

FEDERAL INTERNATIONAL HOLDINGS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2018

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 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2017 RM'000	CURRENT YEAR TO DATE 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2017 RM'000
1. Revenue	23,699	N/A	149,408	N/A
Investment income	-	N/A	-	N/A
Other income including interest income	969	N/A	1,744	N/A
Operating expenses	(22,140)	N/A	(137,409)	N/A
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	2,528	N/A	13,743	N/A
(b) Interest on borrowings	(207)	N/A	(707)	N/A
(c) Depreciation and amortisation	(583)	N/A	(3,316)	N/A
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	1,738	N/A	9,720	N/A
(e) Share of profit/(loss) in associated companies	-	N/A	-	N/A
(f) Profit/(Loss) before taxation	1,738	N/A	9,720	N/A
(g) Income tax expenses	313	N/A	(2,696)	N/A
3. Profit/(Loss) for the period	2,051	N/A	7,024	N/A
Other comprehensive income, net of tax	-	N/A	-	N/A
4. Total comprehensive income for the period	2,051	N/A	7,024	N/A
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	1,438	N/A	3,800	N/A
(ii) Non-controlling interest	613	N/A	3,224	N/A
	2,051	N/A	7,024	N/A
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	1,438	N/A	3,800	N/A
(ii) Non-controlling interest	613	N/A	3,224	N/A
	2,051	N/A	7,024	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 107,160,127 ordinary shares - (sen)	1.34	N/A	3.55	N/A
(ii) Fully diluted - (sen)	1.34	N/A	3.55	N/A
8. Net assets per share (RM)			0.9083	N/A

FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

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

	AS AT END OF CURRENT QUARTER 30/6/2018	AS AT PRECEDING FINANCIAL YEAR END 30/6/2017
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	43,135	42,854
Investment properties	4,607	4,704
Goodwill on consolidation	18,556	18,556
Intangible assets	697	1,581
Deferred tax assets	807	258
Trade receivables	-	9,241
	<u>67,802</u>	<u>77,194</u>
Current assets		
Inventories	4,486	6,102
Trade receivables	64,295	60,860
Other receivables	6,627	3,839
Tax assets	-	278
Fixed deposits with licensed banks	4,652	11,317
Cash and bank balances	2,226	3,073
	<u>82,286</u>	<u>85,469</u>
TOTAL ASSETS	<u>150,088</u>	<u>162,663</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	101,685	84,685
Treasury shares	(2,333)	-
Reserves	(6,083)	5,720
Equity attributable to owners of the parent	<u>93,269</u>	<u>90,405</u>
Non-controlling interest	1,371	11,664
Total equity	<u>94,640</u>	<u>102,069</u>
Non-current liabilities		
Borrowings	2,772	5,220
Deferred tax liabilities	3,648	3,698
Trade payables	-	5,972
	<u>6,420</u>	<u>14,890</u>
Current liabilities		
Trade payables	26,267	25,289
Other payables	13,792	11,075
Borrowings	8,138	7,038
Provision for taxation	831	2,302
	<u>49,028</u>	<u>45,704</u>
Total liabilities	<u>55,448</u>	<u>60,594</u>
TOTAL EQUITY AND LIABILITIES	<u>150,088</u>	<u>162,663</u>

FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018

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		
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
Issue of RCPS	-	17,000	-	-	-	-	-	17,000	-	17,000
Changes in ownership interests in a subsidiary	-	-	-	-	-	(13,483)	-	(13,483)	(13,517)	(27,000)
Purchase of Treasury shares	-	-	-	-	-	-	(2,333)	(2,333)	-	(2,333)
Dividend	-	-	-	-	-	(2,118)	-	(2,118)	-	(2,118)
Total comprehensive income	-	-	-	-	-	3,800	-	3,800	3,224	7,024
Other comprehensive income	-	-	-	-	(2)	-	-	(2)	-	(2)
AS AT 30 JUNE 2018	57,685	44,000	-	6,752	14	(12,849)	(2,333)	93,269	1,371	94,640

* 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 INTERNATIONAL HOLDINGS BERHAD
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 30 JUNE 2018

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

	Unaudited 30/06/2018 RM'000	Audited 30/06/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	9,720	11,612
Adjustments for:		
Bad debts written off	-	3
Deposits written off	-	-
Depreciation of investment properties	98	59
Depreciation of property, plant and equipment	2,334	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	707	1,063
Interest income	(223)	(189)
Property, plant and equipment written off	-	305
Loss/(Gain) on disposal of property, plant and equipment	251	(18)
Amortisation of intangible assets	884	2,233
Reversal of provisions	-	(20)
Operating (loss)/profit before working capital changes	<u>13,771</u>	<u>17,557</u>
Changes in working capital:		
Inventories	1,617	(408)
Receivables	3,018	31,267
Payables	<u>(2,278)</u>	<u>(39,300)</u>
Cash (used in)/generated from operations	16,128	9,116
Income tax paid	<u>(4,489)</u>	<u>(5,119)</u>
Net cash (used in)/generated from operating activities	<u>11,639</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	(2,892)	(2,395)
Acquisition of subsidiary, net of cash acquired	(10,000)	(3,596)
Interest received	223	189
Net cash (used in)/generated from investing activities	<u>(12,644)</u>	<u>(5,783)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(707)	(1,063)
Dividend paid	(2,118)	(851)
Fixed deposit held as security value	(500)	(267)
Loans (repaid)/raised	(252)	(977)
Proceed from exercise of warrants to ordinary shares	-	13,152
Repayment of hire purchase and lease payables	(2,747)	(2,097)
Share issuance expenses	-	(256)
Repurchase of own shares	(2,333)	-
Net cash generated from/(used in) financing activities	<u>(8,657)</u>	<u>7,641</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	(2)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(9,662)	5,855
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,282	6,427
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2,618</u>	<u>12,282</u>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	4,652	11,317
Cash and bank balances	2,226	3,073
Bank Overdrafts	(3,136)	(1,484)
Pledged fixed deposits	<u>(1,124)</u>	<u>(624)</u>
	<u>2,618</u>	<u>12,282</u>

FEDERAL INTERNATIONAL HOLDINGS BHD

INTERIM FINANCIAL REPORT –4th QUARTER ENDED 30 JUNE 2018

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

i) share buy-back :

During the current quarter, no shares were purchased from the open market. There was no cancellation of treasury shares. As at the end of the current quarter, the number of treasury shares is 4,808,600 representing 4.4% of total issued share capital.

ii) issue of redeemable convertible preference shares (RCPS)

On 24 April 2018 the Company issued 170,000,000 RCPS of nominal value 10 sen each to the vendors of Pembinaan Masteron Sdn Bhd pursuant to the acquisition of the balance 40% equity in Pembinaan Masteron Sdn Bhd.

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

Period ended 30 June 2018	Turnover RM '000	Profit /(Loss) Before Taxation RM '000	Total Assets Employed RM '000
Manufacture and export	24,720	3,428	34,791
Trading and retail	1,579	(453)	3,143
Interior fit-out	26,088	(1,001)	25,862
Investment holding	-	(3,466)	3,862
Construction	105,933	12,109	59,569
Others	-	(13)	-
Total before Group elimination	158,320	10,604	127,227
Inter segment elimination	(8,912)	(884)	22,053
After elimination	149,408	9,720	149,280

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

Q4 2018 group turnover came in at RM23.7m on lower turnover from the construction and IFO division. The manufacturing division registered gross sales of RM6.3m, almost all of which came from Starbucks. Higher store sales to Japan offset lower sales to the Philippines as the number of stores shipped was about the same as same period last year. But the depreciation of the US dollar against the Ringgit dragged sales value down by about 9%. All sales to India in the quarter were shipped from the new subsidiary company in India. Meanwhile, local sales were 89% lower due to absence of sales to the IFO division. Gross margin for the quarter was lower due to new supply prices that are based on lower forex rates while operating expenses fell on lower staff and traveling costs incurred during the quarter. Despite the lower operating expenses, the division made an operating profit of RM0.8m for the quarter under review. YTD gross turnover was RM24.8m of which Starbucks sales accounted for about 95%. Lower sales to Japan, Korea and Thailand were partially offset by new sales to India and sales of tabletop. The division reported lower PBT of RM3.4m for the year on lower gross margin and lower local sales.

The trading division's turnover for the quarter was insignificant at just RM151k as it has already completed its project sales. Operating expenses were significantly higher due to impairment of inventory amounting to about RM230k. The division turned in an operating loss of about RM250k for the current quarter. YTD sales was RM1.64m of which project sales accounted for almost 70% of total sales. The division reported an YTD operating loss of about RM450k due mainly to impairments of fixed assets and inventory arising from the cessation of the retail operations.

The IFO division registered a much lower gross turnover of RM4m on lower project secured and billed and this reflect the difficult operating conditions for the IFO industry as a whole. Gross margin was however higher for the quarter. The division reported an operating loss of RM0.7m for the current quarter on lower sales. YTD gross sales was RM26m and despite lower operating cost the division reported an operating loss of RM1.0m on higher rectification cost incurred on a kitchen project.

The construction division registered turnover of RM14.1m for the current quarter from ongoing projects ie Aurora Ph1, Koi Prima Suites and the Sheraton 4 Point hotel projects. Gross margin continued to benefit from variation orders claimed and conservative cost budgeting. Operating expenses were substantially lower on write back of interest discounting for retention sum made last year. The division registered an operating profit of RM2.9m for the quarter. At the end of the quarter the division has unbilled contacts of approximately RM260m carried forward. YTD turnover was RM106m while PBT came in at RMM12.1m boosted by higher gross margin due to review of budget costs for projects nearing completion and write back of interest discounted on trade receivables.

Head office expenses for the quarter increased due corporate expenses relating to the acquisition of the balance 40% in Pembinaan Masteron Sdn Bhd. Profit before tax after head office expenses for the current quarter was RM1.7m due mainly to lower contribution for the manufacturing division. The negative tax charge for the quarter is due to recognition of deferred tax and over provision of tax in previous period. PAT for the quarter came in at RM2.1m for the quarter and RM7.0 for the full year. After accounting for minority interests, the profit attributable to shareholders was RM1.4m for the quarter and RM3.8m for the year.

15. Comparison with Preceding Quarter

PBT for the current quarter fell to RM1.7m from RM2.4m in the preceding quarter due mainly to the much higher loss at the IFO on lower projects secured and billed.

16. Current Year Prospects.

The Manufacturing division expects to see growth from the Japan market due to recommencement of frontal orders and the growth momentum seen in India in 2018 to continue into 2019. The lower sale value per store arising from the appreciation of the Ringgit will be offset by the higher value from the new kraftbar design. The division is continuing to look at the China market but this is not expected to generate any significant contribution in the next 12 months. Gross margins are expected to be lower on the new supply contract taking effect from October 2017 and will also depend on strength of the USD against the Ringgit. Local sales to IFO division are expected to decrease 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 has not been profitable.

The IFO division has seen its turnover slide in recent years with a substantial portion of its sales now coming from the construction division. This downtrend is expected to be reversed in the current financial year as the division has already secured contracts amounting to approximately RM22m from the construction division that is expected to be completed in the 3rd quarter of the financial year. This includes the fit-out of the Sheraton 4 Points Hotel. 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 construction division has unbilled sales of about RM260m brought forward 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 FY2019. The completion of the balance 40% in the construction division will allow the Group to fully consolidate the division's results and 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)	870	3,480
Under/(over) provision in prior years	(183)	(183)
Deferred tax	(1,000)	(600)
	-----	-----
Total tax	<u>(313)</u>	<u>2,697</u>

19. Status of corporate proposal

None

20. Group borrowings and debt securities as at end of reporting period

• Group Borrowings :

RM'000	Short term	Long term
Secured :		
Bank overdrafts	3,136	-

Bankers acceptances	1,114	-
Hire Purchase	1,951	576
Term loans	494	2,197
Invoice Financing	1,444	
Unsecured :		
Bank overdrafts	-	-
Bankers' acceptances	-	-
Revolving credit	-	-
Total group borrowings	8,139	2,773

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 RM4,167,000 and the average number of shares in issue during the quarter of 107,160,127.

25. 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	(47)	(223)
Other income	(7)	(337)
Interest expenses	207	707
Depreciation and amortization	583	3,316
Provisions for and write off of		
- Receivables	-	-
- Inventories	230	237
(Gain)/Loss on disposal of		
- Property, plant and equipment	-	(13)
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	(16)	340

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 2018.