

## FEDERAL FURNITURE HOLDINGS (M) BERHAD

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DEC 2016

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 31/12/2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2015 RM'000	CURRENT YEAR TO DATE 31/12/2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2015 RM'000
1. Revenue	37,308	N/A	116,591	N/A
Investment income	-	N/A	-	N/A
Other income including interest income	295	N/A	476	N/A
Operating expenses	(35,211)	N/A	(108,230)	N/A
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	2,392	N/A	8,837	N/A
(b) Interest on borrowings	(182)	N/A	(661)	N/A
(c) Depreciation and amortisation	(524)	N/A	(1,885)	N/A
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	1,686	N/A	6,291	N/A
(e) Share of profit/(loss) in associated companies	-	N/A	-	N/A
(f) Profit/(Loss) before taxation	1,686	N/A	6,291	N/A
(g) Income tax expenses	(145)	N/A	(1,370)	N/A
3. Profit/(Loss) for the period	1,541	N/A	4,921	N/A
Other comprehensive income, net of tax	-	N/A	-	N/A
4. Total comprehensive income for the period	1,541	N/A	4,921	N/A
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	1,307	N/A	4,572	N/A
(ii) Non-controlling interest	234	N/A	349	N/A
	1,541	N/A	4,921	N/A
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	1,307	N/A	4,572	N/A
(ii) Non-controlling interest	234	N/A	349	N/A
	1,541	N/A	4,921	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 85,234,234 (2015 : 82,695,900) ordinary shares - (sen)	1.53	N/A	5.36	N/A
(ii) Fully diluted - (sen)	1.14	N/A	4.00	N/A
8. Net assets per share (RM)			0.9733	N/A

**FEDERAL FURNITURE HOLDINGS (M) BERHAD**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DEC 2016**

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

	<b>AS AT END OF CURRENT QUARTER 31/12/2016</b>	<b>AS AT PRECEDING FINANCIAL YEAR END 31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	42,218	32,341
Investment properties	3,495	54
Goodwill on consolidation	22,121	-
Deferred tax assets	258	258
	<u>68,092</u>	<u>32,653</u>
<b>Current assets</b>		
Inventories	5,671	5,849
Trade receivables	78,458	30,806
Other receivables	25,133	1,938
Tax assets	-	1
Fixed deposits with licensed banks	2,682	1,637
Cash and bank balances	4,736	6,237
	<u>116,680</u>	<u>46,468</u>
<b>TOTAL ASSETS</b>	<u>184,772</u>	<u>79,121</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	72,187	41,348
Reserves	7,133	3,411
Equity attributable to owners of the parent	<u>79,320</u>	<u>44,759</u>
Non-controlling interest	8,639	1,038
<b>Total equity</b>	<u>87,959</u>	<u>45,797</u>
<b>Non-current liabilities</b>		
Borrowings	8,440	4,646
Deferred tax liabilities	4,026	2,890
	<u>12,466</u>	<u>7,536</u>
<b>Current liabilities</b>		
Trade payables	33,214	9,769
Other payables	42,936	10,564
Borrowings	7,598	4,720
Provision for taxation	599	735
	<u>84,347</u>	<u>25,788</u>
<b>Total liabilities</b>	<u>96,813</u>	<u>33,324</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>184,772</u>	<u>79,121</u>



**FEDERAL FURNITURE HOLDINGS (M) BERHAD**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 DEC 2016**

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

	Unaudited 31/12/2016 RM'000	Audited 31/12/2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	6,292	9,189
Adjustments for:		
Bad debts written off	-	88
Deposits written off	-	-
Depreciation of investment properties	7	2
Depreciation of property, plant and equipment	1,877	1,549
Impairment losses on receivables	-	116
Impairment losses on inventories	-	102
Interest expense	661	514
Interest income	(64)	-
Property, plant and equipment written off	-	-
Loss/(Gain) on disposal of property, plant and equipment	(5)	(23)
Waiver of debts	-	-
Unrealised loss/(gain) on foreign exchange	-	-
Operating (loss)/profit before working capital changes	<u>8,768</u>	<u>11,537</u>
Changes in working capital:		
Inventories	178	(1,114)
Receivables	(6,503)	(434)
Payables	2,392	4,504
Cash (used in)/generated from operations	<u>4,835</u>	<u>14,493</u>
Income tax paid	(2,900)	(263)
Net cash (used in)/generated from operating activities	<u>1,935</u>	<u>14,230</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	8	23
Purchase of property, plant and equipment	(2,624)	(6,912)
Acquisition of subsidiary, net of cash acquired	(3,596)	-
Interest received	64	-
Net cash (used in)/generated from investing activities	<u>(6,148)</u>	<u>(6,889)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(661)	(514)
Dividend paid	(851)	-
Fixed deposit held as security value	(1,045)	(61)
Loans (repaid)/raised	(601)	(220)
Proceed from issuance of ordinary shares	3,839	-
Repayment of hire purchase and lease payables	(756)	(411)
Net cash generated from/(used in) financing activities	<u>(75)</u>	<u>(1,206)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,288)</b>	<b>6,135</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,145</b>	<b>(990)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>857</u></b>	<b><u>5,145</u></b>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	2,682	1,637
Cash and bank balances	4,736	6,236
Bank Overdrafts	(3,879)	(1,091)
Pledged fixed deposits	(2,682)	(1,637)
	<u>857</u>	<u>5,145</u>

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

### **INTERIM FINANCIAL REPORT –4th QUARTER ENDED 31 DECEMBER 2016**

#### **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.

##### **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

- i) exercise of 4,468,600 warrants to 4,468,600 ordinary shares of RM0.50 each
- ii) issue of 270,000,000 redeemable convertible preference shares of 10 sen each as part consideration for acquisition of Pembinaan Masteron Sdn Bhd

**7. Dividends paid**

No dividend were paid during the quarter under review. On 17 June 2016 The Company paid a final single tier dividend of one sen per share in respect of the financial year ended 31 December 2015. The total dividend paid was RM850,519.00

**8. Segmental Information**

<b>Period ended 31 Dec 2016</b>	<b>Turnover RM '000</b>	<b>Profit /(Loss) Before Taxation RM '000</b>	<b>Total Assets Employed RM '000</b>
Manufacture and export	34,295	7,284	35,585
Trading and retail	3,699	(861)	4,137
Interior fit-out	61,884	36	38,563
Investment holding	-	(942)	23,136
Construction	19,047	789	82,530
Others	-	(15)	1
<b>Total before Group elimination</b>	<b>118,925</b>	<b>6,291</b>	<b>183,952</b>
Inter segment elimination	(2,334)	-	-
<b>After elimination</b>	<b>116,591</b>	<b>6,291</b>	<b>183,952</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**

Save for the acquisition of a 60% stake in Pembinaan Masteron Sdn Bhd, 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**

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 Group registered turnover of RM37.3m for the quarter and RM116.6m for the 12 month period to-date. Turnover for the manufacturing division during the quarter was RM8.6m underpinned by strong sales noted from Japan that compensated for the lower sales from Korea. Gross margin for the quarter benefited from the appreciation of the USD while operating expenses increased due to higher overseas travelling expenses to develop new markets. The division made a higher operating profit of RM3.0m for the quarter. YTD sales was RM34.3m. Although changes to the caseworks products during the year adversely affected sales, the division benefited from higher margin yield, the supply of construction services and higher value per store in the 2<sup>nd</sup> half year to end the year with an operating profit of RM8.8m.

Turnover for the trading division was RM0.6m for the current quarter. The delay in the supply of kitchen to a residential project had adversely affected sale for the quarter. Despite lower operating overheads the division made a loss of RM0.3m for the quarter. Turnover for the calendar year was RM3.5m and the division made an operating loss of RM0.7m due to the absence of project sale for the year.

IFO division turnover was lower at RM9.6m due to the reduction in billings for work done and lower projects secured this year. The division registered an operating loss of RM0.2m for the quarter on continued rectifications works for completed project. YTD turnover was RM61.9m while operating profit was RM1m on lower margin and higher operating costs.

The new construction division that was added to the Group from December 2016 registered turnover of RM19m for the 1 month period. It made an operating profit of RM0.8m for the quarter.

Group PBT for the current quarter was RM1.7m. While the manufacturing division reported higher contribution, the result of the IFO and a one-time corporate exercise costs of RM0.9m had an adverse impact on the Group's result for the quarter under review. Group PBT for the full year came in at RM6.3m.

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

PBT for Q4 increased by 7% to RM1.7m from RM1.5m in the preceding quarter due to the higher profit contribution from the manufacturing division and the inclusion of the new construction division that offset the lower profit from the IFO divisions and the .

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

The Manufacturing division expects the lower casework sales arising from the change in store design concept in 2016 to be offset by higher sales from the appreciation of the USD, full year impact of the supply of the new tabletops and the provision of construction services to the Cambodian store. Local sales to IFO division are also expected to expand on repeat order received for a bank's refurbishment project. The prospect for the current year will hinge on the ability to meet the challenging specifications required of the new store design and the USD exchange rate. The prospect thereafter will depend on the outcome of ongoing price negotiation of the new casework supply contract that will take effect from 2017 onwards.

The Trading division expects the retail division sales through its only kitchen retail outlet to be adversely affected by the poor consumer sentiments due to concerns over raising living costs and subsidy rationalization by the Government. The division is dependent on the supply of kitchen to property developers to be able to turn in a positive bottom line.

Although the division has secured another contract for the supply of kitchens the contract has been delayed to the 1<sup>st</sup> half of 2017.

The IFO division had a record year in 2015 and it will not be able to match that performance in the current year as the number of lumpy projects available in the market has contracted and margin on 2016 projects are generally lower. 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 in 2017 to ensure that it will make a significant contribution to the Group result in 2017.

#### 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)	200	275
Under/(over) provision in prior years	-	-
Deferred tax	(55)	1,095
	-----	-----
Total tax	145	1,370
	=====	=====

#### 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
<b>Secured :</b>		
Bank overdrafts	279	-
Bankers acceptances	800	-
Hire Purchase	802	5,544
Term loans	494	2,896
<b>Unsecured :</b>		
Bank overdrafts	3,600	-
Bankers' acceptances	1,623	-
Revolving credit	-	-
<b>Total group borrowings</b>	<b>7,598</b>	<b>8,440</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 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 RM4,572,000 and the average number of shares in issue during the quarter of 85,234,234. 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:

	31.12.2016 RM '000	31.12.2015 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:-		
- Realised profits/(Loss)	(1,373)	(6,232)
- Unrealised profits/(Loss)	(1,702)	(566)
Total Group retained profits/(accumulated losses) as per consolidated accounts	(3,075)	(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	(27)	(64)
Other income	(12)	(23)
Interest expenses	182	661
Depreciation and amortization	524	1,885
Provisions for and write off of		
- Receivables	3	8
- Inventories	25	101
(Gain)/Loss on disposal of		
- Property, plant and equipment	(7)	(7)
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	43	(169)

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 2016.