

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2023

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2023 RM'000 Unaudited	Preceding Year Corresponding Quarter Ended 30.06.2022 RM'000 Unaudited	Current Year To Date Ended 30.06.2023 RM'000 Unaudited	Preceding Year Corresponding To Date Ended 30.06.2022 RM'000 Unaudited
Revenue	17,983	21,247	28,751	33,336
Cost of sales	(17,105)	(18,177)	(27,287)	(29,013)
Gross profit	878	3,070	1,464	4,323
Operating expenses	(791)	(1,040)	(1,787)	(2,173)
Other income	79	298	658	358
Profit from operations	166	2,328	335	2,508
Interest expense	(4)	(14)	(103)	(20)
Interest income	63	6	101	14
Profit before tax	225	2,320	333	2,502
Taxation	(36)	51	(36)	51
Profit after tax/Total comprehensive income for the financial period	189	2,371	297	2,553
Profit/Total comprehensive income attributable to :				
Owners of the Company	189	2,371	297	2,553
Non-controlling interest	-	-	-	-
	189	2,371	297	2,553
Earnings per ordinary share (sen) ⁽¹⁾				
* Basic earnings per share (sen)	0.05	0.62	0.08	0.68
* Diluted earnings per share (sen)	0.05	0.62	0.08	0.68

Notes:

⁽¹⁾ Earnings per ordinary share is calculated based on the weighted average number of ordinary shares referred to in Note B12.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

	As At End Of Current Quarter 30.06.2023 RM'000 Unaudited	As At Preceding Financial Year Ended 31.12.2022 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	14,489	15,333
Investment properties	5,830	5,830
Contract costs	4,416	4,285
Right-of-use assets	407	488
Total non-current assets	25,142	25,936
Current assets		
Inventories	22,875	18,003
Trade and other receivables	59,033	30,234
Contract assets	20,454	29,163
Contract costs	1,598	1,428
Current tax assets	304	2
Deposits, cash and bank balances	7,669	4,682
Total current assets	111,933	83,512
TOTAL ASSETS	137,075	109,448
EQUITY AND LIABILITIES		
Equity		
Share capital	74,225	74,225
Reserves	5,543	5,246
Total equity	79,768	79,471
Non-current liabilities		
Deferred tax liabilities	284	314
Borrowings	-	834
Total non-current liabilities	284	1,148
Current liabilities		
Trade and other payables	56,610	21,279
Contract liabilities	-	32
Borrowings	-	7,095
Lease liabilities	52	128
Tax Liabilities	361	295
Total current liabilities	57,023	28,829
Total liabilities	57,307	29,977
TOTAL EQUITY AND LIABILITIES	137,075	109,448
Net assets per share attributable to equity holder of the Company (RM)	0.21	0.21

CONDENSED CONSOLIDATED CASH FLOWS STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2023

	Current Financial Period Ended 30.06.2023 RM'000 Unaudited	Preceding Year Corresponding Period 30.06.2022 RM'000 Unaudited
Cash flows from operating activities		
Profit before tax	333	2,502
Adjustments for:		
Amortisation of right-of-use assets	81	87
Depreciation of property, plant and equipment	869	857
Gain on disposal of property, plant and equipment	-	(90)
Reversal/(impairment) of loss on trade receivables	(500)	16
Reversal of provision for slow-moving inventories	(75)	(136)
Unrealised (gain)/loss on foreign exchange	(39)	22
Interest expense	103	20
Interest income	(101)	(14)
	<u>338</u>	<u>762</u>
Operating profit before working capital changes	671	3,264
(Increase)/decrease in working capital		
Inventories	(4,797)	731
Trade and other receivables	(28,299)	1,124
Contract assets	8,709	(16,692)
Contract costs	(301)	-
Trade and other payables	18,556	5,738
Contract liabilities	(32)	-
Cash used in operations	(5,493)	(5,835)
Interest paid	(103)	(20)
Tax paid	(302)	-
Tax refund	-	51
Net cash flows for operating activities	<u>(5,898)</u>	<u>(5,804)</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	91
Purchase of property, plant and equipment	(20)	(343)
Interest received	101	14
Net cash flows from/(for) investing activities	<u>81</u>	<u>(238)</u>
Cash flows from financing activities		
Advance from ultimate holding company	16,770	-
Change in pledged deposits	(300)	-
Drawdown of bank borrowings	1,375	-
Repayment of bank borrowings	(9,304)	(1,014)
Payment for the principal portion of lease liabilities	(76)	(73)
Net proceeds from sale of treasury shares	-	5,501
Net cash flows from financing activities	<u>8,465</u>	<u>4,414</u>
Net increase/(decrease) in cash and cash equivalents	2,648	(1,628)
Effect of exchange rate changes	39	(22)
Cash and cash equivalents at beginning of the period	4,682	7,621
Cash and cash equivalents at end of the period	<u>7,369</u>	<u>5,971</u>

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Current Financial Period Ended 30.06.2023 RM'000 Unaudited	Preceding Year Corresponding Period 30.06.2022 RM'000 Unaudited
Cash and bank balances	7,369	5,971
Deposit placed with a licensed bank	300	-
	<u>7,669</u>	<u>5,971</u>
Less: Deposits pledged	(300)	-
	<u>7,369</u>	<u>5,971</u>

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2023

	Attributable to Owners of the Company				Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Distributable reserves Retained Earnings RM'000	
<u>Audited</u>					
At 1 January 2022	69,765	(1,041)	201	(4,990)	63,935
Transaction with Owners of the Company: Net proceeds from sale of treasury shares	4,460	1,041	-	-	5,501
Total comprehensive income	-	-	-	10,035	10,035
At 31 December 2022	74,225	-	201	5,045	79,471
<u>Unaudited</u>					
At 1 January 2023	74,225	-	201	5,045	79,471
Total comprehensive income	-	-	-	297	297
At 30 June 2023	74,225	-	201	5,342	79,768

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 2022. 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 2022.

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 2022 except for those standards, amendments and IC interpretations which are effective from the annual period beginning 1 January 2023 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 2022.

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.

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Company No. 200401002432 (640935-P)

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 30 June 2023.

A8. Dividend Paid

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

A9. Segmental Reporting

Financial period-to-date ended 30 June 2023

	Furniture RM'000	Construction RM'000	Property development RM'000	Total RM'000
Revenue:				
Total revenue	13,590	15,161	-	28,751
Less: Inter-segment revenue	-	-	-	-
Revenue from external customers	13,590	15,161	-	28,751
Result:				
Operating profit/(loss)	(1,411)	1,762	(16)	335
Interest expense	(49)	(54)	-	(103)
Interest income	100	-	1	101
Profit/(loss) before tax	(1,360)	1,708	(15)	333
Taxation	-	(36)	-	(36)
Profit/(loss) after tax/Total comprehensive income/(expenses) for the financial period	(1,360)	1,672	(15)	297
Non-controlling interest	-	-	-	-
Profit/(loss)/Total comprehensive income/(expenses) attributable to Owners of the Company	(1,360)	1,672	(15)	297

As At 30 June 2023

Assets

Segment assets	43,583	63,613	29,575	136,771
Unallocated assets	-	-	-	304
Total assets	43,583	63,613	29,575	137,075

Liabilities

Segment liabilities	19,470	20,627	16,513	56,610
Lease liability	52	-	-	52
Unallocated liabilities	-	-	-	645
Total liabilities	19,522	20,627	16,513	57,307

A9. Segmental Reporting (Cont'd)

Financial period-to-date ended 30 June 2022

	Furniture RM'000	Construction RM'000	Property development RM'000	Total RM'000
Revenue:				
Total revenue	16,644	16,692	-	33,336
Less: Inter-segment revenue	-	-	-	-
Revenue from external customers	16,644	16,692	-	33,336
Result:				
Operating profit/(loss)	(674)	3,200	(18)	2,508
Interest expense	(20)	-	-	(20)
Interest income	14	-	-	14
Profit/(loss) before tax	(680)	3,200	(18)	2,502
Taxation	51	-	-	51
Profit/(loss) after tax/Total comprehensive income/(expenses) for the financial period	(629)	3,200	(18)	2,553
Non-controlling interest	-	-	-	-
Profit(loss)/Total comprehensive income/(expenses) attributable to Owners of the Company	(629)	3,200	(18)	2,553

As At 31 December 2022

Assets

Segment assets	43,819	44,936	20,691	109,446
Unallocated assets	-	-	-	2
Total assets	43,819	44,936	20,691	109,448

Liabilities

Segment liabilities	4,560	14,471	2,280	21,311
Borrowings	7,929	-	-	7,929
Lease liability	128	-	-	128
Unallocated liabilities	-	-	-	609
Total liabilities	12,617	14,471	2,280	29,977

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 30 June 2023.

A13. Changes in Contingent Liabilities

As at 30 June 2023, 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 30 June 2023.

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 30.06.2023	Current Year To Date Ended 30.06.2023
		RM'000	RM'000
Armani Synergy Sdn Bhd	Advances from	-	(16,770)
Armani Energy Sdn Bhd	Rental income	(1)	(2)
	Charge of solar photovoltaic energy	53	102
Golden Armani Sdn Bhd	Sales of goods	(2,026)	(2,239)
Mercu Majuniaga Sdn Bhd	Sales of goods	(412)	(851)
Sg. Besi Construction Sdn Bhd	Sales of goods	(17)	(79)

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

B1. Review of Performance

Comparison between Quarter 30.06.2023 and Quarter 30.06.2022

The revenue and profit before tax recorded by the Group for the current quarter and preceding year corresponding quarter was RM17,983,000 (2022: RM21,247,000) and RM225,000 (2022: RM2,320,000) respectively. This represents a decrease of RM3,264,000 in revenue or 15.4% lower than that of its preceding year corresponding quarter.

The lower revenue and profit before tax in the current quarter were mainly due to the following:-

- Decrease in furniture's sales.
- Lower profit margin from construction revenue.

Comparison between Year to Date 30.06.2023 and Year to Date 30.06.2022

The Group recorded a decrease in revenue to RM28,751,000 against RM33,336,000 in the previous year mainly due to the revenue decreased from furniture segment. The registered profit before tax of RM333,000 against RM2,502,000 in the preceding year corresponding period was mainly due to the following:-

- Decrease in furniture's sales.
- Lower recognition of construction revenue.
- Lower profit margin on certain on-going projects in current year.

B2. Variation of Results against Preceding Quarter

Comparison between Quarter 30.06.2023 and Quarter 31.03.2023

The Group registered a profit before tax of RM225,000 for the current quarter ended 30 June 2023 as compared to previous quarter ended 31 March 2023 of RM108,000. The increase in profit was primarily attributable to the acceleration of construction progress of new projects secured in FY2023.

B3. Commentary on Prospects

The global business environment continues to face challenges from high inflation, rising interest, geopolitical tensions and higher cost of living. The Group will continue to remain resilient and vigilant in its decision making in addressing these challenges including emphasis on effective cost management and enhancing production efficiency.

Furniture demand in oversea market especially in North America and Europe is slowing down due to challenges from high cost of living resulting in reduced demand from consumer market and overstocking by major buyers. In respond to this, the Group is working towards launching new furniture models to expand our market share in the European and Middle East markets to widen our customer base and also work towards securing more orders for local projects market for supply of furniture and related products.

Construction works on our maiden property development at Habu, Pahang had commenced during the quarter ended 31 December 2022 and we expect sales and result to flow in positively in financial year ended 31 December 2024. The Group's other property development projects in Pahang are also progressing within our timeline with some projects already obtaining the development orders. We will continue to look for more joint ventures or land acquisitions to grow our property development business.

The Group's construction business has an outstanding order book of approximately RM334.7 million after taking into account two (2) new ongoing construction contracts secured during year 2023 with a total value of RM20.66 million. The Group will continue working towards securing more construction projects from both private and government sectors to grow the Group's construction business.

B4. Variance of Actual and Forecast Profit

Not applicable.

B5. Taxation

	Current Year Quarter Ended 30.06.2023 RM'000	Current Year To Date Ended 30.06.2023 RM'000
Current tax expense:		
- Current financial period	66	66
	66	66
Deferred tax expense:		
- Reversal of temporary differences	(17)	(17)
- Over provision in previous financial year	(13)	(13)
	(30)	(30)
Total	36	36

B6. Status of Corporate Proposal

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

B7. Group Borrowings and Debt Securities

- a) There were no group borrowings as at 30 June 2023.
- b) There were no debt securities for the current quarter and period ended 30 June 2023.

B8. Corporate Guarantee/Performance Bond

As at 30 June 2023, total performance bonds for various property development projects and construction contracts awarded amounted to RM34.08 million, of which RM25.63 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	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Profit attributable to Owners of the Company (RM'000)	189	2,371	297	2,553
Weighted average number of ordinary shares in issue ('000)	379,427	379,427	379,427	376,887
Basic earnings per ordinary share (sen)	0.05	0.62	0.08	0.68
Weighted average number of ordinary shares in issue ('000)	379,427	379,427	379,427	376,887
Diluted earnings per ordinary share (sen)	0.05	0.62	0.08	0.68

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Company No. 200401002432 (640935-P)

B13. Additional Disclosure on Profit for the Period

	Current Year Quarter Ended 30.06.2023 (RM'000)	Current Year To Date Ended 30.06.2023 (RM'000)
Profit for the period is arrived at after (crediting)/charging:		
Interest income	(63)	(101)
Reversal of provision for slow-moving inventories	(13)	(75)
Reversal of impairment loss on trade receivables	-	(500)
Unrealised gain on foreign exchange	(25)	(39)
Amortisation of right-of-use assets	40	81
Depreciation of property, plant and equipment	434	869
Interest expense	4	103
Realised (gain)/loss on foreign exchange	(34)	7

Save for the above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

By order of the Board
TAFI Industries Berhad

Dato' Sri Azlan Bin Azmi
Group Managing Director
24 August 2023