

FEDERAL FURNITURE HOLDINGS (M) BERHAD

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 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
	31/3/2017 RM'000	31/3/2016 RM'000	31/3/2017 RM'000	31/3/2016 RM'000
1. Revenue	43,218	N/A	159,809	N/A
Investment income	-	N/A	-	N/A
Other income including interest income	122	N/A	598	N/A
Operating expenses	(38,283)	N/A	(146,513)	N/A
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	5,057	N/A	13,894	N/A
(b) Interest on borrowings	(256)	N/A	(917)	N/A
(c) Depreciation and amortisation	(651)	N/A	(2,536)	N/A
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	4,150	N/A	10,441	N/A
(e) Share of profit/(loss) in associated companies	-	-	-	-
(f) Profit/(Loss) before taxation	4,150	N/A	10,441	N/A
(g) Income tax expenses	(1,536)	N/A	(2,906)	N/A
3. Profit/(Loss) for the period	2,614	N/A	7,535	N/A
Other comprehensive income, net of tax	-	N/A	-	N/A
4. Total comprehensive income for the period	2,614	N/A	7,535	N/A
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	1,630	N/A	6,202	N/A
(ii) Non-controlling interest	984	N/A	1,333	N/A
	2,614	N/A	7,535	N/A
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	1,630	N/A	6,202	N/A
(ii) Non-controlling interest	984	N/A	1,333	N/A
	2,614	N/A	7,535	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 86,800,963 (2015 : 82,695,900) ordinary shares - (sen)	1.88	N/A	7.15	N/A
(ii) Fully diluted - (sen)	1.43	N/A	5.43	N/A
8. Net assets per share (RM)			0.9181	N/A

FEDERAL FURNITURE HOLDINGS (M) BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 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 31/3/2017	AS AT PRECEDING FINANCIAL YEAR END 31/12/2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	41,625	32,341
Investment properties	3,477	54
Goodwill on consolidation	22,121	-
Deferred tax assets	258	258
	<u>67,481</u>	<u>32,653</u>
Current assets		
Inventories	5,385	5,849
Trade receivables	75,944	30,806
Other receivables	19,217	1,938
Tax assets	-	1
Fixed deposits with licensed banks	8,593	1,637
Cash and bank balances	6,231	6,237
	<u>115,370</u>	<u>46,468</u>
TOTAL ASSETS	<u>182,851</u>	<u>79,121</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	81,281	41,348
Reserves	8,762	3,411
Equity attributable to owners of the parent	<u>90,043</u>	<u>44,759</u>
Non-controlling interest	9,623	1,038
Total equity	<u>99,666</u>	<u>45,797</u>
Non-current liabilities		
Borrowings	5,640	4,646
Deferred tax liabilities	4,631	2,890
	<u>10,271</u>	<u>7,536</u>
Current liabilities		
Trade payables	19,552	9,769
Other payables	44,268	10,564
Borrowings	8,650	4,720
Provision for taxation	444	735
	<u>72,914</u>	<u>25,788</u>
Total liabilities	<u>83,185</u>	<u>33,324</u>
TOTAL EQUITY AND LIABILITIES	<u>182,851</u>	<u>79,121</u>

FEDERAL FURNITURE HOLDINGS (M) BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 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	Non-controlling Interest 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		
At 1 January 2015	41,348	-	3,441	6,666	16	(13,166)	38,305	944
Total comprehensive income	-	-	-	86	-	6,368	6,454	94
AS AT 31 DECEMBER 2015	41,348	-	3,441	6,752	16	(6,798)	44,759	1,038
At 1 January 2016	41,348	-	3,441	6,752	16	(6,798)	44,759	1,038
Exercise of warrants to ordinary shares	12,933	-	-	-	-	-	12,933	-
Issue of RCPS	-	27,000	-	-	-	-	27,000	-
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	-	7,252
Dividend	-	-	-	-	-	(851)	(851)	-
Total comprehensive income	-	-	-	-	-	6,202	6,202	1,333
AS AT 31 MARCH 2017	54,281	27,000	3,441	6,752	16	(1,447)	90,043	9,623

FEDERAL FURNITURE HOLDINGS (M) BERHAD
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 31 MARCH 2017

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

	Unaudited 31/03/2017 RM'000	Audited 31/12/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	10,441	9,189
Adjustments for:		
Bad debts written off	-	88
Deposits written off	-	-
Depreciation of investment properties	25	2
Depreciation of property, plant and equipment	2,510	1,549
Impairment losses on receivables	-	116
Impairment losses on inventories	-	102
Interest expense	917	514
Interest income	(79)	-
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>13,809</u>	<u>11,537</u>
Changes in working capital:		
Inventories	463	(1,114)
Receivables	1,927	(434)
Payables	(9,938)	4,504
Cash (used in)/generated from operations	<u>6,261</u>	<u>14,493</u>
Income tax paid	(3,985)	(263)
Net cash (used in)/generated from operating activities	<u>2,276</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	(2,663)	(6,912)
Acquisition of subsidiary, net of cash acquired	(3,596)	-
Interest received	79	-
Net cash (used in)/generated from investing activities	<u>(6,172)</u>	<u>(6,889)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(917)	(514)
Dividend paid	(851)	-
Fixed deposit held as security value	1,281	(61)
Loans (repaid)/raised	(532)	(220)
Proceed from exercise of warrants to ordinary shares	12,933	-
Repayment of hire purchase and lease payables	(1,459)	(411)
Net cash generated from/(used in) financing activities	<u>10,455</u>	<u>(1,206)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>6,559</u>	<u>6,135</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,145</u>	<u>(990)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>11,704</u>	<u>5,145</u>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	8,593	1,637
Cash and bank balances	6,231	6,236
Bank Overdrafts	(2,764)	(1,091)
Pledged fixed deposits	(356)	(1,637)
	<u>11,704</u>	<u>5,145</u>

FEDERAL FURNITURE HOLDINGS (M) BHD

INTERIM FINANCIAL REPORT –5th QUARTER ENDED 31 MARCH 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.

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 18,187,629 warrants to 18,187,629 ordinary shares

7. Dividends paid

No dividend were paid during the quarter under review.

8. Segmental Information

Period ended 31 Dec 2016	Turnover RM '000	Profit/(Loss) Before Taxation RM '000	Total Assets Employed RM '000
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
Total before Group elimination	118,925	6,291	183,952
Inter segment elimination	(2,334)	-	-
After elimination	116,591	6,291	183,952

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.

Group turnover for the quarter came in at RM47.4m while that for the 15 months period to-date was RM164.0m. Turnover for the manufacturing division during the quarter was RM6.6m due to very much lower sales to Korea. Higher sales to Australia and Philippines and the higher sales value per store helped mitigated the lower sales to Korea. Although gross margin continued to benefit from the strength of the USD, it was also adversely affected by the lower sale throughput. Operating expenses increased due to higher overseas travelling expenses to develop new markets in India and China. The division made a lower operating profit of RM1.2m for the quarter. YTD sales was RM41.0m. 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 since the 2nd half of 2016 and registered an operating profit of RM10.0m before HO management charges for the 15-months period.

Underpinned by a kitchen project awarded by the IFO division, the trading division registered turnover of RM2.4m for the current quarter while retail sales remained subdued. The division turned in an operating profit of RM0.4m for the quarter. For the 15-month period, the division registered a turnover of RM6.0m and an operating loss of RM0.3m.

IFO division turnover slide to RM9.1m due to the reduction in billings for work done and lower projects secured this year. Lower operating expenses and higher gross margin yield helped the division to turn in an operating profit of RM0.4m. YTD turnover stood at RM71m while operating profit was RM1.4m.

The new construction division registered turnover of RM29m for the current quarter that is traditionally affected by the CNY festivities. The lower work done was offset by higher gross margin as the division registered an operating profit of RM3m for the quarter.

Group PBT for the current quarter was RM4.1m as the lower contribution were offset by higher contributions from other division especially the construction division. Group PBT for the 15 months period came in at RM10.4m.

15. Comparison with Preceding Quarter

PBT for the current quarter increased by 140% to RM4.1m from RM1.7m in the preceding quarter due to the higher profit contribution from the construction division that reported its full quarter results in the current quarter. Higher profit contribution were also noted from the trading and IFO division that made up for the lower contribution from the manufacturing division.

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 the 2nd half of 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.

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
Secured :		
Bank overdrafts	279	-
Bankers acceptances	800	-
Hire Purchase	802	5,544
Term loans	494	2,896
Unsecured :		
Bank overdrafts	3,600	-
Bankers' acceptances	1,623	-
Revolving credit	-	-
Total group borrowings	7,598	8,440

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	31.12.2015
	RM '000	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	<u>(3,075)</u>	<u>(6,798)</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	(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.