

## **FEDERAL FURNITURE HOLDINGS (M) BHD**

### **INTERIM FINANCIAL REPORT –4TH QUARTER ENDED 31 DECEMBER 2014**

#### **NOTES TO THE INTERIM FINANCIAL REPORT**

##### **1. Basis of preparation**

These interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”). The interim financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements. 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 financial position and performance of the Group since the year ended 31 December 2013.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2013.

Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2014 or later are provided in note 2 to the audited financial statements of the Group for the financial year ended 31 December 2013. The adoption of the new standards and amendments/annual improvements to existing standards did not have any significant impact to the Group during the current quarter and financial period to date.

##### **2. Audit Report of Preceding Audited Financial Statements**

The preceding year’s annual audited financial statements were not subject to any qualifications from the auditors.

##### **3. Seasonal or Cyclical Factors**

The operations are subject to the cyclical nature of the property and construction industry especially in the commercial and hospitality segments.

##### **4. Unusual items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no items affecting assets, liabilities, equity, net income or cash flows that were material and unusual because of their nature, size or incidence in the current quarter. Revaluation of properties yielded a surplus of RM6.5m net of tax during the quarter.

##### **5. Changes in estimates**

There were no material changes in estimates of amount reported in prior interim periods or in previous financial years which have a material effect in the current quarter.

##### **6. Debt and equity securities**

There were no issuances, cancellation, repurchase, resale and repayments of debt and equity securities during the current quarter.

##### **7. Dividends paid**

There were no dividends paid during the current quarter.

## 8. Segmental Information

<b>Period ended 31 Dec 2014</b>	<b>Turnover RM '000</b>	<b>Profit /(Loss) Before Taxation RM '000</b>	<b>Total Assets Employed RM '000</b>
Manufacture and export	30,823	4,740	25,891
Trading and retail	4,180	(917)	15,978
Interior fit-out	38,247	458	23,700
Investment holding	-	(1,110)	1,140
Others	-	36	1
Total before Group elimination	73,250	3,207	66,710
Inter segment elimination	(6,423)	-	-
<b>After elimination</b>	<b>66,827</b>	<b>3,207</b>	<b>66,710</b>

<b>Period ended 31 Dec 2013</b>	<b>Turnover RM '000</b>	<b>Profit /(Loss) Before Taxation RM '000</b>	<b>Total Assets Employed RM '000</b>
Manufacture and export	36,291	2,929	18,140
Trading and retail	18,612	3,166	17,601
Interior fit-out	20,336	(258)	20,770
Investment holding	-	(1,394)	454
Others	-	(13)	1
Total before Group elimination	75,239	4,430	56,966
Inter segment elimination	(19,876)	-	-
<b>After elimination</b>	<b>55,363</b>	<b>4,430</b>	<b>53,839</b>

## 9. Valuation of Property, Plant and Equipment

There were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have an effect in the current financial quarter under review.

## 10. Material Events Subsequent to the Quarter End

There were no material events subsequent to the end of the current quarter that have not been reflected in the financial statements of the interim period.

## 11. Changes in Group Composition

There were no changes in the composition of the Group for the financial quarter under review.

## 12. Changes in Contingent Liabilities

There were no changes in contingent liabilities or contingent assets as at the date of this announcement.

## 13. Related party transactions

There were no related party transactions for the financial quarter under review.

All amount in RM'000	Q4	YTD
Permodalan Masteron Sdn Bhd – Aurora show unit	0	6

## **ADDITIONAL INFORMATION REQUIRED PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

### **14. Review of Performance**

Group turnover grew by 65% in Q4 to RM23m from RM14m a year earlier mainly due to higher progress billings from the IFO division and higher export sales that was partially offset by lower sales from the Trading division. Turnover for the manufacturing division grew by 10% to RM7.0m from RM6.3m for the corresponding period a year earlier, underpinned by higher exports to Starbucks Japan and Korea while ASEAN region sales fell by 15%. YTD the manufacturing division increased its turnover by 26% to RM24m from RM19m a year ago due to higher sales from all the Asia Pacific markets it serves. Manufacturing operating profit for the year increased by 62% to RM4.7m from RM2.9m a year earlier as a result of the higher sales and higher margin arising from the appreciation of the US dollar. Turnover for the trading division however fell by 56% to RM0.9m from RM2.1m a year earlier on failure to secure new contracts for supply of building materials and kitchen furniture. However, sales from the kitchen retail operations for the year more than doubled over the previous year on the success of efforts made to strengthen its sales team, cut operating costs and improve its marketing strategies. The division as a whole posted a 30% lower operating loss of RM0.2m for the quarter compared to a loss of RM0.3m a year ago due to the improvement from the kitchen retail operations. Meanwhile the IFO division expanded its turnover by 170% to RM15.2m from RM5.6m a year earlier due to higher progress billings from projects secured. Consequently the division registered an operating profit of RM0.2m for the quarter compared to a loss of RM0.3m a year earlier despite the lower margin achieved. On a consolidated basis Q4 PBT increased by 10% to RM0.9m from RM0.8m a year earlier mainly due to the improvements from the trading and IFO division. After accounting for deferred tax charge of RM0.3m, PAT for Q4 was RM0.6m, up 37% from RM0.5m a year ago. The Group also registered other comprehensive income of RM6.5m from revaluation of property net of tax during the quarter under review. Total comprehensive income for the quarter was RM7.1m compared to RM0.5m a year earlier.

### **15. Comparison with Preceding Quarter**

Compared to the preceding quarter, PBT increased by 90% to RM0.9m from RM0.5m in the preceding quarter due to the 40% increase in turnover. All operating units improved on their turnover and operating results over the preceding quarter.

### **16. Current Year Prospects.**

The manufacturing division expects the strong demand for supply of caseworks seen in 2014 to continue into 2015 but growth is expected to be much more subdued. The impetuous for sales growth in 2015 will more likely accrue from new products and new accounts that is expected to expand by double digits and account for up to 10% of total sales in 2015 from just 4% in 2014. The division is upgrading its manufacturing assets in the 2<sup>nd</sup> quarter to increase its capacity and improve on production efficiencies to cope with the higher turnover expected. The manufacturing division is also expected to continue to benefit from the appreciation of the US dollar vis-à-vis the Ringgit. The trading division is expected to improve on its turnover from both the retail and project

segment of the market. The kitchen retail operations is expected to continue to improve on its turnover and operating result as it increases sales conversion ratio from the retail showroom. The operations has also secured orders from the project segment to be delivered in the 2<sup>nd</sup> quarter of 2015 that will augment its financial result for the year. With these expected improvements the retail operations is expected to more than double its turnover and is hopeful of making a turnaround in its operating results in 2015. The IFO division will substantially increase its turnover on projects carried forward from 2014 and is also in advanced negotiations to secure several projects in the hospitality sector. The prospect for the division as always will also hinge on the success of these negotiations, the ability to execute the projects secured successfully, and the outcome of claims for recovery of prolongation cost and variation orders. However gross margin on a lumpy contract carried forward from 2104 will keep margin below average. With all divisions expected to improve on its 2014 results, the Group is cautiously optimistic of returning a better set of results in 2015.

#### 17. Profit Forecast and Profit Guarantee

Not applicable.

#### 18. Taxation

	<u>Current Quarter</u> RM'000	<u>Year-to-date</u> RM'000
Current year provision / (write-back)	50	105
Under/(over) provision in prior years	-	2
Deferred tax	201	1,131
	-----	-----
Total tax	251	1,238
	=====	=====

#### 19. Status of corporate proposal

None

#### 20. Group borrowings and debt securities as at end of reporting period

- **Group Borrowings :**

RM'000	Short term	Long term
<b>Secured :</b>		
Bank overdrafts	957	-
Bankers acceptances	640	-
Hire Purchase	251	488
Term loans	274	1,711
<b>Unsecured :</b>		
Bank overdrafts	2,195	-
Bankers' acceptances	4,011	-
Revolving credit	-	-
<b>Total group borrowings</b>	<b>8,328</b>	<b>2,199</b>

#### 21. Off Balance Sheet Financial Instruments.

There were no off balance sheet financial instruments at the date of this report other than as follows:-

The Company has provided various financial guarantees to banks for the guarantee of credit facilities granted to its various subsidiaries. The Company has carried out an assessment of the probability and timing of default, the sufficiency of assets to meet the financial obligations at subsidiary level, assets pledged as security in respect of facility guaranteed in determining the necessity to fair value the financial guarantee in its books.

## 22. Changes in material litigation

There were no changes in material litigation during the interim period to-date.

## 23. Dividend declared

No interim dividend has been declared for the period under review.

## 24. Basic/diluted earnings per share.

The basic earnings per share has been calculated based on the Group's profit attributable to shareholders of RM1,829,000 and the average number of shares in issue during the quarter of 82,695,900. The diluted earnings per share was calculated based on the average number of shares and warrants in issue during the quarter amounting to 114,267,328.

## 25. Realised and Unrealised Profits/(Losses)

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>RM '000</b>	<b>RM'000</b>
Total retained profits/(accumulated losses) of the Company and its subsidiaries:-		
- Realised profits/(Loss)	(12,192)	(17,305)
- Unrealised profits/(Loss)	<u>(1,037)</u>	<u>2,246</u>
Total Group retained profits/(accumulated losses) as per consolidated accounts	<u>(13,229)</u>	<u>(15,059)</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

## 26. Additional notes to the Statement of Comprehensive Income

	<b>Current Quarter</b>	<b>Year- to-date</b>
	<b>RM '000</b>	<b>RM '000</b>
(Loss) / profit for the period / year is arrived at after charging / (crediting):		
Interest income	(21)	(41)
Other income	65	(317)
Interest expenses	187	472
Depreciation and amortization	288	1280
Provisions for and write off of		
- Receivables	158	198
- Inventories	1	1
(Gain)/Loss on disposal of		
- Property, plant and equipment	-	-
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	63	(7)

Other than the items highlighted above which have been included in the Statement of Profit or Loss and Other Comprehensive Income, there were no gain or loss on derivatives and exceptional items for the current quarter and period ended 31 Dec 2014.