except the net allowance for impairment losses on trade receivables and expected trade credit insurance receivables of RM10.25 million. Please refer to Section B1 for further information.

**A6 Material Changes in Estimates**

There were no material changes in estimates that have a material effect on the current financial quarter and current financial year-to-date.

**A7 Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

**A8 Dividends Paid**

The first single-tier interim cash dividend of 1.0 sen per ordinary share amounting to RM5.0 million in respect of the financial year ended 31 December 2023 was declared on 28 December 2023 and was paid on 31 January 2024.

The second interim single tier dividend of 0.6 sen per ordinary share amounting to approximately RM3.0 million for the financial year ended 31 December 2023 was declared on 27 February 2024 and was paid on 22 March 2024.

**A9 Segmental Reporting**

The Group is principally engaged in the design, development and sale of ready-to-assemble (“RTA”) home furniture. RTA home furniture is a form of furniture where furniture parts are flat-packed form for ease of storage and transportation. RTA home furniture requires customers to assemble themselves upon purchase.

Segmental assets are not presented, as all non-current assets are located in Malaysia. Segmental revenue is presented based on geographical location of the customers as follows:

	Individual Quarter 3-Month Ended		Cumulative Quarter 6-Month Ended	
	Current Year Quarter 30.06.2024 RM'000	Preceding Year Corresponding Quarter 30.06.2023 RM'000	Current Year To-Date 30.06.2024 RM'000	Preceding Year Corresponding Period 30.06.2023 RM'000
Asia (excluding Malaysia)	681	753	1,323	1,224
United Arab Emirates	3,383	8,936	12,239	14,442
United Kingdom	29,151	19,293	58,268	36,709
United States of America	39,702	27,413	81,635	52,931
Malaysia	2,694	2,014	4,940	4,685
Others	1,743	161	2,626	161
<b>Total</b>	<b>77,354</b>	<b>58,570</b>	<b>161,031</b>	<b>110,152</b>

**A10 Capital Commitments**

There were no material capital commitments in respect of property, plant and equipment as at 30 June 2024.

**A11 Material Events after the End of the Reporting Period**

There were no material events subsequent to the end of the current financial quarter which have not been reflected in this interim financial report as at the date of this report.



**A12 Changes in the Composition of the Group**

On 23 January 2024, Synergy House Furniture Sdn. Bhd. (“**SHF**”), a wholly-owned subsidiary of the Company, subscribed for additional 70,000 ordinary shares of United States Dollar (“**USD**”) 1.00 each representing 100.00% of the paid-up share capital in Synergy House Furniture Inc (“**Synergy US**”) for a total cash consideration of USD70,000.00 (“**Subscription of Shares**”).

Other than the above, there were no other material changes in the composition of the Group for the current financial period and the financial year-to-date.

**A13 Contingent Liabilities**

As at 30 June 2024, a nominal amount of RM86.5 million (as at 31 December 2023: RM86.6 million) relating to corporate guarantees has been provided by the Company to banks for its subsidiaries’ loans and borrowings.

**A14 Significant Related Party Transactions**

	Individual Quarter 3-Month Ended		Cumulative Quarter 6-Month Ended	
	Unaudited 30.06.2024 RM'000	Unaudited 30.06.2023 RM'000	Unaudited 30.06.2024 RM'000	Unaudited 30.06.2023 RM'000
<b>Holding company</b>				
Dividend paid	-	-	5,920	700
<b>Companies in which certain directors have substantial financial interest</b>				
Rental expenses	26	26	52	52

**PART B - ADDITIONAL INFORMATION REQUIRED BY APPENDIX 9B OF THE LISTING REQUIREMENTS**

**B1 Review of Group's Performance**

The table below illustrates the Group's performance review for current quarter and financial period against the preceding year corresponding quarter and financial period:

	Individual Quarter 3-Month Ended				Cumulative Quarter 6-Month Ended			
	30.06.2024 RM'000	30.06.2023 RM'000	Variance RM'000	%	30.06.2024 RM'000	30.06.2023 RM'000	Variance RM'000	%
<b>Revenue</b>								
B2B segment	35,498	32,016	3,482	10.88%	75,512	59,404	16,108	27.12%
B2C segment	41,856	26,554	15,302	57.63%	85,519	50,748	34,770	68.52%
<b>Total</b>	<b>77,354</b>	<b>58,570</b>	<b>18,784</b>	<b>32.07%</b>	<b>161,031</b>	<b>110,152</b>	<b>50,879</b>	<b>46.19%</b>
<b>(Loss)/Profit before tax</b>	<b>(6,417)</b>	<b>8,515</b>	<b>(14,932)</b>	<b>(175.36%)</b>	<b>5,842</b>	<b>12,066</b>	<b>(6,224)</b>	<b>(51.58%)</b>

The Group recorded revenue of RM77.4 million for the current financial quarter ended, increased by RM18.8 million or 32.07% compared with the corresponding financial period last year. The Group's revenue is derived from the business-to-business ("B2B") and the business-to-consumer ("B2C") market segments. The B2B segment recorded a revenue of RM35.5 million which is an increase of 10.88% as compared to the corresponding last financial period of RM32.0 million due to higher sales from the B2B segment in United States of America ("USA") and in United Kingdom ("UK"). The increase in these 2 countries's B2B segment were partially offset by lower revenue contribution from the Middle East. The B2C segment recorded a revenue of RM41.9 million which is an increase of 57.63% as compared to corresponding last financial period of RM26.6 million, driven by strong sales from e-commerce platforms across all the major regions that the Group is operating on.

The Group generated loss before tax ("LBT") of RM6.4 million for the current financial quarter as compared to profit before tax of RM8.5 million in the corresponding period last financial year. The LBT recorded in the current financial quarter ended 30 June 2024 were mainly contributed by:

- (a) The Group made a provision for doubtful debts RM13.4 million representing 100% of the amount owing as at 30 June 2024 by Hillsdale Furniture LLC ("Hillsdale"), being one of the Group's customers. Reference is made to the Group's announcement in Bursa Malaysia Securities Berhad ("Bursa") on 18 July 2024 in response to the Unusual Market Activity raised by Bursa, which stated that Hillsdale's assets were acquired by Mellow River but not the liabilities. The Group has taken necessary actions such as claiming for the trade credit insurance whereby the expected claim amount is RM3.15 million based on the limit available and subject to final assessment by the insurer. The Group has also initiated debt collection arrangement and sought legal advice. As the Group and the insurer are unable to establish any contact directly with Hillsdale, the Group has made the full provision for doubtful debts and recorded the trade credit insurance receivables, amounting to a net impact of RM10.25 million.

Without the said net impact of provision for doubtful debts and trade credit insurance, the Group would have reported an expected profit before tax ("PBT") of RM3.8 million and a profit after tax ("PAT") of RM2.8 million for the current quarter ended 30 June 2024.

- (b) During the quarter ended 30 June 2024, there were losses of sales opportunity in the B2C segment in UK mainly due to inventories that were damaged in a fire incident affecting a third party logistics' ("3PL") warehouse. The cost of inventories belonging to the Group that was damaged in this incident was approximately RM0.55 million. The Group managed to recover approximately 95% of the cost of damaged inventories from the 3PL service provider subsequent to the quarter ended 30 June 2024.
- (c) In addition, during the current quarter under review, the Group took proactive measures to reduce the inventory ageing as well as non-performing stock keeping units ("SKUs") by reducing the selling price to clear. This is expected to reduce the stockholding cost in regards to these SKUs and enable the Group to recoup on its cash. This activity is within the ordinary course of this nature of business.
- (d) Increase in operating costs mainly from manpower. The Group is actively recruiting new talents and improve its human capital base to cater for the business growth. As at the quarter ended 30 June 2024, the headcount has increased by approximately 10% from the first quarter ended 31 March 2024.

**B1 Review of Group's Performance (Cont'd)**

- (e) Net foreign exchange losses of RM0.9 million in second quarter ended 30 June 2024 as compared to net foreign exchange gains of RM1.6 million in first quarter ended 31 March 2024.

For the 6-months ended 30 June 2024, the United States of America ("USA") market was the Group's largest market, contributing to approximately 50.70% of the Group's total revenue. Revenue from the USA market was mainly derived from B2C sales during the 6-month ended 30 June 2024.

**B2 Comparison with Immediate Preceding Quarter**

	Individual Quarter 3-Month Ended		Variance	
	30.06.2024 RM'000	31.03.2024 RM'000	RM'000	%
<b>Revenue</b>				
B2B segment	35,498	40,014	(4,516)	(11.29%)
B2C segment	41,856	43,663	(1,807)	(4.14%)
<b>Total</b>	<u>77,354</u>	<u>83,677</u>	(6,323)	(7.56%)
<b>(Loss)/Profit before tax</b>	<u>(6,417)</u>	<u>12,260</u>	(18,677)	(152.34%)

The Group's revenue for the current financial quarter ended 30 June 2024 decreased by approximately RM6.3 million or 7.56% to RM77.4 million compared to RM83.7 million in the preceding financial quarter ended 31 March 2024 whereby both business segment recorded lower revenues.

For the B2B business segment, the Group recorded lower B2B business due to lower contribution from Middle East whereby there were deferment of delivery to logistics matters amongst others.

For the B2C business segment, the Group recorded a lower revenue in Q2 by 4.14% as compared to Q1 despite higher sales quantities in Q2. The lower revenue was due to various reasons such as insufficient stock to meet customer's demand, loss opportunity due to damaged inventories (as explained in Note B1(b)) as well as competitions in the B2C whereby competitors are still selling certain products which has not incorporated the required new safety measures while the Group's products sold has already incorporated the new safety measures, hence attracting a higher cost to the Group and promotions to clear inventories. Furthermore, the summer season in USA started towards the late period of Q2 whereby consumer spending will be more towards outdoor furniture and other necessities. However, for the B2C in UK, despite the difficulties faced such as the logistics matter and loss in sales opportunity due to the damaged inventories (as explained in Note B1(b)), the revenue trend is considerably strong considering Q2 FY2024 revenue of RM6.58 million against Q1 FY2024 of RM6.53 million.

Without the said net impact of provision for doubtful debts and trade credit insurance as explained in Note B1(a), the Group would have reported an expected PBT of RM16.1 million and PAT of RM11.8 million for the 6 months ended 30 June 2024.

**B3 Prospects**

The Group intends to focus on the following future plans and business strategies for the future growth and expansion of its business:

- (i) to continue growing the Group's B2C segment with the following strategies:
  - (a) expansion of customer reach through listing and selling products on additional third party e-commerce platforms, explore new product categories and higher price range and penetration to new countries;
  - (b) enhancement of revenue through more advertisements and promotions;
  - (c) establishment of e-commerce fulfilment centre locally to cater for overseas B2C sales;

**B3 Prospects (Cont'd)**

- (i) to continue growing the Group's B2C segment with the following strategies: (cont'd)
  - (d) purchase of inventories for third party e-commerce fulfilment centres in overseas countries and proposed new warehouse in Muar, Johor in anticipation of increasing B2C sales; and
  - (e) leverage more on technology and artificial intelligence (AI) to obtain the latest and updated information on evolving market trends as well as improving efficiency in expanding the B2C sales segment. This includes amongst others, subscription of market intelligence software to keep abreast of the latest market trends and demands for home furniture.
- (ii) to continue to expand the Group's range of home furniture through continuous design and development efforts.

The Group is cautiously optimistic on the potential of the global furniture e-commerce market. The Group believes that with its strategies, it can effectively capitalize on this potential and expand its market share. The Group also views that the current strategies being implemented will positively contribute to the long-term growth and expansion of its B2C segment.

Despite the ongoing global economic challenges, the Group anticipates a lesser impact on its business, given that its home furniture products are priced affordably. Moreover, the Group is well positioned in the B2C sales segment, having established a robust presence on third-party e-commerce platforms in the United States, United Kingdom, Canada and Germany. Additionally, during the current financial quarter under review, the Group had further expanded its reach to new markets, namely France.

While the current quarter ended 30 June 2024 reported a lower revenue and profitability for the Group as compared to first quarter ended 31 March 2024, it believes that this will not deter the future revenue growth and potentials of the Group.

**B4 Profit Forecast**

The Group did not issue any profit forecasts or guarantees during the current financial quarter under review and the financial year to-date.

**B5 Taxation**

	Individual Quarter 3-Month Ended		Cumulative Quarter 6-Month Ended	
	Current Year Quarter 30.06.2024 RM'000	Preceding Year Corresponding Quarter 30.06.2023 RM'000	Current Year To- Date 30.06.2024 RM'000	Preceding Year Corresponding Period 30.06.2023 RM'000
Current tax (income)/expense	(1,652)	2,322	1,594	3,254
Deferred tax expense	-	-	-	-
	<u>(1,652)</u>	<u>2,322</u>	<u>1,594</u>	<u>3,254</u>
Effective tax rate	26% <sup>(1)</sup>	27%	27% <sup>(1)</sup>	27%

**Note:**

- (1) *The Group's effective tax rate in the current financial quarter under review was higher than the statutory tax rate of 24% mainly due to interest expenses for certain term loans which are not tax-deductible.*

**B6 Status of Corporate Proposals**

There were no corporate proposals announced by the Company but not completed as at the date of this report.

**B7 Utilisation of Proceeds**

The gross proceeds from the Company's Initial Public Offering amounting to RM34.40 million is intended to be utilised in the following manner:

Details of Utilisation of Proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Re-allocation <sup>(1)</sup> RM'000	Balance RM'000	Estimated Timeframe for Utilisation upon Listing <sup>(2)</sup>
E-commerce fulfilment centres in Muar, Johor and overseas countries					
Purchase of inventories	10,000	(10,000)	-	-	Within 18 months
E-commerce fulfilment centre in Muar, Johor					
- Purchase of racking system and forklifts	1,500	-	-	1,500	Within 18 months
E-commerce advertising and promotions	1,000	(1,000)	-	-	Within 18 months
Repayment of borrowings	10,000	(10,000)	-	-	Within 6 months
Working capital	7,700	(7,821)	121	-	Within 12 months
Estimated listing expenses	4,200	(4,079)	(121)	-	Within 1 month
<b>Total</b>	<b>34,400</b>	<b>(32,900)</b>	<b>-</b>	<b>1,500</b>	

**Notes:**

- (1) The unutilised balance of RM0.12 million from the estimated listing expenses was reallocated to working capital purposes.
- (2) From the date of listing of the Company on the ACE Market of Bursa. The use of proceeds as disclosed above should be read in conjunction with the Company's Prospectus dated 12 May 2023.

**B8 Group Borrowings and Debt Securities**

The Group's borrowings as at 30 June 2024 are as follows:

	<b>Unaudited as at 30.06.2024 RM'000</b>	<b>Audited as at 31.12.2023 RM'000</b>
<b>Non-current</b>		
<u>Secured</u>		
Bank borrowings	26,911	26,227
<u>Unsecured</u>		
Lease liabilities	682	201
	<b>27,593</b>	<b>26,428</b>
<b>Current</b>		
<u>Secured</u>		
Bank borrowings	40,508	37,545
<u>Unsecured</u>		
Lease liabilities	810	464
	<b>41,318</b>	<b>38,009</b>
<b>Total borrowings</b>	<b>68,911</b>	<b>64,437</b>

Included in the Group's borrowings are foreign currency denominated borrowings as follows:

	<b>Amount denominated in foreign currency As at 30.06.2024 '000</b>	<b>As at 30.06.2024 RM'000</b>	<b>Amount denominated in foreign currency As at 31.12.2023 '000</b>	<b>As at 31.12.2023 RM'000</b>
USD	358	1,690	381	1,757
RM	-	67,221	-	62,680
<b>Total</b>	<b>358</b>	<b>68,911</b>	<b>381</b>	<b>64,437</b>

**B9 Derivatives**

The Group's outstanding derivatives as at 30 June 2024 are as follows:

	<b>Unaudited As at 30.06.2024</b>			<b>Audited As at 31.12.2023</b>		
	<b>Contract/ notional amount RM'000</b>	<b>Fair value RM'000</b>	<b>Fair value change amount RM'000</b>	<b>Contract/ notional amount RM'000</b>	<b>Fair value RM'000</b>	<b>Fair value change amount RM'000</b>
Forward foreign exchange contracts						
- Less than 1 year	141,004	140,800	(204)	6,029	5,955	74

The Group uses forward foreign exchange contracts to manage some of its transaction exposure associated with foreign currency fluctuations.

**B10 Material Litigation**

There were no material litigations pending as at the date of this interim financial report.

**B11 (Loss)/Earnings Per Share**

The basic and diluted EPS for the current and cumulative quarter is computed as follows:

		Individual Quarter 3-Month Ended		Cumulative Quarter 6-Month Ended	
		Current Year Quarter 30.06.2024	Preceding Year Corresponding Quarter 30.06.2023	Current Year To-Date 30.06.2024	Preceding Year Corresponding Period 30.06.2023
(Loss)/Profit after tax	(RM'000)	(4,765)	6,193	4,248	8,812
Number of ordinary shares	('000)	500,000	500,000	500,000	500,000
Basic/Diluted EPS <sup>(1)</sup>	(sen)	(0.95)	1.27	0.85	1.76

**Notes:**

- (1) Basic/Diluted EPS is calculated based on the Company's total number of 500,000,000 ordinary shares as at 30 June 2024 (as at 30 June 2023: 500,000,000 shares).
- (2) Basic EPS and diluted EPS are the same as the Company does not have any outstanding convertible securities as at the end of the current quarter and financial period under review.

**B12 Notes to the Statement of Profit and Loss and Other Comprehensive Income**

(Loss)/Profit before tax has been arrived at after (crediting) / charging:

	Individual Quarter 3-Month Ended		Cumulative Quarter 6-Month Ended	
	Current Year Quarter 30.06.2024 RM'000	Preceding Year Corresponding Quarter 30.06.2023 RM'000	Current Year To-Date 30.06.2024 RM'000	Preceding Year Corresponding Period 30.06.2023 RM'000
Depreciation of property, plant and equipment	496	314	877	614
Depreciation of right-of-use assets	149	159	353	338
Unrealised (gain)/loss on foreign exchange	401	(659)	(1,288)	(66)
Realised loss/(gain) on foreign exchange	494	(734)	572	(1,162)
Interest expenses	845	899	1,801	1,957
Allowance for impairment loss on trade receivable	13,398	-	13,398	-
Trade credit insurance receivable	(3,150)	-	(3,150)	-
Inventories written off	550	-	550	-
Gain on reassessment and modification of leases	-	-	-	(2)
Interest income	(297)	(18)	(561)	(49)

Save as disclosed above, the other disclosure items as required under paragraph 16 of Appendix 9B of the Listing Requirements are not applicable.

**B13 Dividend**

The Board of Directors of the Company did not declare or recommend any dividend during the current financial quarter.

**BY ORDER OF THE BOARD**

**SYNERGY HOUSE BERHAD**

**14 August 2024**