

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2017
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.17	Preceding Year Corresponding Quarter 30.06.16	Current Year To Date 30.06.17	Preceding Year Corresponding Period 30.06.16
	RM'000	RM'000	RM'000	RM'000
Revenue	10,468	5,901	16,545	12,715
Cost of sales	(9,507)	(5,694)	(15,421)	(11,817)
Gross profit	<u>961</u>	<u>207</u>	<u>1,124</u>	<u>898</u>
Operating expenses	(1,278)	(1,674)	(2,437)	(3,286)
Other (Charges)/Income	(53)	30	(101)	(234)
Loss from operations	<u>(370)</u>	<u>(1,437)</u>	<u>(1,414)</u>	<u>(2,622)</u>
Interest expense	(57)	-	(134)	-
Interest income	39	41	65	62
Loss before taxation	<u>(388)</u>	<u>(1,396)</u>	<u>(1,483)</u>	<u>(2,560)</u>
Taxation	-	-	-	(5)
Loss for the period	<u>(388)</u>	<u>(1,396)</u>	<u>(1,483)</u>	<u>(2,565)</u>
TOTAL COMPREHENSIVE EXPENSES	<u>(388)</u>	<u>(1,396)</u>	<u>(1,483)</u>	<u>(2,565)</u>
Loss for the period attributable to :				
Owners of the Company	(388)	(1,396)	(1,483)	(2,565)
Non-controlling interests	-	-	-	-
	<u>(388)</u>	<u>(1,396)</u>	<u>(1,483)</u>	<u>(2,565)</u>
Total comprehensive Expenses attributable to:				
Owners of the Company	(388)	(1,396)	(1,483)	(2,565)
Non-controlling interests	-	-	-	-
	<u>(388)</u>	<u>(1,396)</u>	<u>(1,483)</u>	<u>(2,565)</u>
Loss per share (sen)				
- Basic	<u>(0.50)</u>	<u>(1.80)</u>	<u>(1.91)</u>	<u>(3.31)</u>
- Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Condensed Consolidated Statements of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017
(The figures have not been audited)

	As At End Of Current Quarter 30.06.17 RM'000	As At Preceding Financial Year Ended 31.12.2016 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	29,191	30,439
Prepaid lease payments on long leasehold land	932	951
Investment properties	5,189	5,189
Investment in associated company	-	-
Product Development Costs	768	1,120
Total non-current assets	<u>36,080</u>	<u>37,699</u>
Current assets		
Inventories	7,931	9,656
Trade and other receivables	2,256	5,303
Amount owing by associate company	-	-
Current tax assets	234	240
Short term and fixed deposits, cash and bank balances	10,804	8,174
Assets classified as held for sale	1,749	1,749
	<u>22,974</u>	<u>25,122</u>
TOTAL ASSETS	<u>59,054</u>	<u>62,821</u>
EQUITY AND LIABILITIES		
Equity - attributable to owners of the Company		
Share capital	40,000	40,000
Share premium	2,809	2,809
Treasury shares, at cost	(1,041)	(1,041)
Retained earnings	8,929	10,412
Total equity	<u>50,697</u>	<u>52,180</u>
Non-current liability		
Deferred tax liability	44	44
Term Loan-non current portion	2,626	3,180
	<u>2,670</u>	<u>3,224</u>
Current liabilities		
Trade and other payables	4,757	6,487
Term Loan-current portion	930	930
	<u>5,687</u>	<u>7,417</u>
Total liabilities	<u>8,357</u>	<u>10,641</u>
TOTAL EQUITY AND LIABILITIES	<u>59,054</u>	<u>62,821</u>
Net assets per share attributable to owners of the Company (RM)	0.65	0.67

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2017
(The figures have not been audited)

	Current Financial period ended 30.06.17	Preceding Year Corresponding Period 30.06.16
	RM'000	RM'000
Cash flows (used in)/from operating activities		
Loss before tax	(1,483)	(2,560)
Adjustments for:		
Non-cash & non-operating items	1,777	1,230
Operating loss before working capital changes	<u>294</u>	<u>(1,330)</u>
(Increase) / Decrease in working capital		
Inventories	1,725	610
Trade and other receivables	355	(1,179)
Trade and other payables	943	841
	<u>3,317</u>	<u>(1,058)</u>
Cash (used in)/generated from operations	3,317	(1,058)
Income tax paid	6	(61)
Interest paid	(134)	(38)
Net cash (used in)/from operating activities	<u>3,189</u>	<u>(1,157)</u>
Cash flows (used in)/from investing activities		
Proceeds from disposal of property, plant and equipment	-	-
Purchase of property, plant and equipment	(70)	(2,128)
Product Development costs	-	(1,022)
Interest received	65	63
	<u>3,184</u>	<u>(3,087)</u>
Net cash used in investing activities	<u>3,184</u>	<u>(3,087)</u>
Cash flows from/(used in) financing activities		
Term Loan	-	4,461
Repayment of term loan	(554)	-
Net cash from financing activities	<u>(554)</u>	<u>4,461</u>
Net increase/(decrease) in cash and cash equivalents	2,630	217
Cash and cash equivalents at beginning of period	8,174	9,629
Cash and cash equivalents at end of the period	<u>10,804</u>	<u>9,846</u>
Cash and cash equivalents at end of the period comprise:		
Cash and bank balances	4,144	2,447
Deposits in the licensed bank	7,676	8,415
	<u>11,820</u>	<u>10,862</u>
Less : Fixed deposits pledged to licensed bank	(1,016)	(1,016)
	<u>10,804</u>	<u>9,846</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2017
(The figures have not been audited)

	Attributable to owners of the Company					Total Equity
	Non-Distributable			Distributable		
	Share Capital	Share Premium	Fair Value Reserve	Treasury Shares	Retained Earnings	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2016	40,000	2,809	-	(1,041)	16,685	58,453
Loss for the year	-	-	-	-	(6,273)	(6,273)
At 31 December 2016	<u>40,000</u>	<u>2,809</u>	<u>-</u>	<u>(1,041)</u>	<u>10,412</u>	<u>52,180</u>
At 1 January 2017	40,000	2,809	-	(1,041)	10,412	52,180
Loss for the period	-	-	-	-	(1,483)	(1,483)
At 30 JUNE 2017	<u>40,000</u>	<u>2,809</u>	<u>-</u>	<u>(1,041)</u>	<u>8,929</u>	<u>50,697</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL REPORT

PART A : EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (MFRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirement.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. These explanatory notes attached to the interim financial report 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 since the financial year ended 31 December 2016.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

Description	Effective for annual periods beginning on or after
Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2017
Amendments to MFRS 107 Statement of Cash Flows (Disclosure Initiative)	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

The adoption of the above Amendments and Annual improvements to Standards, did not have any material financial impact to the Group.

A3. Qualification of Annual Financial Statements

There has not been any qualification made by the auditors on the annual financial statements of the Group for the year ended 31 December 2016.

A4. Seasonal and Cyclical Factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors.

A5. Unusual Items affecting assets, liabilities, equity, net income or cash flows

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

A6. Material Changes in Estimates

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

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A16. Related party transactions

Related parties are those defined under MFRS124 : Related Party Disclosures. The directors are of the opinion that the related party transactions described below were carried out in the ordinary course of business and on commercial terms that are no more favorable than those available to other third parties.

	Current year to date 30.06.17 RM'000	Preceding year Corresponding Period 30.06.16 RM'000
Transactions with companies in which certain Directors have substantial financial interests:		
<u>Rental expense</u>		
Guan & Associates	-	2
<u>Professional fee</u>		
Macellent (Muar) Sdn Bhd.	3	5
Tan Chuan Yong & S.M. Chan	4	-

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**PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA
MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

B1. Review of Performance

The revenue and loss before tax recorded by the Group for the quarter was RM10,468,000 and RM388,000 respectively. This represents a increase of RM4,567,000 in revenue or 77% higher than that of its corresponding quarter. The increase was mainly due to the following :-

- The Group export sales had increased by 25 %

The Group incurred a loss before tax of RM388,000 in the quarter as compared to a loss before tax of RM1,396,000 in the previous corresponding quarter. The reduced loss was primarily due to the following :-

- Higher revenue
- Lower overheads

The Group recorded an increase in revenue to RM16,545,000 against RM 12,715,000 in the previous year mainly due to increase on export sales. The reduced registered loss before tax of RM1,483,000 against the loss of RM2,560,000 in the preceding year corresponding period was due to the following :-

- Higher revenue
- Lower overheads

B2. Variation of Results Against Preceding Quarter

The Group registered a loss before tax for the current quarter ended 30 June 2017 of RM388,000 as compared to a loss before tax of RM1,095,000 in the previous quarter ended 31 March 2017. The reduced loss was mainly attributed by the following:-

- Higher revenue

B3. Commentary on Prospects

The group is reevaluating its marketing strategies to enter the North American markets more aggressively for bigger market share and better product margins. Therefore, going forward, we expect to see improvement in performance.

B4. Variance of Actual and Forecast Profit

Not applicable

B5. Taxation

	Current Year Quarter 30.06.17 RM'000	Current Year To Date 30.06.17 RM'000
Income tax	-	-

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B6. Status of Corporate Proposal

There is no corporate proposal announced for the current quarter under review.

B7. Group Borrowing and Debt Securities

Details of the Group's borrowings as of 30 June 2017 was as follows :-

RM'000

Term Loan 3,556

B8. Gains/Losses arising from fair value changes of financial assets/liabilities

The Group does not have any financial instruments at the end of reporting period.

B9. Material Litigation

The Group does not have any material litigation as at the date of this report.

B10. Dividend Payable

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

B11. Basis of Calculation of Earnings/(Loss) Per Share

The basic loss per share for the quarter and financial period ended 30 June 2017 is computed as follow:

	Individual Current Year Quarter 30.06.17	Cumulative Current Year To Date 30.06.17
Loss attributable to owners of Company (RM'000)	<u>(388)</u>	<u>(1,483)</u>
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	<u>77,460</u>	<u>77,460</u>
Basic Loss Per Share based on weighted average number of ordinary shares of RM0.50 each in issue (sen)	<u>(0.50)</u>	<u>(1.91)</u>

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

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B12. Disclosure of realised and unrealised profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Bhd (“Bursa Malaysia”) on 25 March 2010, is as follows:

	As at 30.06.17 (RM'000)	As at 30.06.16 (RM'000)
Total retained earnings of the Group		
- Realised	8,973	14,457
- Unrealised	(44)	(337)
As per consolidated accounts	<u>8,929</u>	<u>14,120</u>

B13. Additional Disclosure on loss for the period

	Current Quarter Ended 30.06.17 (RM'000)	Financial Period Ended 30.06.17 (RM'000)
Loss for the period is arrived at after charging/(crediting) :		
Interest income	(39)	(65)
Depreciation of property, plant and equipment	662	1,318
Amortisation of prepaid lease payments	9	19
Amortisation of intangible asset	176	352
Realised loss on foreign exchange	5	52
Unrealised (gain)/ loss on foreign exchange	44	53
Interest expense (term loan)	57	134

Other than the above items which have been included in the statement of profit or loss and other comprehensive income, there were no provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets and exceptional items for the current quarter and period ended 30 June 2017.

By order of the Board
TAFI Industries Berhad

Dato' Saw Eng Guan
Executive Chairman

23 AUGUST 2017