

TAFI INDUSTRIES BERHAD
(Company No. 640935-P)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2018
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2018	Preceding Year Corresponding Quarter 30.06.2017	Current Year To Date 30.06.2018	Preceding Year Corresponding Period 30.06.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	5,196	10,468	10,695	16,545
Cost of sales	(5,619)	(9,507)	(11,168)	(15,421)
Gross profit	<u>(423)</u>	<u>961</u>	<u>(473)</u>	<u>1,124</u>
Operating expenses	(1,024)	(1,278)	(2,213)	(2,437)
Other (Charges)/Income	11	(53)	16	(101)
Loss from operations	<u>(1,436)</u>	<u>(370)</u>	<u>(2,670)</u>	<u>(1,414)</u>
Interest expense	(36)	(57)	(83)	(134)
Finance cost	-	-	-	-
Interest income	44	39	71	65
Loss before taxation	<u>(1,428)</u>	<u>(388)</u>	<u>(2,682)</u>	<u>(1,483)</u>
Taxation	-	-	-	-
Loss for the period	<u>(1,428)</u>	<u>(388)</u>	<u>(2,682)</u>	<u>(1,483)</u>
TOTAL COMPREHENSIVE EXPENSES	<u><u>(1,428)</u></u>	<u><u>(388)</u></u>	<u><u>(2,682)</u></u>	<u><u>(1,483)</u></u>
Loss for the period attributable to :				
Owners of the Company	(1,428)	(388)	(2,682)	(1,483)
Non-controlling interests	-	-	-	-
	<u>(1,428)</u>	<u>(388)</u>	<u>(2,682)</u>	<u>(1,483)</u>
Loss per share (sen)				
- Basic	<u>(1.84)</u>	<u>(0.50)</u>	<u>(3.46)</u>	<u>(1.91)</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 2017 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 2018
(The figures have not been audited)

	As At End Of Current Quarter 30.06.2018	As At Preceding Financial Year Ended 31.12.17
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	26,590	27,765
Prepaid lease payments on long leasehold land	648	663
Investment properties	5,425	5,425
Product Development Costs	64	416
Total non-current assets	<u>32,727</u>	<u>34,269</u>
Current assets		
Inventories	8,909	7,787
Trade and other receivables	3,908	2,899
Current tax assets	79	127
Short term and fixed deposits, cash and bank balances	8,160	10,725
	<u>21,056</u>	<u>21,538</u>
TOTAL ASSETS	<u><u>53,783</u></u>	<u><u>55,807</u></u>
EQUITY AND LIABILITIES		
Equity - attributable to owners of the Company		
Issue capital	42,809	42,809
Treasury shares, at cost	(1,041)	(1,041)
Retained earnings	4,706	7,388
Total equity	<u>46,474</u>	<u>49,156</u>
Non-current liability		
Deferred tax liability	44	44
Term Loan - non current portion	1,829	2,277
	<u>1,873</u>	<u>2,321</u>
Current liabilities		
Trade and other payables	3,505	3,499
Amount owing to Directors	1,100	-
Term Loan - current portion	831	831
	<u>5,436</u>	<u>4,330</u>
Total liabilities	<u>7,309</u>	<u>6,651</u>
TOTAL EQUITY AND LIABILITIES	<u><u>53,783</u></u>	<u><u>55,807</u></u>
Net assets per share attributable to owners of the Company (RM)	0.60	0.63

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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(Company No. 640935-P)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2018
(The figures have not been audited)

	Current Financial period ended 30.06.2018	Preceding Year Corresponding Period 30.06.2017
	RM'000	RM'000
Cash flows (used in)/from operating activities		
Loss before tax	(2,682)	(1,483)
Adjustments for:		
Non-cash & non-operating items	1,638	1,672
Operating loss before working capital changes	<u>(1,044)</u>	<u>189</u>
(Increase) / Decrease in working capital		
Inventories	(1,121)	1,725
Trade and other receivables	(1,010)	355
Trade and other payables	5	943
Amount owing to Directors	1,100	-
	<u>(2,070)</u>	<u>3,212</u>
Cash (used in)/generated from operations	(2,070)	3,212
Income tax paid/refund	48	6
Interest paid	(83)	-
Net cash (used in)/from operating activities	<u>(2,105)</u>	<u>3,218</u>
Cash flows (used in)/from investing activities		
Proceeds from disposal of property, plant and equipment	-	-
Purchase of property, plant and equipment	(83)	(70)
Product Development costs	-	-
Interest received	71	36
	<u>(12)</u>	<u>(34)</u>
Net cash used in investing activities	(12)	(34)
Cash flows from/(used in) financing activities		
Term Loan	-	-
Repayment of term loan	(448)	(554)
Net cash from financing activities	<u>(448)</u>	<u>(554)</u>
Net increase/(decrease) in cash and cash equivalents	(2,565)	2,630
Cash and cash equivalents at beginning of period	10,725	8,174
Cash and cash equivalents at end of the period	<u>8,160</u>	<u>10,804</u>
Cash and cash equivalents at end of the period comprise:		
Cash and bank balances	1,295	4,144
Deposits in the licensed bank	6,865	6,660
	<u>8,160</u>	<u>10,804</u>
Less : Fixed deposits pledged to licensed bank	(1,162)	(1,016)
	<u>6,998</u>	<u>9,788</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018
(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 2017	40,000	2,809	-	(1,041)	10,412	52,180
Total comprehensive loss for the year	-	-	-	-	(3,024)	(3,024)
Transfer from / (to) 'no par value regime'	2,809	(2,809)				
At 31 December 2017	<u>42,809</u>	<u>-</u>	<u>-</u>	<u>(1,041)</u>	<u>7,388</u>	<u>49,156</u>
At 1 January 2018	42,809	-	-	(1,041)	7,388	49,156
Loss for the period	-	-	-	-	(2,682)	(2,682)
At 30 June 2018	<u>42,809</u>	<u>-</u>	<u>-</u>	<u>(1,041)</u>	<u>4,706</u>	<u>46,474</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 2017 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 2017. 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 2017.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017 except for the adoption of the following amendments to the Malaysian Financial Reporting Standards ("MFRS"):

Description	Effective for annual periods beginning on or after
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers (and the related Classifications)	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
IFRIC 22 Foreign Currency Transaction and Advance Consideration	1 January 2018

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 2017.

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.

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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 30 June 2018, 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

The following two dormant subsidiaries, wholly owned by the Group, had been struck off by the Registrar of Companies, upon an application by the directors under Section 550 of the Companies Act 2016 and they had been dissolved upon the publication of the notice of striking off in the Gazette on 4th July 2018:-

- 1) T.A. Furniture Trading (M) Sdn. Bhd. (837983-W)
- 2) T.A. Rubber Reforestation (Johor) Sdn. Bhd. (837986-V)

The striking off of the above dormant subsidiaries will not have any financial impact on the share capital, earnings and net assets per share of the Group for the financial year ending 31 December 2018.

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 30 June 2018, the Group did not have any contingent liability.

A14. Capital Commitments

Purchase of property, plant and equipment	As at 30.06.2018 RM'000
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Approved and contracted for	<u><u> - </u></u>
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A15. Derivative Financial Asset/Liability

There were no outstanding forward foreign exchange contracts outstanding as at 30 June 2018.

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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 30.06.18 RM'000	Preceding year Corresponding Period 30.06.17 RM'000
Transactions with companies in which certain Directors have substantial financial interests:		
<u>Professional fee</u>		
Macellent (Muar) Sdn Bhd	4	3
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

Comparison between Quarter 30.06.2018 with Quarter 30.06.2017

The revenue and loss before tax recorded by the Group for the current quarter was RM5,196,000 and RM1,428,000 respectively. This represents a decrease of RM5,272,000 in revenue or 50.4% lower than that of its corresponding quarter. The higher revenue for Quarter 30.06.2017 was due to certain non-recurring sales.

The Group incurred a loss before tax of RM1,428,000 in the current quarter as compared to a loss before tax of RM388,000 in the previous corresponding quarter. The increased loss was primarily due to the following :-

- Lower Sales

Comparison between Year to Date 30.06.2018 with Year to Date 30.06.2017

The Group recorded a decrease in revenue to RM10,695,000 against RM16,545,000 in the previous year due to certain non-recurring sales. The registered loss before tax of RM2,682,000 against the loss of RM1,483,000 in the preceding year corresponding period was due to the following :-

- Lower Sales

B2. Variation of Results Against Preceding Quarter

Comparison between Quarter 30.06.2018 with Quarter 31.03.2018

The Group registered a loss before tax for the current quarter ended 30 June 2018 of RM1,428,000 as compared to a loss before tax of RM1,254,000 in the previous quarter ended 31 March 2018. The increased loss was mainly attributed by the following:-

- Higher Labour Cost
- Lower Sales

B3. Commentary on Prospects

Our entry into North American market has shown positive result and we shall continue to expand on market share. In addition we are entering the European and other markets. As such, we anticipate improvement in the Group's performance in the near future.

B4. Variance of Actual and Forecast Profit

Not applicable

B5. Taxation

	Current Year Quarter 30.06.18 RM'000	Current Year To Date 30.06.18 RM'000
Income tax	-	-

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.

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B7. Group Borrowing and Debt Securities

Details of the Group's borrowings as of 30 June 2018 was as follows :-

	RM'000
Term Loan	<u>2,660</u>

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 31 March 2018 is computed as follow:

	Individual Current Year Quarter 30.06.18	Cumulative Current Year To Date 30.06.18
Loss attributable to owners of Company (RM'000)	<u>(1,428)</u>	<u>(2,682)</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>(1.84)</u>	<u>(3.46)</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 30.06.18 (RM'000)	Financial Period Ended 30.06.17 (RM'000)
Loss for the period is arrived at after charging/(crediting) :		
Interest income	(71)	(65)
Depreciation of property, plant and equipment	1,258	1,318
Amortisation of prepaid lease payments	15	19
Amortisation of intangible asset	352	352
Realised loss on foreign exchange	141	52
Unrealised gain on foreign exchange	(138)	53
Interest expense (term loan)	83	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,

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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 2018.

By order of the Board
TAFI Industries Berhad

Dato' Saw Eng Guan
Group Managing Director

23 Aug 2018