

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2017
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.17	Preceding Year Corresponding Quarter 31.12.16	Current Year To Date 31.12.17	Preceding Year Corresponding Period 31.12.16
	RM'000	RM'000	RM'000	RM'000
Revenue	3,681	6,895	28,227	26,106
Cost of sales	(3,985)	(8,071)	(27,308)	(25,948)
Gross profit	<u>(304)</u>	<u>(1,176)</u>	<u>919</u>	<u>158</u>
Operating expenses	(1,265)	(1,422)	(4,829)	(6,748)
Other Income / (Charges)	708	436	651	68
Loss from operations	<u>(861)</u>	<u>(2,162)</u>	<u>(3,259)</u>	<u>(6,522)</u>
Finance cost				
Interest income	97	90	202	224
Interest expense	(31)	-	(202)	(153)
Share of loss of associate	-	-	-	(3)
Loss before taxation	<u>(795)</u>	<u>(2,072)</u>	<u>(3,259)</u>	<u>(6,454)</u>
Taxation	-	31	-	181
Loss for the period	<u>(795)</u>	<u>(2,041)</u>	<u>(3,259)</u>	<u>(6,273)</u>
Other comprehensive income/(expenses)				
Available-for-sale investment's fair value movements	235	-	235	-
Other comprehensive income for the period, net of tax	<u>235</u>	<u>-</u>	<u>235</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS	<u><u>(560)</u></u>	<u><u>(2,041)</u></u>	<u><u>(3,024)</u></u>	<u><u>(6,273)</u></u>
Loss for the period attributable to :				
Owners of the Company	(560)	(2,041)	(3,024)	(6,273)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>(560)</u></u>	<u><u>(2,041)</u></u>	<u><u>(3,024)</u></u>	<u><u>(6,273)</u></u>
Loss per share (sen)				
- Basic	<u>(0.72)</u>	<u>(2.63)</u>	<u>(3.90)</u>	<u>(8.10)</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 31 DECEMBER 2017
(The figures have not been audited)

	As At End Of Current Quarter 31.12.2017 RM'000	As At Preceding Financial Year Ended 31.12.2016 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	27,765	30,439
Prepaid lease payments on long leasehold land	663	950
Investment properties	5,425	5,189
Investment in associated company	-	1,749
Product Development Costs	416	1,120
Total non-current assets	<u>34,269</u>	<u>39,447</u>
Current assets		
Inventories	7,787	9,656
Trade and other receivables	2,899	5,307
Amount owing by associate company	-	-
Current tax assets	127	240
Short term and fixed deposits, cash and bank balances	10,725	8,175
Assets classified as held for sale	-	-
	<u>21,538</u>	<u>23,378</u>
TOTAL ASSETS	<u>55,807</u>	<u>62,825</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	7,388	10,412
Total equity	<u>49,156</u>	<u>52,180</u>
Non-current liability		
Deferred tax liability	44	44
Term Loan-non current portion	2,277	3,184
	<u>2,321</u>	<u>3,228</u>
Current liabilities		
Trade and other payables	3,499	6,487
Term Loan-current portion	831	930
	<u>4,330</u>	<u>7,417</u>
Total liabilities	<u>6,651</u>	<u>10,645</u>
TOTAL EQUITY AND LIABILITIES	<u>55,807</u>	<u>62,825</u>
Net assets per share attributable to owners of the Company (RM)	0.63	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 31 DECEMBER 2017
(The figures have not been audited)

	Current Financial period ended 31.12.17	Preceding Year Corresponding Period 31.12.16
	RM'000	RM'000
Cash flows (used in)/from operating activities		
Loss before tax	(3,024)	(6,273)
Adjustments for:		
Non-cash & non-operating items	2,511	2,927
Operating profit / (loss) before working capital changes	<u>(513)</u>	<u>(3,346)</u>
Decrease / (Increase) in working capital		
Inventories	1,801	(1,204)
Trade and other receivables	2,394	(168)
Trade and other payables	(2,436)	1,057
	<u>1,246</u>	<u>(3,661)</u>
Cash generated from / (used in) operations	1,246	(3,661)
Income tax (paid) / refunded	113	(59)
Interest paid	(202)	(153)
Net cash (used in)/from operating activities	<u>1,157</u>	<u>(3,873)</u>
Cash flows (used in)/from investing activities		
Proceeds from disposal of property, plant and equipment	1,107	-
Proceeds from disposal of share in associate company	1,800	200
Intangible assets expenditure incurred	0	(766)
Purchase of property, plant and equipment	(212)	(2,163)
Net withdrawal/(placement) in short term investment	(34)	20
Net withdrawal/(placement) of fixed deposit	(63)	(68)
Interest received	(202)	70
	<u>2,396</u>	<u>(2,707)</u>
Net cash used in investing activities	<u>2,396</u>	<u>(2,707)</u>
Cash flows from/(used in) financing activities		
Term Loan	-	4,596
Repayment of term loan	(1,002)	(486)
Net cash from financing activities	<u>(1,002)</u>	<u>4,110</u>
Net increase/(decrease) in cash and cash equivalents	2,551	(2,470)
Cash and cash equivalents at beginning of period	8,174	9,629
Cash and cash equivalents at end of the period	<u>10,725</u>	<u>7,159</u>
Cash and cash equivalents at end of the period comprise:		
Cash and bank balances	3,950	1,598
Deposits in the licensed bank	6,775	6,577
	<u>10,725</u>	<u>8,175</u>
Less : Fixed deposits pledged to licensed bank	(1,162)	(1,016)
	<u>9,563</u>	<u>7,159</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 31 DECEMBER 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	-	-	-	-	(3,024)	(3,024)
At 31 DECEMBER 2017	<u>40,000</u>	<u>2,809</u>	<u>-</u>	<u>(1,041)</u>	<u>7,388</u>	<u>49,156</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 MFRS 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"):

2.1 Amendments to MFRSs and the new Interpretation that are mandatorily effective for the current year

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.

2.2 Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the Company has not adopted the following new and revised MFRSs that have been issued but not yet effective:

MFRS 9	Financial Instruments ¹
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) ¹
MFRS 16	Leases ²
MFRS 17	Insurance Contracts ³
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to MFRS 140	Transfers of Investment Property ¹
Amendments to MFRS 9	Prepayment Features with Negative Compensation ²
Amendments to MFRS 128	Long-term interests in Associates and Joint Venture ²
Amendments to MFRSs	Annual Improvements to MFRSs 2015-2017 Cycle ²

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IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertain over Income Tax Payments ²

¹ Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted

⁴ Effective for annual periods beginning on or after a date to be determined

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.

A7. Issuances and repayment of debt and equity securities

There were no issuances, repurchases of shares for the current quarter under review. As at 31 December 2017, the number of treasury shares held was 2,540,500 ordinary shares.

A8. Dividend Paid

No dividend has been paid for the financial year to date.

A9. Segmental Reporting

No segment analysis is prepared as the Group is involved in a single industry segment relating to the manufacturing and marketing of furniture products. The operation of the Group is carried out entirely in Malaysia.

A10. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment by the subsidiary companies for the current quarter and financial year to date.

A11. Subsequent Events

There were no material events subsequent to the end of the current quarter under review.

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A12. Change 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.

A13. Changes in Contingent Liabilities

As at 31 December 2017, the Group did not have any contingent liability.

A14. Capital Commitments

	As at 31.12.2017 RM'000
Purchase of property, plant and equipment	-
Approved and contracted for	<u>-</u>

A15. Derivative Financial Asset/Liability

There were no outstanding forward foreign exchange contracts outstanding as at 31 December 2017.

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 31.12.17 RM'000	Preceding year Corresponding Period 31.12.16 RM'000
Transactions with companies in which certain Directors have substantial financial interests:		
<u>Rental expense</u>		
Guan & Associates	<u>-</u>	<u>3</u>
<u>Professional fee</u>		
Macellent (Muar) Sdn. Bhd.	3	8
	<u>3</u>	<u>11</u>
<u>Goods sold to</u>		
Macellent (Muar) Sdn. Bhd.	(2)	-
Macellent Tax Services (M) Sdn. Bhd.	(1)	-
	<u>(3)</u>	<u>-</u>

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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 RM3,681,000 and RM795,000 respectively. This represents a decrease of RM3,214,000 in revenue or 47% lower than that of its corresponding quarter in 2016. The decrease was mainly due to the following :-

- The Group sales to Ikea had been discontinued which amounted to RM3,378,585 (49%) of the corresponding quarter in 2016.

The Group incurred a loss before tax of RM795,000 in the quarter as compared to a loss before tax of RM2,072,000 in the previous corresponding quarter. The reduced in loss was primarily due to the following:-

- Improved margin
- Lower overhead
- Gain on disposal of fixed assets of RM546,237
- Gain on disposal of shares in associate company of RM243,900

The Group recorded an increase in revenue to RM28,227,000 against RM 26,106,000 in the previous year due to increase on export sales to USA. The reduced registered loss before tax of RM3,259,000 against the loss of RM6,454,000 in the corresponding period of the preceding year was due to the following :-

- Higher revenue
- Lower overheads
- Gain on disposal of fixed assets
- Gain on disposal of shares in associate company

B2. Variation of Results Against Preceding Quarter

The Group registered a loss before tax for the current quarter ended 31 December 2017 of RM795,000 as compared to a loss before tax of RM981,000 in the previous quarter ended 30 September 2017. The decrease in loss was mainly attributed by the following:-

- Gain on disposal of fixed assets
- Gain on disposal of shares in associate company

B3. Commentary on Prospects

The group is reevaluating its marketing strategies in respect of North American markets 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 31.12.17 RM'000	Current Year To Date 31.12.17 RM'000
Income tax	-	-
Deferred tax	-	-

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Malaysian corporate income tax is calculated at the statutory tax rate of 24% of the estimated taxable profit for the year.

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 31 December 2017 was as follows :-

	RM'000
Term Loan	<u>3,108</u>

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

Gain arising from fair value changes of financial assets was as follow:

	RM'000
Short term investment	<u>34</u>

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 31 December 2017 is computed as follow:

	Individual Current Year Quarter 31.12.17	Cumulative Current Year To Date 31.12.17
Loss attributable to owners of Company (RM'000)	<u>(560)</u>	<u>(3,024)</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>(0.72)</u>	<u>(3.90)</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.

B12. Additional Disclosure on loss for the period

	Current Quarter Ended 31.12.17 (RM'000)	Financial Period Ended 31.12.17 (RM'000)
Loss for the period is arrived at after charging/(crediting) :		

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Interest income	(97)	(202)
Depreciation of property, plant and equipment	624	2,578
Amortisation of prepaid lease payments	7	35
Amortisation of intangible asset	176	705
Realised loss on foreign exchange	23	89
Unrealised (gain)/ loss on foreign exchange	96	108
Interest expense (term loan)	31	202
Bad Debts Written Off	89	89
Provision for slow-moving inventories	170	170
Reversal for slow-moving inventories	(102)	(102)
Gain on Disposal of Fixed Assets	(546)	(546)
Gain on Disposal of Shares in associate company	(244)	(244)

Other than the above items which have been included in the statement of profit or loss and other comprehensive income, there were no gain or loss on disposal of quoted investments, impairment of assets and exceptional items for the current quarter and period ended 31 December 2017.

By order of the Board
TAFI Industries Berhad

Dato' Saw Eng Guan
Executive Chairman

27 FEBRUARY 2018