

## FEDERAL FURNITURE HOLDINGS (M) BERHAD

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 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 31/12/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2016 RM'000	CURRENT YEAR TO DATE 31/12/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2016 RM'000
1. Revenue	45,317	N/A	91,326	N/A
Investment income	-	N/A	-	N/A
Other income including interest income	117	N/A	500	N/A
Operating expenses	(40,827)	N/A	(83,775)	N/A
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	4,607	N/A	8,051	N/A
(b) Interest on borrowings	(155)	N/A	(321)	N/A
(c) Depreciation and amortisation	(1,010)	N/A	(2,129)	N/A
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	3,442	N/A	5,601	N/A
(e) Share of profit/(loss) in associated companies	-	N/A	-	N/A
(f) Profit/(Loss) before taxation	3,442	N/A	5,601	N/A
(g) Income tax expenses	(1,388)	N/A	(2,220)	N/A
3. Profit/(Loss) for the period	2,074	N/A	3,381	N/A
Other comprehensive income, net of tax	-	N/A	-	N/A
4. Total comprehensive income for the period	2,074	N/A	3,381	N/A
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	1,106	N/A	1,643	N/A
(ii) Non-controlling interest	968	N/A	1,738	N/A
	2,074	N/A	3,381	N/A
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	1,106	N/A	1,643	N/A
(ii) Non-controlling interest	968	N/A	1,738	N/A
	2,074	N/A	3,381	N/A
7. (a) Earnings per share based on 5(l) above after deducting any provision for preference dividends, if any:-				
(i) Basic based on 108,502,117 ordinary shares - (sen)	1.02	N/A	1.51	N/A
(ii) Fully diluted - (sen)	1.02	N/A	1.51	N/A
8. Net assets per share (RM)			0.9521	

**FEDERAL FURNITURE HOLDINGS (M) BERHAD**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 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 31/12/2017	AS AT PRECEDING FINANCIAL YEAR END 30/6/2017
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	42,749	42,854
Investment properties	4,655	4,704
Goodwill on consolidation	18,556	18,556
Intangible assets	666	1,581
Deferred tax assets	258	258
Trade receivables	10,988	9,241
	<u>77,872</u>	<u>77,194</u>
<b>Current assets</b>		
Inventories	4,715	6,102
Trade receivables	81,301	60,860
Other receivables	3,920	3,839
Tax assets	-	278
Fixed deposits with licensed banks	7,129	11,317
Cash and bank balances	2,523	3,073
	<u>99,588</u>	<u>85,469</u>
<b>TOTAL ASSETS</b>	<u>177,460</u>	<u>162,663</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	84,685	84,685
Treasury shares	(911)	-
Reserves	5,245	5,720
Equity attributable to owners of the parent	<u>89,019</u>	<u>90,405</u>
Non-controlling interest	13,402	11,664
<b>Total equity</b>	<u>102,421</u>	<u>102,069</u>
<b>Non-current liabilities</b>		
Borrowings	3,567	5,220
Deferred tax liabilities	4,048	3,698
Trade payables	6,809	5,972
	<u>14,424</u>	<u>14,890</u>
<b>Current liabilities</b>		
Trade payables	38,699	25,289
Other payables	12,463	11,075
Borrowings	6,950	7,038
Provision for taxation	2,503	2,302
	<u>60,615</u>	<u>45,704</u>
<b>Total liabilities</b>	<u>75,039</u>	<u>60,594</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>177,460</u>	<u>162,663</u>

FEDERAL FURNITURE HOLDINGS (M) BERHAD  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 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	Treasury shares RM'000	Total RM'000	Non-controlling Interest 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	-	-	-	-	-	-	(911)	(911)	-	(911)
Dividend	-	-	-	-	-	(2,118)	-	(2,118)	-	(2,118)
Total comprehensive income	-	-	-	-	-	1,643	-	1,643	1,738	3,381
AS AT 31 DECEMBER 2017	57,685	27,000	-	6,752	16	(1,523)	(911)	89,019	13,402	102,421

\* 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 31 DECEMBER 2017**

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

	Unaudited 31/12/2017 RM'000	Audited 30/06/2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	5,601	11,612
Adjustments for:		
Bad debts written off	-	3
Deposits written off	-	-
Depreciation of investment properties	49	59
Depreciation of property, plant and equipment	1,164	3,054
Dividend income	-	-
Impairment losses on receivables	-	2
Written-down of inventories	-	143
Inventories written off	-	12
Write back of payables	-	(1,015)
Fair value loss on trade receivables	-	833
Fair value gain on trade payables	-	(520)
Interest expense	321	1,063
Interest income	(135)	(189)
Property, plant and equipment written off	-	305
Loss/(Gain) on disposal of property, plant and equipment	251	(18)
Amortisation of intangible assets	915	2,233
Reversal of provisions	-	(20)
Operating (loss)/profit before working capital changes	<u>8,166</u>	<u>17,557</u>
Changes in working capital:		
Inventories	1,388	(408)
Receivables	(22,269)	31,267
Payables	<u>15,634</u>	<u>(39,300)</u>
Cash (used in)/generated from operations	2,919	9,116
Income tax paid	<u>(1,391)</u>	<u>(5,119)</u>
Net cash (used in)/generated from operating activities	<u>1,528</u>	<u>3,997</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	25	19
Purchase of property, plant and equipment	(1,336)	(2,395)
Acquisition of subsidiary, net of cash acquired	-	(3,596)
Interest received	135	189
Net cash (used in)/generated from investing activities	<u>(1,176)</u>	<u>(5,783)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(321)	(1,063)
Dividend paid	(2,118)	(851)
Fixed deposit held as security value	(250)	(267)
Loans (repaid)/raised	(2,349)	(977)
Proceed from exercise of warrants to ordinary shares	-	13,152
Repayment of hire purchase and lease payables	(1,398)	(2,097)
Share issuance expenses	-	(256)
Repurchase of own shares	(911)	-
Net cash generated from/(used in) financing activities	<u>(7,347)</u>	<u>7,641</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(6,995)</u>	<u>5,855</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>12,282</u>	<u>6,427</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>5,287</u>	<u>12,282</u>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	7,129	11,317
Cash and bank balances	2,523	3,073
Bank Overdrafts	(3,491)	(1,484)
Pledged fixed deposits	(874)	(624)
	<u>5,287</u>	<u>12,282</u>

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

### **INTERIM FINANCIAL REPORT –2<sup>nd</sup> QUARTER ENDED 31 DECEMBER 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 except for the followings share buy-back :

At the AGM of the Company held on 7 December 2017, the shareholders renewed their approval for the Company to purchase up to 10% of the number of issued ordinary shares. During the current quarter, 1,088,700 shares were purchased from the open market for a total consideration of RM679,406.00. There were no cancellation of treasury shares.

As at the end of the current quarter, the cumulative number of shares purchased from the open market is 1,431,700 shares purchased for a total consideration of RM910,930.82.

These shares are held as treasury shares.

**7. Dividends paid**

No dividend were paid during the current quarter. 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**

<b>Period ended 31 December 2017</b>	<b>Turnover RM '000</b>	<b>Profit /(Loss) Before Taxation RM '000</b>	<b>Total Assets Employed RM '000</b>
Manufacture and export	12,858	2,038	34,351
Trading and retail	1,689	(157)	3,629
Interior fit-out	15,988	(3)	37,761
Investment holding	-	(1,448)	4,902
Construction	68,073	6,092	74,243
Others	-	(6)	-
<b>Total before Group elimination</b>	<b>98,608</b>	<b>6,516</b>	<b>154,886</b>
<b>Inter segment elimination</b>	<b>(7,282)</b>	<b>(915)</b>	<b>22,022</b>
<b>After elimination</b>	<b>91,326</b>	<b>5,601</b>	<b>176,908</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 except for the incorporation of a new wholly-owned subsidiary company on 11 December 2017 called Choice Furniture Fittings And Fitout India Private Limited in Bangalore India.

**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**

Group turnover in Q2 2018 came in at RM45m underpinned by sales from the construction division that accounted for 71% of total turnover. The manufacturing division registered gross sales of RM 6.7m of which RM6.5 m sales was from Starbucks. Higher store sales to the Philippines and India partially offset the lower sales to Japan, Korea and Australia. While number of stores shipped was down by about 20%, the value per store increased about 8%. Meanwhile, local sales felled due absence of sales to the IFO division. Gross margin for the quarter was lower due to new prices that reflect current forex rates and lower sales throughput. Operating expenses were however almost 30% lower due to lower staffs and overseas travelling expenses incurred during the quarter. The division made an operating profit of RM1.0m for the quarter under review. YTD turnover was RM12.9m of which Starbucks accounted for RM12.0m. Lower sales to Japan , Korea and Thailand were partially offset by new sales to India. The division reported PBT of RM2.0m for the 1<sup>st</sup> half year.

The trading division's turnover for the quarter more than doubled to RM1.3m due to supply of kitchen to the IFO division that more than offset the loss of sales from the retail operation. Gross margin were however lower on these project sales. Operating expenses were about 70% lower on absence of retail operating costs in the quarter. The division turned in an operating profit of RM0.1m for the current quarter. YTD sales was RM1.7m of which project sales accounted for almost 70% of total sales. The division reported an operating loss of RM0.2m due to impairments fixed assets arising from the cessation of the retail operations.

The IFO division registered lower gross sales of RM5.8 m of which RM4.9m [almost 84%] 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 16 % on lower warehouse and staff costs in tandem with the lower projects secured. The division achieved an operating loss of RM0.1m for the current quarter. YTD sales was RM16.0m and despite lower operating cost the division reported a marginal loss of RM0.1m on higher rectifications cost incurred.

The construction division registered turnover of RM32.3m for the current quarter from the Aurora Ph1, Koi Prima Suites and the Sheraton 4 Point hotel projects. Gross margin benefited from better cost control over site expenses and purchase of materials as well as conservative cost budgeting. The division registered an operating profit of RM3.5m for the quarter. At the end of the quarter the division has unbilled contacts of approximately RM201m. YTD turnover was RM68.0m while PBT came in at RMM6.1m boosted by higher gross margin due to review of budget costs for projects nearing completion.

Group operating profit after head office expenses for the current quarter was higher at RM3.4m due to the higher contribution from the construction division. This include amortization of intangible asset under the Purchase Price Allocation (PPA) from acquisition of the construction division amounting to RM0.4m. PAT for the current quarter was RM2.1m while profit attributable to shareholders was RM1.1m compared to RM0.5m in the preceding quarter.

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

PBT for the current quarter increased to RM3.4m from RM2.3m in the preceding quarter due mainly to the higher contribution from the construction division and the lower operating loss from the trading division that incurred a one-time charge from impairment of fixed assets in the preceding quarter.

## 16. Current Year Prospects.

The Manufacturing division expects 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 partly 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. Gross margins are expected to be lower on the new supply contract taking effect from October 2017 and the depreciation of the USD against the Ringgit. 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. A substantial portion of the division sales will come from the construction division. The division has secured contracts amounting to RM20m from the construction division that will only commence in the next 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 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 proposed acquisition of the balance 40% in the construction division is only expected to be completed in the last quarter of FY2018 and is only expected to contribute positively to the group's earning from FY2019 onwards. The prospect for the current year 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)	1,218	1,870
Under/(over) provision in prior years	-	-
Deferred tax	150	350
	-----	-----
Total tax	1,368	2,220
	=====	=====

## 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
<b>Secured :</b>		
Bank overdrafts	3,491	-
Bankers acceptances	260	-



Hire Purchase	2,704	1,171
Term loans	494	2,396
<b>Unsecured :</b>		
Bank overdrafts	-	-
Bankers' acceptances	-	-
Revolving credit	-	-
<b>Total group borrowings</b>	<b>6,949</b>	<b>3,567</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 proposed

No dividend had been proposed.

## 24. Basic/diluted earnings per share.

The basic / diluted earnings per share has been calculated based on the Group's profit attributable to shareholders of RM1,643,000 and the average number of shares in issue during the quarter of 108,502,117.

## 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>31.12.2017</b>	<b>30.06.2017</b>
	<b>RM '000</b>	<b>RM'000</b>
Total retained profits/(accumulated losses) of the Company and its subsidiaries:-		
- Realised profits/(Loss)	202	327
- Unrealised profits/(Loss)	(1,725)	(1,375)
Total Group retained profits/(accumulated losses) as per consolidated accounts	<u>(1,523)</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

	<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	(71)	(135)
Other income	50	(176)
Interest expenses	155	321
Depreciation and amortization	1,010	2,129
Provisions for and write off of		
- Receivables	-	-
- Inventories	-	7
(Gain)/Loss on disposal of		
- Property, plant and equipment	-	(8)
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	117	170

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 December 2017.