

FEDERAL INTERNATIONAL HOLDINGS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 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 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2017 RM'000	CURRENT YEAR TO DATE 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2017 RM'000
1. Revenue	50,555	46,009	50,555	46,009
Investment income	-	-	-	-
Other income including interest income	262	383	262	383
Operating expenses	(47,362)	(42,948)	(47,362)	(42,948)
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	3,455	3,444	3,455	3,444
(b) Interest on borrowings	(211)	(166)	(211)	(166)
(c) Depreciation and amortisation	(609)	(1,119)	(609)	(1,119)
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	2,635	2,159	2,635	2,159
(e) Share of profit/(loss) in associated companies	-	-	-	-
(f) Profit/(Loss) before taxation	2,635	2,159	2,635	2,159
(g) Income tax expenses	(967)	(852)	(967)	(852)
3. Profit/(Loss) for the period	1,668	1,307	1,668	1,307
Other comprehensive income, net of tax	-	24	-	24
4. Total comprehensive income for the period	1,668	1,331	1,668	1,331
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	1,782	537	1,782	537
(ii) Non-controlling interest	(114)	770	(114)	770
	1,668	1,307	1,668	1,307
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	1,782	561	1,782	561
(ii) Non-controlling interest	(114)	770	(114)	770
	1,668	1,331	1,668	1,331
7. (a) Earnings per share based on 5(i) above after deducting any provision for preference dividends, if any:-				
(i) Basic based on 104,191,400 ordinary shares - (sen)	1.71	0.49	1.71	0.49
(ii) Fully diluted based on 173,717,716 shares - (sen)	1.03	0.49	1.03	0.49
8. Net assets per share (RM)			0.9247	0.9271

FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 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 30/9/2018	AS AT PRECEDING FINANCIAL YEAR END 30/6/2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	43,133	43,146
Investment properties	4,582	4,607
Goodwill on consolidation	18,556	18,556
Intangible assets	697	697
Deferred tax assets	807	807
Trade receivables	11,815	11,136
	<u>79,590</u>	<u>78,949</u>
Current assets		
Inventories	4,275	4,486
Trade receivables	66,832	51,117
Other receivables	4,949	4,645
Fixed deposits with licensed banks	4,717	4,652
Cash and bank balances	4,066	2,213
	<u>84,839</u>	<u>67,113</u>
TOTAL ASSETS	<u>164,429</u>	<u>146,062</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	98,965	98,965
Treasury shares	(2,333)	(2,333)
Reserves	(1,258)	(3,034)
Equity attributable to owners of the parent	<u>95,374</u>	<u>93,598</u>
Non-controlling interest	977	1,091
Total equity	<u>96,351</u>	<u>94,689</u>
Non-current liabilities		
Borrowings	2,806	2,829
Deferred tax liabilities	3,923	3,648
Trade payables	6,199	4,951
	<u>12,928</u>	<u>11,428</u>
Current liabilities		
Trade payables	25,323	20,709
Other payables	16,702	10,246
Borrowings	12,351	8,118
Provision for taxation	774	872
	<u>55,150</u>	<u>39,945</u>
Total liabilities	<u>68,078</u>	<u>51,373</u>
TOTAL EQUITY AND LIABILITIES	<u>164,429</u>	<u>146,062</u>

FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 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 July 2017	57,685	27,000	-	6,752	16	(1,048)	-	90,405	11,664	102,069
Redeemable convertible preference shares issued	-	14,280	-	-	-	-	-	14,280	-	14,280
Non-controlling interests arising from acquisition of a new subsidiary	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in a subsidiary	-	-	-	-	-	(10,483)	-	(10,483)	(13,797)	(24,280)
Dividend paid	-	-	-	-	-	(2,118)	-	(2,118)	-	(2,118)
Purchase of Treasury shares	-	-	-	-	-	-	(2,333)	(2,333)	-	(2,333)
Total comprehensive income	-	-	-	-	-	3,850	-	3,850	3,224	7,074
Other comprehensive income	-	-	-	-	(2)	-	-	(2)	-	(2)
AS AT 30 JUNE 2018	57,685	41,280	-	6,752	14	(9,799)	(2,333)	93,599	1,091	94,690
At 1 July 2018	57,685	41,280	-	6,752	14	(9,799)	(2,333)	93,599	1,091	94,690
Total comprehensive income	-	-	-	-	-	1,782	-	1,782	(114)	1,668
Other comprehensive income	-	-	-	-	(7)	-	-	(7)	-	(7)
AS AT 30 SEPTEMBER 2018	57,685	41,280	-	6,752	7	(8,017)	(2,333)	95,374	977	96,351

* 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 SEPTEMBER 2018

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

	Unaudited 30/09/2018 RM'000	Audited 30/06/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	2,635	9,758
Adjustments for:		
Bad debts written off	-	1
Depreciation of investment properties	24	98
Depreciation of property, plant and equipment	585	2,334
Written-down of inventories	-	31
Inventories written off	-	237
Reversal of gain on financial liabilities amortised at cost	-	520
Reversal of loss on financial assets amortised at cost	-	(833)
Interest expense	211	718
Interest income	(17)	(224)
Property, plant and equipment written off	-	259
Loss/(Gain) on disposal of property, plant and equipment	(34)	(8)
Amortisation of intangible assets	-	884
Unrealised gain on foreign exchange	-	(36)
Operating (loss)/profit before working capital changes	<u>3,404</u>	<u>13,739</u>
Changes in working capital:		
Inventories	211	1,350
Receivables	(16,696)	7,911
Payables	<u>12,319</u>	<u>(6,951)</u>
Cash (used in)/generated from operations	<u>(762)</u>	<u>16,049</u>
Income tax paid	<u>(790)</u>	<u>(4,437)</u>
Net cash (used in)/generated from operating activities	<u>(1,552)</u>	<u>11,612</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	88	25
Purchase of property, plant and equipment	(422)	(2,902)
Acquisition of additional interest in a subsidiary	(7)	(2)
Acquisition of subsidiary, net of cash acquired	-	(10,000)
Interest received	<u>17</u>	<u>224</u>
Net cash (used in)/generated from investing activities	<u>(324)</u>	<u>(12,655)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(211)	(718)
Dividend paid	-	(2,118)
Fixed deposit held as security value	(50)	(500)
Loans (repaid)/raised	1,717	(215)
Repayment of hire purchase and lease payables	(582)	(2,747)
Acquisition of treasury shares	-	(2,333)
Net cash generated from/(used in) financing activities	<u>874</u>	<u>(8,631)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,002)	(9,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,605</u>	<u>12,282</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,603</u>	<u>2,605</u>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	4,716	4,652
Cash and bank balances	4,066	2,213
Bank Overdrafts	(6,005)	(3,136)
Pledged fixed deposits	<u>(1,174)</u>	<u>(1,124)</u>
	<u>1,603</u>	<u>2,605</u>

FEDERAL INTERNATIONAL HOLDINGS BHD

INTERIM FINANCIAL REPORT –1ST QUARTER ENDED 30 SEPTEMBER 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 2018 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 2018.

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 2018.

Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 July 2018 or later are provided in note 2 to the audited financial statements of the Group for the financial year ended 30 June 2018. 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. During the current quarter, there were no treasury shares purchased from the open market or cancellation of treasury shares.

7. Dividends paid

No dividend were paid during the current quarter. On 25 September 2018, the Board declared an interim dividend of 1 ordinary share for every 50 ordinary shares held and 0.03 sen per Redeemable Convertible Preference Share A to be paid on 29 October 2018.

8. Segmental Information

Period ended 30 September 2018	Turnover RM '000	Profit /(Loss) Before Taxation RM '000	Total Assets Employed RM '000
Manufacture and export	6,831	1,365	34,245
Trading and retail	42	(56)	1,813
Interior fit-out	7,024	(577)	26,137
Investment holding	-	(660)	1,957
Construction	40,509	2,565	78,223
Others	-	(2)	-
Total before Group elimination	54,406	2,635	142,375
Inter segment elimination	(3,852)	-	22,053
After elimination	50,554	2,635	164,428

Period ended 30 September 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)	(515)	22,422
After elimination	46,009	2,159	174,664

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

Q1 FY2019 group turnover rose by 10% to RM50.6m from RM46.0m for the corresponding period a year ago on higher sales from manufacturing and construction divisions. The manufacturing division's gross sales grew by 11% to RM6.8m from RM6.1m a year earlier, almost all of which came from Starbucks. Higher store sales to the Philippines, Malaysia, Vietnam and India more than offset the lower sales to Japan and Australia as the number of stores shipped expanded by 17%. Meanwhile, local sales were substantially lower due to absence of sales to the IFO division that made up 70% of sale in the same period last year. Gross margin for the quarter was marginally higher despite the lower USD forex due to favourable sales mix while operating expenses increased marginally on a CSR programme. The division made an operating profit of RM1.4m for the quarter under review compared to RM1.0m in the same period last year, an increase of 36%.

The trading division's turnover for the quarter was insignificant at just RM42k compared to approximately RM400k for the corresponding a year ago as it has already completed its project sales. Operating expenses were also significantly lower as the division had ceased its retail operations. The division turned in a lower operating loss of about RM90k compared to a loss of RM300k for the corresponding period a year earlier.

Gross turnover including inter-segment sales for the IFO division fell by 30% to RM7.0m from RM10.0 million for the corresponding last year on lower kitchen projects billed and this reflect the difficult operating conditions for the IFO industry as a whole. Gross margin was slightly higher for the quarter while operating expenses were higher due mainly to higher staff and operating costs arising from the new manufacturing facilities. The division reported an operating loss of RM0.6m for the current quarter compared a profit of RM0.1m a year earlier.

Turnover for the construction division grew by 13% to RM40.5m from RM35.8m for the same period a year ago on higher billings from ongoing projects ie Koi Prima Suites, Sheraton 4 Point hotel and Verando projects. Gross margin were however marginally lower while operating expenses were lower on absence of fair value discounting for retention sum receivable after 12 months that amounted to RM0.4m last year. The division registered an operating profit of RM2.5m which was about the same as that reported in the corresponding period last year. At the end of the quarter the division has unbilled contacts of approximately RM265m carried forward.

Group PBT after head office expenses for the current quarter increased by 20% to RM2.6m from RM2.2m a year ago due to lower amortization for intangible asset. PAT for the quarter came in at RM1.7m for the quarter compared to RM1.3 in the previous year. Profit attributable to shareholders increased more than 3 folds to RM1.8m for the quarter compared to RM0.5m for the year due mainly to the consolidation of 100% equity in Pembinaan Federal Sdn Bhd.

15. Comparison with Preceding Quarter

PBT for the current quarter rose by 53% to RM2.6m from RM1.7m in the preceding quarter on higher contribution from the manufacturing division on higher margins and contribution from new subsidiary company in India and lower overhead from the HO operations due to expense relating to a corporate exercise in the preceding quarter.

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 and new items supplied. The division is continuing to look at opportunities in the China market and the prospect for the year will depend on the success of this initiative. 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 in the previous year.

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 4th quarter of the financial year. This includes the ongoing 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)	692	692
Under/(over) provision in prior years	-	-
Deferred tax	275	275
	-----	-----
Total tax	967	967
	=====	=====

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	6,005	-
Bankers acceptances	1,189	-
Hire Purchase	1,469	680
Term loans	474	2,125
Invoice Financing	3,214	

Unsecured :		
Bank overdrafts	-	-
Bankers' acceptances	-	-
Revolving credit	-	-
Total group borrowings	12,351	2,805

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 is calculated based on the Group's profit attributable to shareholders of RM1,782,026 and the average number of shares in issue net of treasury shares of 104,191,400; whereas diluted earnings per share is calculated based on the average number of shares in issue net of treasury shares plus weighted average number of redeemable convertible preference shares of 173,717,716.

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	(17)	(17)
Other income	(5)	(5)
Interest expenses	211	211
Depreciation and amortization	609	609
Provisions for and write off of		
- Receivables	-	-
- Inventories	-	-
(Gain)/Loss on disposal of		
- Property, plant and equipment	(66)	(66)
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	(89)	(89)

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 2018.