

FEDERAL FURNITURE HOLDINGS (M) BERHAD

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 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	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/9/2017 RM'000	30/9/2016 RM'000	30/9/2017 RM'000	30/9/2016 RM'000
1. Revenue	46,009	N/A	46,009	N/A
Investment income	-	N/A	-	N/A
Other income including interest income	383	N/A	383	N/A
Operating expenses	(42,948)	N/A	(42,948)	N/A
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	3,444	N/A	3,444	N/A
(b) Interest on borrowings	(166)	N/A	(166)	N/A
(c) Depreciation and amortisation	(1,119)	N/A	(1,119)	N/A
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	2,159	N/A	2,159	N/A
(e) Share of profit/(loss) in associated companies	-	N/A	-	N/A
(f) Profit/(Loss) before taxation	2,159	N/A	2,159	N/A
(g) Income tax expenses	(852)	N/A	(852)	N/A
3. Profit/(Loss) for the period	1,307	N/A	1,307	N/A
Other comprehensive income, net of tax	24	N/A	24	N/A
4. Total comprehensive income for the period	1,331	N/A	1,331	N/A
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	537	N/A	537	N/A
(ii) Non-controlling interest	770	N/A	770	N/A
	1,307	N/A	1,307	N/A
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	561	N/A	561	N/A
(ii) Non-controlling interest	770	N/A	770	N/A
	1,331	N/A	1,331	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 108,929,189 (2017 : 90,471,376) ordinary shares - (sen)	0.49	N/A	0.49	N/A
(ii) Fully diluted - (sen)	0.49	N/A	0.49	N/A
8. Net assets per share (RM)			0.9271	

FEDERAL FURNITURE HOLDINGS (M) BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 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 30/9/2017	AS AT PRECEDING FINANCIAL YEAR END 30/6/2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	42,887	42,854
Investment properties	4,680	4,704
Goodwill on consolidation	18,556	18,556
Intangible assets	1,066	1,581
Deferred tax assets	258	258
Trade receivables	9,902	9,241
	<u>77,349</u>	<u>77,194</u>
Current assets		
Inventories	6,019	6,102
Trade receivables	77,816	60,860
Other receivables	4,035	3,839
Tax assets	-	278
Fixed deposits with licensed banks	7,960	11,317
Cash and bank balances	2,091	3,073
	<u>97,921</u>	<u>85,469</u>
TOTAL ASSETS	<u>175,270</u>	<u>162,663</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	84,685	84,685
Treasury shares	(232)	-
Reserves	4,163	5,720
Equity attributable to owners of the parent	<u>88,616</u>	<u>90,405</u>
Non-controlling interest	12,434	11,664
Total equity	<u>101,050</u>	<u>102,069</u>
Non-current liabilities		
Borrowings	4,381	5,220
Deferred tax liabilities	3,898	3,698
Trade payables	6,579	5,972
	<u>14,858</u>	<u>14,890</u>
Current liabilities		
Trade payables	36,383	25,289
Other payables	14,389	11,075
Borrowings	6,546	7,038
Provision for taxation	2,044	2,302
	<u>59,362</u>	<u>45,704</u>
Total liabilities	<u>74,220</u>	<u>60,594</u>
TOTAL EQUITY AND LIABILITIES	<u>175,270</u>	<u>162,663</u>

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

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

	Attributable to owners of the parent										Total Equity RM'000
	Share Capital					Distributable					
	Ordinary Share Capital RM	RCPS RM	Share premium RM'000	Revaluation reserve RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000	Treasury shares RM'000	Total	Non-controlling Interest RM'000	Total Equity RM'000	
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	
Redeemable convertible preference shares issued	-	27,000	-	-	-	-	-	27,000	-	27,000	
Utilisation of share premium	-	-	(256)	-	-	-	-	(256)	-	(256)	
Transition to non-par value regime	3,185	-	(3,185)	-	-	-	-	-	-	-	
Non-controlling interests arising from acquisition	-	-	-	-	-	-	-	-	9,629	9,629	
Dividend paid on ordinary shares	-	-	-	-	-	(850)	-	(850)	-	(850)	
Total comprehensive income	-	-	-	-	-	6,600	-	6,600	997	7,597	
AS AT 30 JUNE 2017	57,685	27,000	-	6,752	16	(1,048)	-	90,405	11,664	102,069	
At 1 July 2017	57,685	27,000	-	6,752	16	(1,048)	-	90,405	11,664	102,069	
Purchase of Treasury shares	-	-	-	-	-	-	(232)	(232)	-	(232)	
Dividend	-	-	-	-	-	(2,118)	-	(2,118)	-	(2,118)	
Total comprehensive income	-	-	-	-	-	561	-	561	770	1,331	
AS AT 30 SEPTEMBER 2017	57,685	27,000	-	6,752	16	(2,605)	(232)	88,616	12,434	101,050	

* 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 SEPTEMBER 2017

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

	Unaudited 30/09/2017 RM'000	Audited 30/06/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	2,159	11,612
Adjustments for:		
Bad debts written off	-	3
Deposits written off	-	-
Depreciation of investment properties	24	59
Depreciation of property, plant and equipment	579	3,054
Dividend income	4	-
Impairment losses on receivables	-	2
Written-down of inventories	13	143
Inventories written off	7	12
Write back of payables	-	(1,015)
Fair value loss on trade receivables	-	833
Fair value gain on trade payables	-	(520)
Interest expense	166	1,063
Interest income	(64)	(189)
Property, plant and equipment written off	-	305
Loss/(Gain) on disposal of property, plant and equipment	251	(18)
Amortisation of intangible assets	515	2,233
Reversal of provisions	-	(20)
Operating (loss)/profit before working capital changes	<u>3,654</u>	<u>17,557</u>
Changes in working capital:		
Inventories	83	(408)
Receivables	(17,813)	31,267
Payables	<u>15,014</u>	<u>(39,300)</u>
Cash (used in)/generated from operations	<u>938</u>	<u>9,116</u>
Income tax paid	<u>(632)</u>	<u>(5,119)</u>
Net cash (used in)/generated from operating activities	<u>306</u>	<u>3,997</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	25	19
Purchase of property, plant and equipment	(888)	(2,395)
Acquisition of subsidiary, net of cash acquired	-	(3,596)
Interest received	64	189
Net cash (used in)/generated from investing activities	<u>(799)</u>	<u>(5,783)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(166)	(1,063)
Dividend paid	(2,118)	(851)
Fixed deposit held as security value	(150)	(267)
Loans (repaid)/raised	(1,639)	(977)
Proceed from exercise of warrants to ordinary shares	-	13,152
Repayment of hire purchase and lease payables	(707)	(2,097)
Share issuance expenses	-	(256)
Repurchase of own shares	(232)	-
Net cash generated from/(used in) financing activities	<u>(5,012)</u>	<u>7,641</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(5,505)</u>	<u>5,855</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>12,282</u>	<u>6,427</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>6,777</u>	<u>12,282</u>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	7,960	11,317
Cash and bank balances	2,091	3,073
Bank Overdrafts	(2,500)	(1,484)
Pledged fixed deposits	(774)	(624)
	<u>6,777</u>	<u>12,282</u>

FEDERAL FURNITURE HOLDINGS (M) BHD

INTERIM FINANCIAL REPORT –1st QUARTER ENDED 30 SEPTEMBER 2017

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 30 June 2017 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 30 June 2017.

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 30 June 2017.

Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 July 2017 or later are provided in note 2 to the audited financial statements of the Group for the financial year ended 30 June 2017. 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.

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

An interim dividend of 0.3 sen per redeemable convertible preference share amounting to RM810,000 and 1.2 sen per ordinary share amounting to RM1,308,000 were paid on 17 August 2017 in respect of the financial year ended 30 June 2017.

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	6,143	1,009	34,625
Trading and retail	416	(309)	2,932
Interior fit-out	10,156	86	40,423
Investment holding	-	(664)	5,667
Construction	35,760	2,555	68,595
Others	-	(3)	-
Total before Group elimination	52,475	2,674	152,242
Inter segment elimination	(6,466)	-	22,937
After elimination	46,009	2,674	175,179

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

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

14. Review of Performance

Turnover for the Group in Q1 2018 came in at RM46m of which about 75% came from the construction division. The manufacturing division registered gross sales of RM 6.1m with RM5.5 m sales accruing from Starbucks. Sales to Australia and India, higher tabletop sales and higher value per store partially offset the lower sales seen from traditional markets and loss of Korean market. While number of stores shipped was down by about a third, the value per store for full kraftbar increased about 20%. Meanwhile, local sales (including sales of RM0.4m to IFO division) have taken a dip after the completion of the BSN branch renovation project. Gross margin for the quarter was lower due to the lower sales throughput while operating expenses was about 6% lower due to lower overseas travelling expenses incurred during the quarter. The division made an operating profit of RM1.0m for the quarter under review.

The trading division registered a turnover of only RM0.4m due to the closure of the retail operations during the quarter. Arising from this closure, the division incurred a one-time impairment of assets amounting to about RM0.3m. The division turned in an operating loss of RM0.3m for the current quarter.

The IFO division registered gross sales of RM10.2 m of which almost 60% came from inter-co sales to the construction division. Gross margin was higher on account of the inter-co sales despite incurring rectification costs on a previously completed kitchen project. Operating expenses fell by about 21 % on lower staff costs in tandem with the lower projects secured. The division achieved an operating profit of RM0.1m for the quarter.

The construction division registered turnover of RM35.8m for the current quarter. During the quarter the division commenced construction of main building works for the hotel in Petaling Street, having already completed the earthwork and piling earlier. Gross margin benefited from better cost control over site expenses and purchase of materials. The division registered an operating profit of RM2.5m for the quarter. At the end of the quarter the division has unbilled contacts of approximately RM235m.

Group operating profit for the current quarter was RM2.3m on lower contribution from the manufacturing division. This is after amortization of intangible asset under the Purchase Price Allocation (PPA) from acquisition of the construction division amounting to RM0.5m. The balance of intangible asset to be amortised is about RM1.0m.

15. Comparison with Preceding Quarter

PBT for the current quarter increased to RM2.3m from RM1.1m in the preceding quarter due mainly to the higher amortization of intangible asset arising from PPA amounting to RM2.2m in the preceding quarter compared to RM0.5m in current quarter.

16. Current Year Prospects.

The Manufacturing division expect to see a reduction in the number of stores shipped due to the loss of the Korean market and the lower production capacity for the new kraftbar design. However this reduction will be mitigated by higher orders from India and Australia, higher sale value per store from the new kraftbar store design and the resumption of frontal order from Japan. Although the division is looking at the China market, this is not expected to generate any contribution in the next 12 months. The prospect for the year 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 the closure of the retail operations will be positive for the Group in the long run as it is not profitable.

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 significant secured contracts in hand and is confident of securing further related party contracts to ensure that it will continue to 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)	652	652
Under/(over) provision in prior years	-	-
Deferred tax	200	200
	-----	-----
Total tax	<u>852</u>	<u>852</u>

19. Status of corporate proposal

There are no 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	2,500	-
Bankers acceptances	840	-
Hire Purchase	2,712	1,855
Term loans	494	2,526
Unsecured :		
Bank overdrafts	-	-
Bankers' acceptances	-	-
Revolving credit	-	-
Total group borrowings	6,546	4,381

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

No dividend had been proposed.

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:

	30.09.2017	30.06.2017
	RM '000	RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:-		
- Realised profits/(Loss)	(1,030)	327
- Unrealised profits/(Loss)	(1,575)	(1,375)
Total Group retained profits/(accumulated losses) as per consolidated accounts	<u>(2,605)</u>	<u>(1,048)</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

	Current Quarter	Year- to-date
	RM '000	RM '000

(Loss) / profit for the period / year is arrived at after charging / (crediting):		
Interest income	(64)	(64)
Other income	(226)	(226)
Interest expenses	166	166
Depreciation and amortization	1,119	1,119
Provisions for and write off of		
- Receivables	-	-
- Inventories	7	7
(Gain)/Loss on disposal of		
- Property, plant and equipment	(8)	(8)
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	53	53

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 September 2017.