

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2022**
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2022 RM'000	Preceding Year Corresponding Quarter Ended 31.12.2021 RM'000	Current Year To Date Ended 31.12.2022 RM'000	Preceding Year Corresponding Period Ended 31.12.2021 RM'000
Revenue	21,557	18,646	72,804	43,539
Cost of sales	(18,259)	(11,946)	(62,505)	(35,579)
Gross profit	<u>3,298</u>	<u>6,700</u>	<u>10,299</u>	<u>7,960</u>
Operating expenses	(2,265)	(2,079)	(5,608)	(4,979)
Other income	112	(1,317)	6,664	2,578
Profit from operations	<u>1,145</u>	<u>3,304</u>	<u>11,355</u>	<u>5,559</u>
Interest expense	(58)	(56)	(103)	(121)
Interest income	5	10	54	108
Profit before tax	<u>1,092</u>	<u>3,258</u>	<u>11,306</u>	<u>5,546</u>
Taxation	(832)	-	(1,256)	(53)
Profit after tax/Total comprehensive income for the financial period	<u>260</u>	<u>3,258</u>	<u>10,050</u>	<u>5,493</u>
Profit/Total comprehensive income attributable to :				
Owners of the Company	260	3,258	10,050	5,493
Non-controlling interest	-	-	-	-
	<u>260</u>	<u>3,258</u>	<u>10,050</u>	<u>5,493</u>
Earnings per ordinary share (sen) ⁽¹⁾				
* Basic earnings per share (sen)	<u>0.07</u>	<u>1.17</u>	<u>2.66</u>	<u>2.10</u>
* Diluted earnings per share (sen)	<u>0.07</u>	<u>1.17</u>	<u>2.66</u>	<u>2.10</u>

Notes:

⁽¹⁾ Earnings per ordinary share is calculated based on the weighted average number of ordinary shares referred to in Note B11.

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 2021 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022
(The figures have not been audited)

	As At End Of Current Quarter 31.12.2022 RM'000	As At Preceding Financial Year Ended 31.12.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	15,333	18,538
Right-of-use assets	488	650
Investment properties	5,830	5,830
Total non-current assets	<u>21,651</u>	<u>25,018</u>
Current assets		
Inventories	15,993	18,922
Contract cost assets	4,887	-
Contract assets	29,163	-
Trade and other receivables	30,813	24,393
Current tax assets	2	2
Cash and bank balances	4,682	7,621
Total current assets	<u>85,540</u>	<u>50,938</u>
TOTAL ASSETS	<u>107,191</u>	<u>75,956</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	74,225	69,765
Treasury shares	-	(1,041)
Reserves	5,261	(4,789)
Total equity	<u>79,486</u>	<u>63,935</u>
Non-current liabilities		
Deferred tax liability	314	152
Borrowings	834	-
Lease liability	-	129
Total non-current liabilities	<u>1,148</u>	<u>281</u>
Current liabilities		
Trade and other payables	19,038	7,361
Amount owing to ultimate holding company - Armani Synergy Sdn. Bhd.	-	27
Borrowings	7,095	4,205
Lease liability	129	147
Tax Liability	295	-
Total current liabilities	<u>26,557</u>	<u>11,740</u>
Total liabilities	<u>27,705</u>	<u>12,021</u>
TOTAL EQUITY AND LIABILITIES	<u>107,191</u>	<u>75,956</u>
Net assets per share attributable to owners of the Company (RM) ⁽¹⁾	0.21	0.17

Notes:

⁽¹⁾ Computed based on total equity divided by the number of ordinary shares outstanding. The number of ordinary shares outstanding as at 31 December 2021 had been adjusted retrospectively to reflect the bonus issue of ordinary shares which was completed on 11 February 2022.

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED CASH FLOWS STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2022
(The figures have not been audited)

	Current Financial Period Ended 31.12.2022 RM'000	Preceding Year Corresponding Period 31.12.2021 RM'000
Cash flows for operating activities		
Profit before tax	11,306	5,546
Adjustments for:		
Allowance/(reversal) for slow-moving inventories	145	(1,197)
Amortisation of right-of-use assets	162	37
Allowance for impairment loss on trade receivables	1,319	22
Depreciation of property, plant and equipment	1,726	1,653
Expenses related to short-term lease	21	151
Gain on disposal of property, plant and equipment	(5,851)	(1,152)
Reversal of impairment loss on trade receivables	(36)	-
Unrealised loss/(gain) on foreign exchange	172	(117)
Interest expense	103	121
Interest income	(54)	(108)
Non-cash & non-operating items	<u>(2,293)</u>	<u>(590)</u>
Operating profit before working capital changes	9,013	4,956
(Increase)/decrease in working capital		
Inventories	2,784	(8,632)
Contract cost assets	(4,887)	-
Contract assets	(29,163)	-
Trade and other receivables	(7,703)	(21,028)
Trade and other payables	11,641	(643)
Cash used in operations	<u>(18,315)</u>	<u>(25,347)</u>
Interest paid	(103)	(121)
Short-term lease payment	(21)	(151)
Tax refund	52	-
Tax paid	(851)	(97)
Net cash for operating activities	<u>(19,238)</u>	<u>(25,716)</u>
Cash flows from/(for) investing activities		
Proceeds from disposal of property, plant and equipment	9,130	1,755
Purchase of property, plant and equipment	(1,764)	(759)
Interest received	54	108
Repayment to immediate and ultimate holding company	(27)	(1,300)
Repayment to former Director	-	(1,390)
Net cash from/(for) investing activities	<u>7,393</u>	<u>(1,586)</u>
Cash flows from financing activities		
Drawdown of bank borrowings	11,208	4,205
Repayment of bank borrowings	(7,484)	(927)
Payment for the principal portion of lease liabilities	(147)	(24)
Repayment of hire purchase obligation	-	(277)
Increase in cash pledge to financial institution	(194)	-
Net proceeds from issuance of rights issue	-	26,956
Net proceeds from sale of treasury shares	5,501	-
Net cash from financing activities	<u>8,884</u>	<u>29,933</u>
Net (decrease)/increase in cash and cash equivalents	(2,961)	2,631
Effect of exchange rate changes	(172)	117
Cash and cash equivalents at beginning of the period	7,621	4,873
Cash and cash equivalents at end of the period	<u>4,488</u>	<u>7,621</u>
Cash and cash equivalents at end of the period comprise:		
Cash and bank balances	4,682	7,621
Less: cash pledge to financial institution	(194)	-
	<u>4,488</u>	<u>7,621</u>

The Condensed Consolidated Cash Flows Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2022
(The figures have not been audited)

	Attributable to Owners of the Company					Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Retained Profit RM'000	Distributable reserves Accumulated Loss RM'000	
At 1 January 2021	42,809	(1,041)	201	880	(11,363)	31,486
Transaction with Owners of the Company: Issuance of shares pursuant to right issue	26,956	-	-	-	-	26,956
Total comprehensive income	-	-	-	-	5,493	5,493
At 31 December 2021	<u>69,765</u>	<u>(1,041)</u>	<u>201</u>	<u>880</u>	<u>(5,870)</u>	<u>63,935</u>
At 1 January 2022	69,765	(1,041)	201	880	(5,870)	63,935
Net proceeds from sale of treasury shares	4,460	1,041	-	-	-	5,501
Total comprehensive income	-	-	-	-	10,050	10,050
At 31 December 2022	<u>74,225</u>	<u>-</u>	<u>201</u>	<u>880</u>	<u>4,180</u>	<u>79,486</u>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT

PART A: EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have 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 condensed consolidated interim financial statements should be read in conjunction with the Group's last annual consolidated audited financial statements as at and for the year ended ("last annual consolidated audited financial statements") 31 December 2021. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual consolidated financial statements year ended 31 December 2021.

A2. Significant Accounting Policies

The accounting policies and methods of computation adopted by the Group in this condensed consolidated interim financial report are consistent with those adopted in the last annual consolidated financial statements for the financial year ended 31 December 2021 except for those standards, amendments and IC interpretations which are effective from the annual period beginning 1 January 2022 and onwards. The adoption of these standards, amendments and IC interpretation does not have significant impact on the financial statements of the Group and the Company.

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 2021.

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 Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

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, cancellations, repurchases, and repayment of debts and equity securities of the Group during the current quarter ended 31 December 2022.

A8. Dividend Paid

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

A9. Segmental Reporting

Financial Period-To-Date Ended 31 December 2022

	Property Development RM'000	Furniture RM'000	Construction RM'000	Total RM'000
Revenue:				
Total revenue	-	34,478	38,326	72,804
Less: Inter-segment revenue	-	-	-	-
Revenue from external customers	-	34,478	38,326	72,804
Result:				
Operating profit/(loss)	(31)	3,314	8,072	11,355
Interest expense	-	(103)	-	(103)
Interest income	-	54	-	54
Profit/(loss) before tax	(31)	3,265	8,072	11,306
Taxation	-	(424)	(832)	(1,256)
Profit/(loss) after tax/Total comprehensive income/(expenses) for the financial period	(31)	2,841	7,240	10,050
Non-controlling interest	-	-	-	-
Profit/(loss)/Total comprehensive income/(expenses) attributable to Owners of the Company	(31)	2,841	7,240	10,050

As At 31 December 2022

Assets

Segment assets	18,680	43,580	44,931	107,191
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Liabilities

Segment liabilities	269	4,612	14,766	19,647
Borrowings	-	7,929	-	7,929
Lease liability	-	129	-	129
	269	12,670	14,766	27,705

A9. Segmental Reporting (Cont'd)

Financial Period-To-Date Ended 31 December 2021

	Property Development RM'000	Furniture RM'000	Construction RM'000	Total RM'000
Revenue:				
Total revenue	-	48,130	800	48,930
Less: Inter-segment revenue	-	(5,391)	-	(5,391)
Revenue from external customers	-	42,739	800	43,539
Result:				
Operating profit/(loss)	(17)	5,316	260	5,559
Interest expense	-	(121)	-	(121)
Interest income	-	108	-	108
Profit/(loss) before tax	(17)	5,303	260	5,546
Taxation	-	(53)	-	(53)
Profit/(loss) after tax/Total comprehensive income/(expenses) for the financial period	(17)	5,250	260	5,493
Non-controlling interest	-	-	-	-
Profit(loss)/Total comprehensive income/(expenses) attributable to Owners of the Company	(17)	5,250	260	5,493

As At 31 December 2021

Assets

Segment assets	14,707	61,249	-	75,956
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Liabilities

Segment liabilities	32	7,508	-	7,540
Borrowings	-	4,205	-	4,205
Lease liability	-	276	-	276
	32	11,989	-	12,021

A10. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment 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.

A12. Change in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 December 2022.

A13. Changes in Contingent Liabilities

As at 31 December 2022, the Group did not have any contingent liability.

A14. Capital Commitments

There were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the quarter under review.

A15. Derivative Financial Asset/Liability

There were no forward foreign exchange contracts outstanding as at 31 December 2022.

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.

Transactions with companies in which certain Directors have substantial financial interests:	Nature of business	Current Year Quarter Ended 31.12.2022	Current Year To Date Ended 31.12.2022
		RM'000	RM'000
Armani Energy Sdn Bhd	Rental income	(2)	(5)
	Repayment to	-	(76)
	Sales of goods	-	(1)
	Sales of property, plant and equipments	-	(21)
	Transport charges	-	(6)
	Repayment from	-	38
	Charge for solar photovoltaic energy	-	76
KH Ong & Ng	Repayment to	(6)	(7)
	Legal fees	6	7
Mercu Majuniaga Sdn Bhd	Sales of goods	(14)	(14)
Sg. Besi Construction Sdn Bhd	Sales of goods	(236)	(244)
	Repayment from	8	8

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

B1. Review of Performance

Comparison between Quarter 31.12.2022 and Quarter 31.12.2021

The revenue and profit before tax recorded by the Group for the quarter was RM21,557,000 and RM1,092,000 respectively. This represents an increase of RM2,911,000 in revenue or 15.6% higher than that of its corresponding quarter. The higher revenue for quarter ended 31 December 2022 was mainly due to the income from construction contracts.

The Group registered a profit before tax of RM1,092,000 in the quarter as compared to a profit before tax of RM3,258,000 in the previous corresponding quarter. The decrease in profit was primarily due to the following:

- Decrease in local furniture project's sales and export sales of furniture.
- Provision of impairment on trade receivable.

Comparison between Year to Date 31.12.2022 with Year to Date 31.12.2021

The Group recorded an increase in revenue to RM72,804,000 against RM43,539,000 in the previous year mainly due to the revenue from construction projects. The registered profit before tax of RM11,306,000 against RM5,546,000 in the preceding year corresponding period was mainly due to the following:-

- Revenue and profit recognized from construction projects.
- Gain on disposal of property, plant and equipment.

B2. Variation of Results Against Preceding Quarter

Comparison between Quarter 31.12.2022 and Quarter 30.09.2022

The Group registered a profit before tax of RM1,092,000 for the current quarter ended 31 December 2022 as compared to a profit before tax of RM7,712,000 in the previous quarter ended 30 September 2022. The decrease in profit was primarily due to the following:

- Decrease in local and export sales of furniture.
- Provision of impairment on trade receivable.
- Gain on disposal of property, plant and equipment in previous quarter.
- Increase in operating cost.

B3. Commentary on Prospects

The global business environment remains challenging due to high costs of living, rising interest costs as well as escalation of geopolitical tensions. The Group will remain resilient and vigilant in its decision making in addressing these challenges including emphasis on effective cost management and enhancing production efficiency.

Despite the lingering COVID-19 concerns, we expect China's reopening to positively impact and pave the way for a rebound in business activity. The reopening of most international borders will also facilitate negotiations and marketing activities to increase export sales of furniture.

We are working towards launching new furniture models to expand our market share in the North American market and also to continue in our efforts to expand our market share in the European and Middle East markets to widen our customer base. We are also working towards securing more orders for local projects market for supply of furniture and related products.

Since diversification into property development business, our Group had been focusing on our maiden property development at Habu, Pahang, wherein the construction works for this project had commenced in the quarter ending 31 December 2022. Subsequent thereto, the Group had further expanded its property development segment by entering into several joint venture agreements with different parties for the development of various property projects located mainly within the vicinity of Kuantan, Pahang. The Group will continue working towards expanding the Group's property development business by securing more joint ventures for property development projects.

For the construction related business, the progress for construction related works including mechanical and electrical works to complete a mixed commercial development project at Johor Bahru is still on-going. Another contract for construction and completion of one unit of single storey factory and warehouse together with 2-storey office building in the District of Kuala Langat, Selangor which was completed in quarter four 2022. In quarter three, the Group have been awarded a turnkey construction contract by Magna Park Sdn. Bhd. an indirect wholly-owned subsidiary of Magna Prima Berhad, for the overall development and construction of service apartments known as Metro Kepong Phase 2D for a contract sum of RM115,000,000. At the same time, the Group was appointed as the project management consultant to do all the necessary to ensure a smooth implementation of the Project. During the quarter, the Group was awarded a construction contract by Lambaian Delta Sdn Bhd for the construction of staff quarters for the Ministry of Health at Federal Territory of Labuan at a contract sum of RM23,641,577. In December 2022, the Group received an award from Metbuild Sdn Bhd to undertake the construction and completion of the project namely "Design and Build Works for Supply, Delivery, Construction and Completion of Building, Mechanical and Electrical (M&E) Works and Main Infrastructure Works" in respect of 941 units of Small Office Home Office units (SOHO) and related facilities located at Bandar Subang Jaya for a contract sum of RM205,000,000. At the same time, the Group was appointed as the project management consultant to do all the necessary to ensure a smooth implementation of the Project. The Group will continue to work towards tendering and securing more construction contracts from both the private sector and also government sector to further grow our revenue stream from construction contracts.

B4. Variance of Actual and Forecast Profit

Not applicable.

B5. Taxation

	Current Year Quarter Ended 31.12.2022 RM'000	Current Year To Date Ended 31.12.2022 RM'000
Current tax expense:		
- Current financial period	670	670
- Under provision in previous financial year	-	13
	670	683
Deferred tax expense:		
- Origination of temporary differences	162	162
Real property gains tax		
- Current financial period	-	462
- Over provision in previous financial year	-	(51)
	832	1,256

B6. Status of Corporate Proposal

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

B7. Group Borrowings and Debt Securities

a) The Group borrowings as at 31 December 2022 were as follows:

	Total Secured	
	As at 31.12.2022 RM'000	As at 31.12.2021 RM'000
<u>Short Term</u>		
Trade facility	6,948	4,205
Term loans	147	-
	7,095	4,205
<u>Long Term</u>		
Term loans	834	-
	834	-
Total	7,929	4,205

b) There were no debt securities for the current quarter and period ended 31 December 2022.

B8. Corporate Guarantee/Performance Bond

As at 31 December 2022, total performance bonds for various property development projects and construction contracts awarded amounted to RM29.50 million, of which RM14.15 million had been paid for various contracts awarded.

B9. Gains/Loss Arising from Fair Value Changes of Financial Assets/Liabilities

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

B10. Material Litigation

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

B11. Dividend Payable

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

B12. Basis of Calculation of Earnings Per Share

	Quarter Ended		Year To Date Ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Profit attributable to owners of the Company (RM'000)	260	3,258	10,050	5,493
Weighted average number of ordinary shares in issue ('000) ⁽¹⁾	379,427	278,854	378,157	260,996
Basic earnings per ordinary share (sen)	0.07	1.17	2.66	2.10
Weighted average number of ordinary shares in issue (Diluted) ('000) ⁽²⁾	379,427	278,854	378,157	260,996
Diluted earnings per ordinary share (sen)	0.07	1.17	2.66	2.10

Notes:

- (1) Basic earnings per share is calculated based on the Company's weighted average number of ordinary shares at the end of the reporting period. For comparative purpose, the earnings per share for the financial period ended 31 December 2021 had been adjusted to reflect the bonus issue of 2 for every 1 existing ordinary shares which was completed on 11 February 2022.
- (2) The diluted earnings per share is the same as basic earnings per share as the potential conversion of the Company's existing warrants is anti-dilutive. The potential conversion is anti-dilutive as the warrant's exercise price is higher than the average market price of the Company's ordinary shares.

B13. Additional Disclosure on Profit for the Period

	Current Year Quarter Ended 31.12.2022 (RM'000)	Current Year To Date Ended 31.12.2022 (RM'000)
Profit for the period is arrived at after (crediting)/charging:		
Allowance for slow-moving inventories	410	145
Allowance for impairment loss on:		
- reversal trade receivables	(20)	(36)
- trade receivables	1,319	1,319
Gain on disposal of property, plant and equipment	-	(5,851)
Interest income:		
- bank interest	(5)	(54)
Realised gain on foreign exchange	(79)	(283)
Unrealised loss on foreign exchange	316	172
Amortisation of right-of-use assets	41	162
Depreciation of property, plant and equipment	435	1,726
Interest expense	58	103

Other than the above items which have been included in the statements of profit or loss and other comprehensive income, there was no provision for and written off of receivables, provision for and written 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 2022.

By order of the Board
TAFI Industries Berhad

Dato' Sri Azlan Bin Azmi
Group Managing Director
23 February 2023