

FEDERAL FURNITURE HOLDINGS (M) BERHAD

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2017

These figures have not been audited and should be read in conjunction with the latest audited financial statements

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/6/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2016 RM'000	CURRENT YEAR TO DATE 30/6/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2016 RM'000
1. Revenue	48,710	N/A	208,519	N/A
Investment income	-	N/A	-	N/A
Other income including interest income	1,102	N/A	1,700	N/A
Operating expenses	(45,625)	N/A	(192,138)	N/A
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	4,187	N/A	18,081	N/A
(b) Interest on borrowings	(256)	N/A	(1,173)	N/A
(c) Depreciation and amortisation	(2,865)	N/A	(5,401)	N/A
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	1,066	N/A	11,507	N/A
(e) Share of profit/(loss) in associated companies	-	-	-	-
(f) Profit/(Loss) before taxation	1,066	N/A	11,507	N/A
(g) Income tax expenses	(1,278)	N/A	(4,184)	N/A
3. Profit/(Loss) for the period	(212)	N/A	7,323	N/A
Other comprehensive income, net of tax	-	N/A	-	N/A
4. Total comprehensive income for the period	(212)	N/A	7,323	N/A
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	(11)	N/A	6,191	N/A
(ii) Non-controlling interest	(201)	N/A	1,132	N/A
	(212)	N/A	7,323	N/A
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	(11)	N/A	6,191	N/A
(ii) Non-controlling interest	(201)	N/A	1,132	N/A
	(212)	N/A	7,323	N/A
7. (a) Earnings per share based on 5(i) above after deducting any provision for preference dividends, if any:-				
(i) Basic based on 90,489,223 (2015 : 82,695,900) ordinary shares - (sen)	(0.01)	N/A	6.84	N/A
(ii) Fully diluted - (sen)	(0.01)	N/A	5.46	N/A
8. Net assets per share (RM)			0.9362	N/A

FEDERAL FURNITURE HOLDINGS (M) BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

These figures have not been audited and should be read in conjunction with the latest audited financial statements

	AS AT END OF CURRENT QUARTER 30/6/2017	AS AT PRECEDING FINANCIAL YEAR END 31/12/2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	42,788	32,341
Investment properties	4,704	54
Goodwill on consolidation	18,556	-
Intangible assets	1,581	-
Deferred tax assets	258	258
	<u>67,887</u>	<u>32,653</u>
Current assets		
Inventories	6,006	5,849
Trade receivables	70,827	30,806
Other receivables	3,848	1,938
Tax assets	-	1
Fixed deposits with licensed banks	11,317	1,637
Cash and bank balances	3,073	6,237
	<u>95,071</u>	<u>46,468</u>
TOTAL ASSETS	<u>162,958</u>	<u>79,121</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	84,941	41,348
Reserves	5,310	3,411
Equity attributable to owners of the parent	<u>90,251</u>	<u>44,759</u>
Non-controlling interest	11,798	1,038
Total equity	<u>102,049</u>	<u>45,797</u>
Non-current liabilities		
Borrowings	5,242	4,646
Deferred tax liabilities	3,813	2,890
	<u>9,055</u>	<u>7,536</u>
Current liabilities		
Trade payables	18,853	9,769
Other payables	24,016	10,564
Borrowings	7,027	4,720
Provision for taxation	1,958	735
	<u>51,854</u>	<u>25,788</u>
Total liabilities	<u>60,909</u>	<u>33,324</u>
TOTAL EQUITY AND LIABILITIES	<u>162,958</u>	<u>79,121</u>

FEDERAL FURNITURE HOLDINGS (M) BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017

These figures have not been audited and should be read in conjunction with the latest audited financial statements

	← Share Capital →		← Attributable to owners of the parent →				Distributable		Total Equity RM'000
	Ordinary Share Capital RM	RCPS RM	Share premium RM'000	Revaluation reserve RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling Interest RM'000	
At 1 January 2015	41,348	-	3,441	6,666	16	(13,166)	38,305	944	39,249
Total comprehensive income	-	-	-	86	-	6,368	6,454	94	6,548
AS AT 31 DECEMBER 2015	41,348	-	3,441	6,752	16	(6,798)	44,759	1,038	45,797
At 1 January 2016	41,348	-	3,441	6,752	16	(6,798)	44,759	1,038	45,797
Exercise of warrants to ordinary shares	13,152	-	-	-	-	-	13,152	-	13,152
Issue of RCPS	-	27,000	-	-	-	-	27,000	-	27,000
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	-	9,629	9,629
Dividend	-	-	-	-	-	(851)	(851)	-	(851)
Total comprehensive income	-	-	-	-	-	6,191	6,191	1,131	7,322
Effects of adoption of Companies Act 2016 *	3,441	-	(3,441)	-	-	-	-	-	-
AS AT 30 JUNE 2017	57,941	27,000	-	6,752	16	(1,458)	90,251	11,798	102,049

* With the Companies Act 2016 coming into effect on 31 January 2017, the credit balance of the share premium becomes part of the share capital. Such credit balance may be utilised within 24 months after the commencement of the Act for purposes as set out in transitional provisions of the Act.

FEDERAL FURNITURE HOLDINGS (M) BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017

These figures have not been audited and should be read in conjunction with the latest audited financial statements

	Unaudited 30/06/2017 RM'000	Audited 31/12/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	11,507	9,189
Adjustments for:		
Bad debts written off	-	88
Deposits written off	-	-
Depreciation of investment properties	59	2
Depreciation of property, plant and equipment	3,109	1,549
Impairment losses on receivables	-	116
Impairment losses on inventories	-	102
Interest expense	1,173	514
Interest income	(189)	-
Property, plant and equipment written off	-	-
Loss/(Gain) on disposal of property, plant and equipment	261	(23)
Amortisation of intangible assets	2,233	-
Unrealised loss/(gain) on foreign exchange	-	-
Operating (loss)/profit before working capital changes	<u>18,153</u>	<u>11,537</u>
Changes in working capital:		
Inventories	(157)	(1,114)
Receivables	22,413	(434)
Payables	<u>(30,891)</u>	<u>4,504</u>
Cash (used in)/generated from operations	9,518	14,493
Income tax paid	<u>(5,241)</u>	<u>(263)</u>
Net cash (used in)/generated from operating activities	<u>4,277</u>	<u>14,230</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	8	23
Purchase of property, plant and equipment	(2,822)	(6,912)
Acquisition of subsidiary, net of cash acquired	(3,596)	-
Interest received	189	-
Net cash (used in)/generated from investing activities	<u>(6,221)</u>	<u>(6,889)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,173)	(514)
Dividend paid	(851)	-
Fixed deposit held as security value	1,013	(61)
Loans (repaid)/raised	(892)	(220)
Proceed from exercise of warrants to ordinary shares	13,152	-
Repayment of hire purchase and lease payables	<u>(2,168)</u>	<u>(411)</u>
Net cash generated from/(used in) financing activities	<u>9,081</u>	<u>(1,206)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,137	6,135
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,145	(990)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>12,282</u>	<u>5,145</u>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	11,317	1,637
Cash and bank balances	3,073	6,236
Bank Overdrafts	(1,484)	(1,091)
Pledged fixed deposits	<u>(624)</u>	<u>(1,637)</u>
	<u>12,282</u>	<u>5,145</u>

FEDERAL FURNITURE HOLDINGS (M) BHD

INTERIM FINANCIAL REPORT –6th QUARTER ENDED 30 JUNE 17

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 2015 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 2015.

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 2015.

Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 January 2016 or later are provided in note 2 to the audited financial statements of the Group for the financial year ended 31 December 2015. 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 except for the provisional amortisement of intangible asset amounting to RM2.3m for the period from acquisition of Pembinaan Masteron Sdn Bhd on 30 November 2016 to end of this quarter arising from the Purchase Price Allocation exercise required under MFRS 3 Business Combination

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 except for the exercise of 438,971 warrants to 438,971 ordinary shares

7. Dividends paid

No dividend were paid during the quarter under review.

8. Segmental Information

Period ended 30 June 2017	Turnover RM '000	Profit /(Loss) Before Taxation RM '000	Total Assets Employed RM '000
Manufacture and export	49,070	9,810	34,409
Trading and retail	7,893	(432)	4,171
Interior fit-out	83,478	78	36,122
Investment holding	-	(1,839)	8,799
Construction	75,284	6,144	55,779
Others	-	(21)	1
Total before Group elimination	215,725	13,740	139,281
Inter segment elimination	(7,206)	-	25,170
After elimination	208,519	13,740	164,451

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 except for

- a) Acceptance of letter of award from a director related party, Pagoda Canggih Sdn Bhd for the construction of a 27-storey condominium in Puchong for the sum of RM70,697,883 by 60%-owned subsidiary company Pembinaan Masteron Sdn Bhd.

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

14. Review of Performance

The Company has changed its financial year from 31 December to 30 June. As such there are no comparatives for the quarter under review. The current financial period ended 30 June 2017 is an 18-months period.

Turnover for the Group in the current quarter came in at RM48.7m while that for the 18-months period ended 30 June 2017 was RM208.5m. Gross turnover before group elimination for the manufacturing division was RM8.0m for the current quarter. Sales of caseworks accounted for RM6.4m while sales of Starbuck services arising from final VO claim for the Cambodian flagship store project was RM0.7m while local sales made up the balance RM0.9m. Higher value per store from new store design and higher sales from Japan, Philippines, India and Australia partially offset the loss of sales from the Korean market. Gross margin for the quarter improved due to lower material cost, higher gross sales and the continued strength of the USD. Operating expenses increased due to higher staff costs and higher overseas travelling expenses to develop new markets in India and China. The division made an operating profit of RM1.6m for the current quarter under review. Sales for the 18-month period ended 30 June 2017 was RM49.1m of which caseworks accounted for RM41.1m and other Starbucks sales was RM3.0m while local sales came in at RM4.9m. Sales during the financial period ended 30/6/17 were adversely affected by production issues arising from significant changes to the caseworks products although this was somewhat mitigated by the higher value per new store and higher sales from India and Australia. Despite much higher travelling expenses, the division benefited from higher margin yield and the supply of construction services to register an operating profit of RM11.6m before HO management charges for the 18-months period.

The trading division registered a turnover of RM1.7m for the current quarter on supply of a kitchen project awarded to the IFO division while retail sales continued to languish due to poor consumer sentiments. Towards the end of the quarter, the division downsized the retail operations and incurred a one-time down-sizing cost of approximately RM0.4m. The division turned in an operating loss of RM0.2m for the current quarter. For the 18-month period, the division registered a turnover of RM7.7m and an operating loss of RM0.4m.

Turnover for the IFO division, despite the inclusion of provisional VO claim for a previously completed project was lower at RM12.4m due to the reduction in projects secured. Gross margin felled due to provisional losses incurred on a low-margin kitchen project that required rectifications works that the division will be claiming from an overseas supplier. Despite much lower staff due to attrition the division registered an operating loss of RM0.4m for the quarter under review. YTD turnover stood at RM81.0m while operating profit was RM1.0m before HO management charges.

The construction division registered turnover of RM27.1m for the current quarter. The lower work done was offset by higher gross margin as the division registered an operating profit of RM2.5m for the quarter. YTD turnover was RM75.3 million and reported an operating profit of RM6.4m on higher margin yield. As at the end of the financial period the division has unbilled contacts of approximately RM270m.

Group operating profit for the current quarter was RM3.3m as the higher contribution from the manufacturing division were offset by the loss from the trading and IFO divisions. Pursuant to the acquisition of the new construction business, the Company is required to carry out a Purchase Price Allocation (PPA) under MFRS 3 : *Business Combination* and to identify and amortise any intangible assets over its useful life. During the current quarter, the intangible assets amortised from the completion of the acquisition on 30 November 2016 to the end of the current quarter is provisionally estimated at RM2.2m of which RM1.6m actually relates to the preceding quarter ending 31/3/17. As a result of this first-time amortization, the Group incurred an after-tax loss of RM0.2m

compared to a profit of RM2.0m before such amortisation. Ignoring the amortization amount accruing to the preceding quarter, the after-tax profit for the current quarter would be RM1.4m

Group PBT for the 18-months financial period ended 30 June 2017 came in at RM13.7m on turnover of RM208.5m. The higher PBT is mainly attributable to the new construction division acquired in late 2016. After amortisation of intangible assets under MFRS 3, PAT was RM7.3m for the 18-month ended 30 June 2017

15. Comparison with Preceding Quarter

PBT for the current quarter fell to RM1.1m from RM4.1m in the preceding quarter due to the provisional amortization of intangible asset arising from PPA amounting to RM2.2m and the loss incurred by the trading and IFO on one-time downsizing cost and rectifications works for a kitchen project.

16. Current Year Prospects.

The Manufacturing division is expected to benefit from the higher sale value per store from the new kraftbar store design and the resumption of frontal order from Japan while the no of stores supplied will be lower due to the loss of the Korean market. The prospect for sale growth will depend on the ability to regain caseworks orders from Korea. Although the division is looking at the China market, this is not expected to generate any contribution in the next 12 months. The division is also collaborating with an Indian party to supply caseworks for the Indian market that is relatively small at the moment. The prospect for the year also will hinge on the outcome of negotiations on the new supply contract with Starbucks. Local sales to IFO division are expected to fall on completion of a bank's refurbishment project.

The Trading division has to-date not and will not make any significant contribution to the Group results and management is reviewing whether to continue with the retail operations that has not profitable and in view of fact that the resources required to continue with the retail operations would outweigh the financial returns. The division will however continue to supply kitchen for the contracts market though.

The IFO division has seen its turnover slide after the record year in 2015 and it is not expected to reverse this trend in the current financial year. The outcome of negotiations to conclude final contract sum and variations orders on lumpy completed projects and the avoidance of any liquidated ascertained damages will have a material impact on the prospect for the current year. The risk for the division will be the ability to execute projects secured within the contractual period and the budgeted costs.

The new construction division acquired in December 2016 has secured contracts in hand and is confident of securing further related party contracts to ensure that it will make a significant contribution to the Group result in FY2018. The prospect will hinge on the timely execution of the projects in hand and the projects that are expected to be awarded in the current year.

17. Profit Forecast and Profit Guarantee

Not applicable.

18. Taxation

	<u>Current Quarter</u>	<u>Year-to-date</u>
	RM'000	RM'000
Current year provision / (write-back)	2,768	3,974
Under/(over) provision in prior years	-	-
Deferred tax	(1,490)	210
	-----	-----
Total tax	1,278	4,184
	=====	=====

19. Status of corporate proposal

The acquisition of 60% equity in Pembinaan Masteron Sdn Bhd had been completed in December 2016. There are no other corporate proposal at the latest practicable date.

20. Group borrowings and debt securities as at end of reporting period**• Group Borrowings :**

RM'000	Short term	Long term
Secured :		
Bank overdrafts	1,484	-
Bankers acceptances	2,343	-
Hire Purchase	2,706	2,557
Term loans	494	2,685
Unsecured :		
Bank overdrafts	-	-
Bankers' acceptances	-	-
Revolving credit	-	-
Total group borrowings	7,027	5,242

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 proposed

An interim dividend of 0.3 sen per redeemable convertible preference share and 1.2 sen per ordinary share has been declared on 3 August 2017 in respect of the financial year ended 30 June 2017. These interim dividends amounting to RM2,118,000 will be paid on 30 August 2017.

24. Basic/diluted earnings per share.

The basic earnings per share has been calculated based on the Group's profit attributable to shareholders of RM7,531,000 and the average number of shares in issue during the quarter of 90,489,223. The diluted earnings per share was calculated based on the average number of shares and warrants in issue during the quarter amounting to 113,448,822.

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:

	30.06.2017 RM '000	31.12.2015 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:-		
- Realised profits/(Loss)	1,371	(6,232)
- Unrealised profits/(Loss)	(1,489)	(566)
Total Group retained profits/(accumulated losses) as per consolidated accounts	(118)	(6,798)

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

	<u>Current Quarter</u>	<u>Year- to-date</u>
	RM '000	RM '000
(Loss) / profit for the period / year is arrived at after charging / (crediting):		
Interest income	(110)	(189)
Other income	(32)	(70)
Interest expenses	256	1,173
Depreciation and amortization	632	3,168
Provisions for and write off of		
- Receivables	-	8
- Inventories	28	152
(Gain)/Loss on disposal of		
- Property, plant and equipment	-	(17)
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	121	(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 30 June 2017.