

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 31 DECEMBER 2018**  
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2018	Preceding Year Corresponding Quarter 31.12.2017	Current Year To Date 31.12.2018	Preceding Year Corresponding Period 31.12.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	5,203	3,224	22,897	27,770
Cost of sales	(5,681)	(3,985)	(23,445)	(27,308)
Gross profit	<u>(478)</u>	<u>(761)</u>	<u>(548)</u>	<u>462</u>
Operating expenses	(630)	(808)	(4,199)	(4,372)
Other Income	67	708	69	651
Loss from operations	<u>(1,041)</u>	<u>(861)</u>	<u>(4,678)</u>	<u>(3,259)</u>
Interest expense	(40)	(31)	(159)	(202)
Finance cost	-	-	-	-
Interest income	106	97	224	202
Available-for-sale investment's fair value movements	-	235	-	235
Loss before taxation	<u>(975)</u>	<u>(560)</u>	<u>(4,613)</u>	<u>(3,024)</u>
Taxation	-	-	-	-
Loss for the period	<u>(975)</u>	<u>(560)</u>	<u>(4,613)</u>	<u>(3,024)</u>
<b>TOTAL COMPREHENSIVE EXPENSES</b>	<u><b>(975)</b></u>	<u><b>(560)</b></u>	<u><b>(4,613)</b></u>	<u><b>(3,024)</b></u>
Loss for the period attributable to :				
Owners of the Company	(975)	(560)	(4,613)	(3,024)
Non-controlling interests	-	-	-	-
	<u>(975)</u>	<u>(560)</u>	<u>(4,613)</u>	<u>(3,024)</u>
Loss per share (sen)				
- Basic	<u>(1.26)</u>	<u>(0.72)</u>	<u>(5.95)</u>	<u>(3.90)</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 31 DECEMBER 2018**  
(The figures have not been audited)

	As At End Of Current Quarter 31.12.2018	As At Preceding Financial Year Ended 31.12.17
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	25,831	27,765
Prepaid lease payments on long leasehold land	632	663
Investment properties	5,425	5,425
Product Development Costs	-	416
<b>Total non-current assets</b>	<b>31,888</b>	<b>34,269</b>
<b>Current assets</b>		
Inventories	9,177	7,787
Trade and other receivables	4,255	2,899
Current tax assets	51	127
Short term and fixed deposits, cash and bank balances	7,950	10,725
	<b>21,433</b>	<b>21,538</b>
<b>TOTAL ASSETS</b>	<b>53,321</b>	<b>55,807</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity - attributable to owners of the Company</b>		
Issue capital	42,809	42,809
Treasury shares, at cost	(1,041)	(1,041)
Retained earnings	2,775	7,388
<b>Total equity</b>	<b>44,543</b>	<b>49,156</b>
<b>Non-current liability</b>		
Deferred tax liability	44	44
Term Loan - non current portion	1,252	2,277
	<b>1,296</b>	<b>2,321</b>
<b>Current liabilities</b>		
Trade and other payables	5,527	3,499
Amount owing to Directors	1,007	-
Term Loan - current portion	948	831
	<b>7,482</b>	<b>4,330</b>
<b>Total liabilities</b>	<b>8,778</b>	<b>6,651</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53,321</b>	<b>55,807</b>
Net assets per share attributable to owners of the Company (RM)	0.58	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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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE QUARTER ENDED 31 DECEMBER 2018**  
(The figures have not been audited)

	Current Financial period ended 31.12.2018	Preceding Year Corresponding Period 31.12.2017
	RM'000	RM'000
<b>Cash flows (used in)/from operating activities</b>		
Loss before tax	(4,613)	(3,024)
Adjustments for:		
Non-cash & non-operating items	2,814	2,511
Operating loss before working capital changes	<u>(1,799)</u>	<u>(513)</u>
(Increase) / Decrease in working capital		
Inventories	(1,389)	1,801
Trade and other receivables	(1,356)	2,394
Trade and other payables	2,028	(2,436)
Amount owing to Directors	1,007	-
	<u>(1,509)</u>	<u>1,246</u>
Cash (used in)/generated from operations	(1,509)	1,246
Income tax paid/refund	75	113
Interest paid	(159)	(202)
<b>Net cash (used in)/from operating activities</b>	<u>(1,593)</u>	<u>1,157</u>
<b>Cash flows (used in)/from investing activities</b>		
Proceeds from disposal of property, plant and equipment	-	1,107
Purchase of property, plant and equipment	(499)	(212)
Product Development costs	-	-
Interest received	224	(202)
Proceeds from disposal of share in associate company	-	1,800
Net withdrawal/(placement) of short term investment	-	(34)
Net withdrawal/(placement) of fixed deposit	-	(63)
<b>Net cash used in investing activities</b>	<u>(275)</u>	<u>2,396</u>
<b>Cash flows from/(used in) financing activities</b>		
Term Loan	-	-
Repayment of term loan	(907)	(1,002)
<b>Net cash from financing activities</b>	<u>(907)</u>	<u>(1,002)</u>
Net increase/(decrease) in cash and cash equivalents	(2,775)	2,551
Cash and cash equivalents at beginning of period	10,725	8,174
Cash and cash equivalents at end of the period	<u>7,950</u>	<u>10,725</u>
<b>Cash and cash equivalents at end of the period comprise:</b>		
Cash and bank balances	953	3,950
Deposits in the licensed bank	6,997	6,775
	<u>7,950</u>	<u>10,725</u>
Less : Fixed deposits pledged to licensed bank	(1,162)	(1,016)
	<u>6,788</u>	<u>9,709</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 31 DECEMBER 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	-	-	-	-	(4,613)	(4,613)
At 31 December 2018	<u>42,809</u>	<u>-</u>	<u>-</u>	<u>(1,041)</u>	<u>2,775</u>	<u>44,543</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
IC Interpretation 22 Foreign Currency Transaction and Advance Consideration	1 January 2018
Amendments to MFRS1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvement to MFRS Standards 2014 – 2016 Cycle)	1 January 2018
Amendments to MFRS 128 Investments In Associates and Joint Ventures (Annual Improvement to MFRS Standards 2014 – 2016 Cycle)	1 January 2018

The adoption of the above Amendments and Annual improvements to Standards, did not have any material financial impact to the Group except as discussed below:

**MFRS 15 Revenue from Contracts with Customers**

MFRS15 requires an entity to recognise revenue to depict the transfer of promised goods to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. Revenue is recognised when a customer obtains control of goods, i.e. when the customer has the ability to direct the use of the goods.

The impact to the Group is to estimate the goods of return based on the Trading Term Agreement with customers that provide a right of return. Besides, the Group has reclassified the sales related expenses to offset against the revenue which was treated as marketing and distribution expenses previously. The marketing and distribution expenses included rebates, promotion support and other

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sales related discount to customers. The adoption of MFRS 15 has no significant financial impact to the Group.

The restatement of the Group's financial statement as at 31 December 2017 is as below:-

**Reconciliation of Profit & Loss**

	<b>As Previously Reported 31.12.2017 RM'000</b>	<b>Effect Of MFRS 15 RM'000</b>	<b>Reinstated 31.12.2017 RM'000</b>
Revenue	28,227	(457)	27,770
Cost of sales	(27,308)		(27,308)
Gross profit	919	(457)	462
Operating expenses	(4,829)	457	(4,372)
Other Income	651		651
Loss from operations	(3,259)	-	(3,259)
Interest expense	(202)		(202)
Interest income	202		202
Loss before taxation	(3,259)	-	(3,259)
Taxation	-		-
Loss for the period	(3,259)		(3,259)
Other comprehensive income/(expenses)			
Available-for-sale investment's fair value movements	235		235
Other comprehensive income for the period, net of tax	(3,024)		(3,024)
<b>TOTAL COMPREHENSIVE EXPENSES</b>	<b>(3,024)</b>	<b>-</b>	<b>(3,024)</b>
Loss for the period attributable to :			
Owners of the Company	(3,024)		(3,024)
Non-controlling interests	-		-
	<b>(3,024)</b>	<b>-</b>	<b>(3,024)</b>
Loss per share (sen)			
- Basic	(3.90)		(3.90)
- Diluted	-	-	-

**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 31 December 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**

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

**A12. Change in the Composition of the Group**

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 4<sup>th</sup> 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.

**A13. Changes in Contingent Liabilities**

As at 31 December 2018, the Group did not have any contingent liability.

**A14. Capital Commitments**

Purchase of property, plant and equipment	As at 31.12.2018 RM'000
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Approved and contracted for	<u>                    -</u>
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**A15. Derivative Financial Asset/Liability**

There were no outstanding forward foreign exchange contracts outstanding as at 31 December 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 31.12.18 RM'000	Preceding year Corresponding Period 31.12.17 RM'000
Transactions with companies in which certain Directors have substantial financial interests:		
<u>Professional fee</u>		
Macellent (Muar) Sdn Bhd	10	3
Tan Chuan Yong & S.M. Chan	-	5
	<hr/>	<hr/>
<u>Goods sold to</u>		
Macellent (Muar) Sdn Bhd	-	(2)
Macellent Tax Services (M) Sdn Bhd	-	(3)
	<hr/>	<hr/>



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

**B1. Review of Performance**

**Comparison between Quarter 31.12.2018 with Quarter 31.12.2017**

The revenue and loss before tax recorded by the Group for the current quarter was RM5,203,000 and RM975,000 respectively. This represents an increase of RM1,979,000 in revenue or 61.38% higher than that of its corresponding quarter. The higher revenue for Quarter 31.12.2018 was due to the increase in sales of home furniture.

The Group incurred a loss before tax of RM975,000 in the current quarter as compared to a loss before tax of RM560,000 in the previous corresponding quarter. The increased loss was primarily due to higher manufacturing cost.

**Comparison between Year to Date 31.12.2018 with Year to Date 31.12.2017**

The Group recorded a decrease in revenue to RM22,897,000 against RM27,770,000 in the previous year due to certain non-recurring sales and decrease in sales of office furniture. The registered loss before tax of RM4,613,000 against the loss of RM3,024,000 in the preceding year corresponding period was due to lower sales and higher manufacturing cost.

**B2. Variation of Results Against Preceding Quarter**

**Comparison between Quarter 31.12.2018 with Quarter 30.09.2018**

The Group registered a loss before tax for the current quarter ended 31 December 2018 of RM975,000 as compared to a loss before tax of RM956,000 in the previous quarter ended 30 September 2018. The increased loss was mainly attributed by the following:-

- Higher Material Price and Manufacturing 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. We are also entering the European and other markets. Besides, due to the trade conflict between US and China, US' orders from China are shifting to Malaysia and we are getting additional orders from US. We anticipate improvement in the Group's performance.

**B4. Variance of Actual and Forecast Profit**

Not applicable

**B5. Taxation**

	Current Year Quarter 31.12.18 RM'000	Current Year To Date 31.12.18 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 31 December 2018 was as follows :-

	RM'000
Term Loan	<u>2,200</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 December 2018 is computed as follow:

	Individual Current Year Quarter 31.12.18	Cumulative Current Year To Date 31.12.18
Loss attributable to owners of Company (RM'000)	<u>(975)</u>	<u>(4,613)</u>
Weighted average number of ordinary shares ( '000) in issue	<u>77,460</u>	<u>77,460</u>
Basic Loss Per Share based on weighted average number of ordinary shares issue (sen)	<u>(1.26)</u>	<u>(5.95)</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 31.12.18 (RM'000)	Financial Period Ended 31.12.18 (RM'000)
Loss for the period is arrived at after charging/(crediting) :		
Interest income	(51)	(67)
Distribution of Investments management fund	(55)	(157)
Depreciation of property, plant and equipment	517	2,433
Amortisation of prepaid lease payments	8	31
Amortisation of intangible asset	0	416
Realised gain on foreign exchange	(234)	(73)
Unrealised loss on foreign exchange	180	42
Interest expense ( term loan )	40	159

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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 31 December 2018.

By order of the Board  
TAFI Industries Berhad

Dato' Saw Eng Guan  
Group Managing Director

20 February 2019