



FACB INDUSTRIES INCORPORATED BERHAD (48850-K)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME For The Second Quarter Ended 31 December 2019**
(The figures have not been audited)

	Current Quarter Ended 31/12/2019 RM'000	Comparative Quarter Ended 31/12/2018 RM'000	6 Months Cumulative To Date 31/12/2019 RM'000	6 Months Cumulative To Date 31/12/2018 RM'000
Revenue	10,981	9,838	20,484	19,008
Cost of sales	(6,887)	(6,304)	(12,913)	(12,019)
Gross profit	4,094	3,534	7,571	6,989
Other income	1,504	1,622	3,071	3,266
Operating expenses	(4,820)	(4,276)	(9,286)	(8,371)
Interest expense	(35)	-	(73)	-
Share of results of associates, net of tax	568	808	586	728
Profit before tax	1,311	1,688	1,869	2,612
Tax expense	(192)	(234)	(358)	(500)
Net Profit for the period	1,119	1,454	1,511	2,112
Other comprehensive income:				
Foreign currency translation	(95)	-	(336)	(863)
Fair value adjustment on financial assets	1,696	-	6,784	-
Total comprehensive income for the period	2,720	1,454	7,959	1,249
Profit/(loss) attributable to:				
Owners of the parent	860	1,079	1,553	1,780
Non-controlling interests	259	375	(42)	332
	1,119	1,454	1,511	2,112
Total comprehensive income/ (loss) attributable to:				
Owners of the parent	2,504	1,079	8,152	1,255
Non-controlling interests	216	375	(193)	(6)
	2,720	1,454	7,959	1,249
Earnings per share for profit attributable to owners of the parent:				
Basic and diluted (sen)	1.03	1.29	1.85	2.12

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2019

	Unaudited As At 31/12/2019 RM'000	Audited As At 30/06/2019 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	3,846	3,548
Intangible assets	178	236
Right-of-use assets	1,870	-
Investment in associates	19,450	19,191
Financial asset at amortised cost	9,940	9,935
Financial asset at fair value through other comprehensive income ("FVTOCI")	37,310	30,527
	72,594	63,437
Current Assets		
Inventories	5,635	5,915
Trade and other receivables	9,230	11,056
Deposits, cash and bank balances	163,142	160,141
	178,007	177,112
Total Assets	250,601	240,549
EQUITY AND LIABILITIES		
Equity		
Share capital	114,152	114,152
Treasury shares	(1,225)	(1,225)
Other reserves	4,116	(2,520)
Retained earnings	108,955	107,439
Equity attributable to owners of the parent	225,998	217,846
Non-controlling interests	15,473	15,708
Total equity	241,471	233,554
Non-Current Liability		
Deferred tax liabilities	154	154
Lease liabilities	1,281	-
	1,435	154
Current Liabilities		
Trade and other payables	5,497	5,711
Tax liabilities	201	4
Contract liability	1,408	1,126
Lease liabilities	589	-
	7,695	6,841
Total liabilities	9,130	6,995
Total Equity and Liabilities	250,601	240,549
Net Assets per share (RM)	2.69	2.60

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For The Period Ended 31 December 2019***(The figures have not been audited)*

	← Attributable to Owners of the Parent →					Non-Controlling Interests	Total Equity
	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total		
In RM'000							
At 1 July 2019	114,152	(1,225)	(2,520)	107,439	217,846	15,708	233,554
Net profit/(loss) for the period	-	-	-	1,553	1,553	(42)	1,511
Other comprehensive income							
- Foreign currency translation	-	-	(185)	-	(185)	(151)	(336)
- Fair value gain on financial assets at FVTOCI	-	-	6,784	-	6,784	-	6,784
Total comprehensive income/(loss) for the period	-	-	6,599	1,553	8,152	(193)	7,959
Transfer of reserves of a subsidiary	-	-	37	(37)	-	-	-
Dividend to non-controlling interest	-	-	-	-	-	(42)	(42)
Total transactions with owners	-	-	37	(37)	-	(42)	(42)
At 31 December 2019	114,152	(1,225)	4,116	108,955	225,998	15,473	241,471
At 1 July 2018 (previously reported)	114,152	(1,225)	15,405	87,476	215,808	15,170	230,978
Effect of MFRS 9 adoption	-	-	(19,028)	18,457	(571)	(95)	(666)
At 1 July 2018 (restated)	114,152	(1,225)	(3,623)	105,933	215,237	15,075	230,312
Net profit for the period	-	-	-	1,780	1,780	332	2,112
Other comprehensive income							
- Foreign currency translation	-	-	(525)	-	(525)	(338)	(863)
Total comprehensive income/(loss) for the period	-	-	(525)	1,780	1,255	(6)	1,249
Transfer of reserves of a subsidiary	-	-	42	(42)	-	-	-
Dividend to non-controlling interest	-	-	-	-	-	(65)	(65)
Total transactions with owners	-	-	42	(42)	-	(65)	(65)
At 31 December 2018	114,152	(1,225)	(4,106)	107,671	216,492	15,004	231,496

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For The Period Ended 31 December 2019***(The figures have not been audited)*

	Current Period Ended 31/12/2019 RM'000	Comparative Period Ended 31/12/2018 RM'000
Cash Flows from Operating Activities		
Profit before tax	1,869	2,612
Adjustments for :-		
Share of results of associates, net of tax	(586)	(728)
Accretion of discount on financial asset at amortised cost	(5)	(5)
Amortisation of intangible assets	20	14
Amortisation of right-of-use assets	425	-
Depreciation of property, plant and equipment	246	225
Impairment loss on trade receivables	269	198
Interest expense	73	-
Interest income	(3,021)	(3,187)
Gain on disposal of property, plant and equipment	(27)	(56)
Operating loss before working capital changes	<u>(737)</u>	<u>(927)</u>
Net changes in current assets	(31)	(968)
Net changes in current liabilities	61	448
Net changes in contract liability	282	-
Cash used in from operations	<u>(425)</u>	<u>(1,447)</u>
Tax paid	(1,102)	(786)
Tax refunded	376	-
Net cash used in from operating activities	<u>(1,151)</u>	<u>(2,233)</u>
Cash Flows from Investing Activities		
Dividend received from associates	2,741	-
Interest received	2,404	2,425
Net placement of deposits placed with licensed banks with maturity more than three (3) months	(2,671)	(2,572)
Proceeds from disposal of property, plant and equipment	27	-
Purchase of property, plant and equipment	(482)	(78)
Purchase of intangible assets	(24)	(158)
Net cash generated from/(used in) investing activities	<u>1,995</u>	<u>(383)</u>
Cash Flows from Financing Activity		
Interest paid	(73)	-
Dividend paid to non-controlling interest by a subsidiary	(42)	(65)
Payment of lease liabilities	(390)	-
Net cash used in financing activities	<u>(505)</u>	<u>(65)</u>
Net increase/(decrease) in cash and cash equivalents	339	(2,681)
Effects of exchange rate changes on cash and cash equivalents	(9)	(21)
Cash and cash equivalents at beginning of the quarter	<u>10,231</u>	<u>9,032</u>
Cash and cash equivalents at end of the period	<u>10,561</u>	<u>6,330</u>
Cash and cash equivalents comprise :-		
Deposits with licensed financial institutions	155,413	149,678
Cash and bank balances	7,729	4,592
	<u>163,142</u>	<u>154,270</u>
Deposits placed with licensed banks with maturity more than three (3) months	(152,581)	(147,940)
	<u>10,561</u>	<u>6,330</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019)

NOTES (IN COMPLIANCE WITH MFRS 134)**A1 Basis of Preparation**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”). The unaudited condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2019.

The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2019 except for the adoption of the following Amendments of the MFRS Framework that were issued by the MASB during the financial period:-

Title		Effective date
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 3	Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
Amendments to MFRS 11	Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
Amendments to MFRS 112	Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
Amendments to MFRS 123	Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019

The adoption of the above accounting standards and interpretation (including the consequential amendments) did not have any material impact on the Group’s financial statements, except for MFRS 16. The impact of the adoption of MFRS 16 in the Group’s financial statements is as follows:-

(a) MFRS 16 Leases (“MFRS 16”)

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

NOTES (IN COMPLIANCE WITH MFRS 134)**A1 Basis of Preparation (cont'd)****(a) MFRS 16 Leases ("MFRS 16") (cont'd)**

The Group applied MFRS 16 with effect from 1 July 2019 using the modified retrospective approach where comparatives are not restated. The cumulative effect of adopting MFRS 16 are recognised as adjustments to the opening balance on 1 July 2019 as follows:

	Impact of adopting MFRS 16 at 1 July 2019 RM'000
Right-of-use assets	2,295
Prepaid lease payments	(35)
Lease liabilities	2,260

As at the date of authorisation of the interim financial statements, the Group has not applied the following MFRS Framework that have been issued by the MASB but are not yet effective for the Group:-

Title	Effective date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for future financial years.

A2 Qualification of Financial Statements

The Group's most recent annual audited financial statements for the year ended 30 June 2019 was not qualified.

A3 Seasonal or Cyclical Factors

The Group's operations for the current quarter and financial year-to-date were not materially affected by any seasonal or cyclical factors.

A4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial year-to-date.

A5 Nature and Amount of Changes in Estimates

There were no changes in estimates of amounts reported in the previous interim period of the current financial year or changes in estimate of amounts reported in the previous financial years which have a material effect in the current quarter or the current financial year-to-date.

NOTES (IN COMPLIANCE WITH MFRS 134)**A6 Debt and Equity Securities**

There were no issuance, repurchase and repayment of debts and equity securities during the current quarter. As at 31 December 2019, total shares repurchased were 1,279,700 and all the shares repurchased were held as treasury shares.

A7 Dividend Paid

No dividend was paid during the current quarter and financial year-to-date.

A8 Reportable Segments

	<u>Bedding</u>	<u>All Other</u>	<u>Eliminations</u>	<u>Total</u>
	RM'000	Segments	RM'000	RM'000
For Current Period				
Ended 31 December 2019				
External revenue	20,484	-	-	20,484
Inter-segment revenue	-	15	(15)	-
Total	20,484	15	(15)	20,484
Segment results:				
Interest income	26	2,995	-	3,021
Interest expense	16	57	-	73
Depreciation	234	12	-	246
Amortisation of intangible assets	20	-	-	20
Amortisation of right-of-use assets	263	162	-	425
Reportable segment profit before tax	(230)	1,513	-	1,283
Share of results of associates	-	586	-	586
Total	(230)	2,099	-	1,869
For Comparative Period				
Ended 31 December 2018				
External revenue	19,008	-	-	19,008
Inter-segment revenue	-	15	(15)	-
Total	19,008	15	(15)	19,008
Segment results:				
Interest income	12	3,175	-	3,187
Depreciation	223	2	-	225
Amortisation of intangible assets	14	-	-	14
Reportable segment profit before tax	42	1,842	-	1,884
Share of results of associates	(87)	815	-	728
Total	(45)	2,657	-	2,612

A9 Material Events Subsequent to the End of the Quarter under Review

There were no material events from the end of the quarter to 20 February 2020 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report) that has not been reflected in the current quarter and financial year-to-date.

NOTES (IN COMPLIANCE WITH MFRS 134)**A10 Effect of Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter and financial year-to-date.

A11 Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at the date of this report which may have a material impact on the financial position of the Group.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BMSB**B1 Performance Review****(a) Current Quarter vs Preceding Year Comparative Quarter**

For the current quarter, the Group reported a profit before tax of RM1.31 million on the back of RM10.98 million in revenue compared with the profit before tax of RM1.69 million and revenue of RM9.84 million in the preceding year comparative quarter.

The revenue for bedding operation in Malaysia increased by 10% to RM9.86 million mainly due to higher customer sales. It reported lower pre-tax profit due to higher marketing & selling expenses incurred. Lower profit contribution was recorded by associates in power business.

(b) Current Period vs Preceding Year Comparative Period

For the current period, the Group reported a lower profit before tax of RM1.87 million compared with RM2.61 million in preceding year comparative period. Revenue grew by 8% to RM20.48 million through higher customer sales.

The bedding operation in Malaysia reported higher loss before tax due to higher marketing expenses incurred. Associates in China recorded lower profit for the current period due to weak demand on steam power.

B2 Material Change in the Profit Before Tax as compared with the Immediate Preceding Quarter

The Group registered higher revenue of RM10.98 million for the current quarter compared with RM9.50 million registered in the immediate preceding quarter ended 30 September 2019. A higher profit before tax of RM1.31 million reported for the current quarter versus RM0.56 million in the immediate preceding quarter due to higher profit contribution from associates in power business.

B3 Current Year Prospects

The Group expects performance for the financial year ending 30 June 2020 to be positive.

Despite the tough current operating environment, the Group always look for better efficiency and drive new innovation in bedding products to meet the customer demands for value quality bedding products. Power business associates are expected to maintain profitability in view of the current customer network with stable demand.

The Group is continuing its search for new business opportunities for merger and acquisitions.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BMSB**B4 Achievability of Forecast Profit**

This note is not applicable.

B5 Variance of Actual Profit from Forecast Profit or Profit Guarantee

This note is not applicable.

B6 Notes to the Condensed Consolidated Statement of Profit or Loss

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

	Current Quarter Ended <u>31/12/2019</u> RM'000	Comparative Quarter Ended <u>31/12/2018</u> RM'000	6 Months Cumulative To Date <u>31/12/2019</u> RM'000	6 Months Cumulative To Date <u>31/12/2018</u> RM'000
Amortisation of intangible assets	13	7	20	14
Amortisation of right-of-use assets	213	-	425	-
Depreciation of property, plant and equipment	128	108	246	225
Gain on disposal of property, plant and equipment	-	-	(27)	(56)
Impairment loss on trade receivables	137	105	269	198
Interest expense	35	-	73	-
Interest income	(1,484)	(1,602)	(3,021)	(3,187)
Loss on foreign exchange	-	-	62	6

Apart from the above, there was no write off of receivables, write off of inventories, impairment of assets, gain or loss on disposal of quoted investments, gain or loss on derivatives and other material items for the current quarter and financial year-to-date.

B7 Tax expense

Tax expense comprises the following:-

	Current Quarter Ended <u>31/12/2019</u> RM'000	Comparative Quarter Ended <u>31/12/2018</u> RM'000	6 Months Cumulative To Date <u>31/12/2019</u> RM'000	6 Months Cumulative To Date <u>31/12/2018</u> RM'000
<u>Current tax</u>				
Current year - Malaysia	182	224	346	487
- Foreign	10	10	12	13
Total tax expense	192	234	358	500

The effective tax rate of the Group (excluding the share of results of associates) for the current period to date was higher than the statutory rate due principally to certain expenses not being deductible for tax purposes.

B8 Status of Corporate Proposals

There were no outstanding corporate proposals that has been announced but not completed as at the date of this quarterly report.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BMSB**B9 Group Borrowing**

There was no borrowing as at 31 December 2019.

B10 Derivative Financial Instruments

The Group has no outstanding derivative financial instruments as at 31 December 2019.

B11 Changes in Material Litigation

The Group is not engaged in any material litigation as at the date of this report which will have a material effect on the financial position of the Group.

B12 Dividend Proposed or Declared

(a) No interim dividend has been recommended by the Board of Directors in respect of the current quarter and financial year-to-date.

(b) A final single-tier dividend of 1 sen per ordinary share in respect of the financial year ended 30 June 2019 amounting to RM838,828 has been approved by the shareholders at the Fortieth Annual General Meeting and paid on 16 January 2020.

B13 Earnings per Share

The earnings per share (basic) for the current quarter and financial year-to-date are calculated by dividing the Group's net profit for the period attributable to owners of the parent with the weighted average number of shares in issue (excluding treasury shares) of 83,882,800.

	Current Quarter Ended <u>31/12/2019</u> RM'000	Comparative Quarter Ended <u>31/12/2018</u> RM'000	6 Months Cumulative To Date <u>31/12/2019</u> RM'000	6 Months Cumulative To Date <u>31/12/2018</u> RM'000
Net profit attributable to owners of the parent	<u>860</u>	<u>1,079</u>	<u>1,553</u>	<u>1,780</u>

By Order of the Board

FACB INDUSTRIES INCORPORATED BERHAD

LEE BOO TIAN (LS 0007987)

Group Company Secretary

Kuala Lumpur

Date : 26 February 2020