

FEDERAL INTERNATIONAL HOLDINGS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 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	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/12/2018 RM'000	30/12/2017 RM'000	31/12/2018 RM'000	30/12/2017 RM'000
1. Revenue	55,842	45,317	106,397	91,326
Investment income	-	-	-	-
Other income including interest income	157	117	419	500
Operating expenses	(52,194)	(40,827)	(99,556)	(83,775)
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	3,805	4,607	7,260	8,051
(b) Interest on borrowings	(197)	(155)	(408)	(321)
(c) Depreciation and amortisation	(659)	(1,010)	(1,268)	(2,129)
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	2,949	3,442	5,584	5,601
(e) Share of profit/(loss) in associated companies	-	-	-	-
(f) Profit/(Loss) before taxation	2,949	3,442	5,584	5,601
(g) Income tax expenses	(963)	(1,368)	(1,930)	(2,220)
3. Profit/(Loss) for the period	1,986	2,074	3,654	3,381
Other comprehensive income, net of tax	-	-	-	-
4. Total comprehensive income for the period	1,986	2,074	3,654	3,381
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	2,027	1,106	3,809	1,643
(ii) Non-controlling interest	(41)	968	(155)	1,738
	1,986	2,074	3,654	3,381
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	2,027	1,106	3,809	1,643
(ii) Non-controlling interest	(41)	968	(155)	1,738
	1,986	2,074	3,654	3,381
7. (a) Earnings per share based on 5(i) above after deducting any provision for preference dividends, if any:-				
(i) Basic based on 104,904,880 ordinary shares - (sen)	1.93	1.02	3.63	1.51
(ii) Fully diluted based on 174,431,196 shares - (sen)	1.16	1.02	2.18	1.51
8. Net assets per share (RM)			0.9177	0.9521

FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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

	AS AT END OF CURRENT QUARTER 31/12/2018	AS AT PRECEDING FINANCIAL YEAR END 30/6/2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	43,380	43,146
Investment properties	4,558	4,607
Goodwill on consolidation	18,556	18,556
Intangible assets	697	697
Deferred tax assets	807	807
Trade receivables	6,199	11,136
	<u>74,197</u>	<u>78,949</u>
Current assets		
Inventories	3,768	4,486
Trade receivables	85,101	51,117
Other receivables	6,336	4,645
Fixed deposits with licensed banks	4,802	4,652
Cash and bank balances	3,003	2,213
	<u>103,010</u>	<u>67,113</u>
TOTAL ASSETS	<u>177,207</u>	<u>146,062</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	98,965	98,965
Treasury shares	(1,322)	(2,333)
Reserves	(1,046)	(3,034)
Equity attributable to owners of the parent	96,597	93,598
Non-controlling interest	936	1,091
Total equity	<u>97,533</u>	<u>94,689</u>
Non-current liabilities		
Borrowings	2,872	2,829
Deferred tax liabilities	4,026	3,648
Trade payables	4,087	4,951
	<u>10,985</u>	<u>11,428</u>
Current liabilities		
Trade payables	33,958	20,709
Other payables	23,752	10,246
Borrowings	9,982	8,118
Provision for taxation	997	872
	<u>68,689</u>	<u>39,945</u>
Total liabilities	<u>79,674</u>	<u>51,373</u>
TOTAL EQUITY AND LIABILITIES	<u>177,207</u>	<u>146,062</u>

FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 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	Non-controlling Interest 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
Dividend paid	-	-	-	-	-	(810)	-	(810)	-	(810)
Dividend in specie	-	-	-	-	-	(1,011)	1,011	-	-	-
Total comprehensive income	-	-	-	-	-	3,810	-	3,810	(155)	3,655
Other comprehensive income	-	-	-	-	(2)	-	-	(2)	-	(2)
AS AT 31 DECEMBER 2018	57,685	41,280	-	6,752	12	(7,810)	(1,322)	96,597	936	97,533

* 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 31 DECEMBER 2018

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

	Unaudited 31/12/2018 RM'000	Audited 30/06/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	5,584	9,758
Adjustments for:		
Bad debts written off	-	1
Depreciation of investment properties	48	98
Depreciation of property, plant and equipment	1,220	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	408	718
Interest income	(45)	(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>7,181</u>	<u>13,739</u>
Changes in working capital:		
Inventories	717	1,350
Receivables	(30,736)	7,911
Payables	25,892	(6,951)
Cash (used in)/generated from operations	<u>3,054</u>	<u>16,049</u>
Income tax paid	(1,426)	(4,437)
Net cash (used in)/generated from operating activities	<u>1,628</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	(1,175)	(2,902)
Acquisition of additional interest in a subsidiary	(2)	(2)
Acquisition of subsidiary, net of cash acquired	-	(10,000)
Interest received	45	224
Net cash (used in)/generated from investing activities	<u>(1,044)</u>	<u>(12,655)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(408)	(718)
Dividend paid	(810)	(2,118)
Fixed deposit held as security value	(200)	(500)
Loans (repaid)/raised	1,415	(215)
Repayment of hire purchase and lease payables	(937)	(2,747)
Acquisition of treasury shares	-	(2,333)
Net cash generated from/(used in) financing activities	<u>(940)</u>	<u>(8,631)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(356)	(9,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,605	12,282
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2,249</u>	<u>2,605</u>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	4,801	4,652
Cash and bank balances	3,003	2,213
Bank Overdrafts	(4,231)	(3,136)
Pledged fixed deposits	(1,324)	(1,124)
	<u>2,249</u>	<u>2,605</u>

FEDERAL INTERNATIONAL HOLDINGS BHD

INTERIM FINANCIAL REPORT –2nd QUARTER ENDED 31 DECEMBER 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 residential 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

On 29 October 2018, the Company paid an interim dividend of 1 ordinary share in specie for every 50 ordinary shares held and 0.03 sen per Redeemable Convertible Preference Share A.

8. Segmental Information

Period ended 31 December 2018	Turnover RM '000	Profit/(Loss) Before Taxation RM '000	Total Assets Employed RM '000
Manufacture and export	12,824	1,784	34,544
Trading and retail	42	(84)	1,860
Interior fit-out	15,692	(890)	27,841
Investment holding	-	(1,396)	1,837
Construction	84,646	6,176	88,760
Others	-	(5)	-
Total before Group elimination	112,894	5,584	154,842
Inter segment elimination	(6,808)	-	22,053
After elimination	106,396	5,584	176,895

Period ended 31 December 2017	Turnover RM '000	Profit/(Loss) Before Taxation RM '000	Total Assets Employed RM '000
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)	-
Total before Group elimination	98,608	6,516	154,886
Inter segment elimination	(7,282)	(915)	22,022
After elimination	91,326	5,601	176,908

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 except for :

- a) Contract for interior fitout of one Verando show unit located at Petaling Jaya from Masteron Sdn Bhd, a director related company for RM381,000.

b) ADDITIONAL INFORMATION REQUIRED PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

14. Review of Performance

Q2 FY19 group turnover rose by 23% to RM55.8m from RM45.3m for the corresponding period a year ago mainly on higher sales from the construction division. The manufacturing division's gross sales fell by 10% to RM6.0m from RM6.7m a year earlier on lower Starbucks R&R sales, lower store sales to Japan, Philippines, Cambodia and Malaysia that could not be offset by the higher sales to Singapore and Australia. Meanwhile, local sales were about the same as last year and came substantially from sales to the IFO division. Gross margin for the quarter was lower due to the lower USD forex while operating expenses increased mainly due to higher staff costs. The division made an operating profit of RM0.4m for the quarter under review compared to RM1.0m in the same period last year, a decrease of 43%. YTD manufacturing sales were about 1% higher at RM12.6m (FY18 RM12.4m) due to lower local sales to the Fitout division. YTD PBT for the division fell by approximately 10% to RM1.8m from RM2.0m on higher operating costs.

The trading division did not register any turnover for the quarter following the closure of its retail operation and the transfer of its project operation to the IFO division. The division lost RM26k for the quarter compared to RM150k last year that registered RM1.3m turnover. YTD the division halved its operating loss to about RM80k from a loss of RM160k for the corresponding period a year earlier.

Quarterly revenue including inter-segment sales for the IFO division expanded by 48% to RM8.6m from RM5.8 m for the corresponding last year on higher billing from the hotel projects. Gross margin was however lower for the quarter due to the intense competition in the industry 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 RM0.3m for the current quarter compared a loss of RM0.1m a year earlier. YTD turnover was 2% lower at RM15.7m compared RM16.0m a year ago. Arising from lower margin and higher operating cost, the division's PBT increased to RM0.9m from a breakeven for the corresponding period a year earlier.

Turnover for the construction division grew by 36% to RM44.1m from RM33.2m 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 lower due to last year enjoying an extraordinary high margin from budget to actual costs adjustment for a project. Operating expenses fell by about 8% on lower staff costs and bonus provision. The division registered an operating profit of RM3.6m which was 2% higher than the RM3.5m registered a year ago. At the end of the quarter the division has unbilled contacts of approximately RM170m carried forward. YTD turnover grew by 24% to RM84.6m from RM68.1m in the preceding year on higher billings from the hotel project. PBT was marginally higher at RM6.2m compared to RM6.1m on lower gross margin that was offset by higher sales and lower operating costs.

Group PBT after head office expenses for the current quarter fell by 14% to RM2.9m from RM3.4m a year ago while tax charge fell by 30% to RM0.9m from RM1.4m. PAT for the quarter came in at RM2.0m for the quarter compared to RM2.0 in the previous year on lower tax charge. Profit attributable to shareholders however increased by 83% to RM2.0m for the quarter compared to RM1.1m in the previous year due mainly to the consolidation of 100% equity in Pembinaan Federal Sdn Bhd (PFSB). YTD profit attributable to shareholders more than doubled to RM3.8m from RM1.6m a year ago due to 40% additional contribution from the acquisition of the balance equity in PFSB.

15. Comparison with Preceding Quarter

PBT for the current quarter increased by 11% to RM2.9m from RM2.6 in the preceding quarter. The lower contribution from the manufacturing division was more than offset by the lower loss and higher contribution from the IFO and construction division respectively.

16. Current Year Prospects.

The Manufacturing division expects to see growth coming from the higher sale value from Japan market due to recommencement of frontal orders, higher stores sales to India and the addition of new products that will more than offset lower sales from the R&R sales. The division is continuing to look at opportunities to expand its 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 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 calendar 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 FY19. The completion of the balance 40% equity in Pembinaan Federal Sdn Bhd will allow the Group to fully consolidate the division's results and contribute positively to the group's earning from FY19 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)	860	1,552
Under/(over) provision in prior years	-	-
Deferred tax	103	378
	-----	-----
Total tax	963	1,930
	=====	=====

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	4,231	-
Bankers acceptances	966	-
Hire Purchase	1,031	892
Term loans	474	1,980
Invoice Financing	3,279	
Unsecured :		
Bank overdrafts	-	-
Bankers' acceptances	-	-
Revolving credit	-	-
Total group borrowings	9,981	2,872

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 RM3,499,174 and the average number of shares in issue net of treasury shares of 104,904,880; 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 174,431,196.

25. 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	(28)	(45)

Other income	(84)	(89)
Interest expenses	197	408
Depreciation and amortization	659	1,268
Provisions for and write off of		
- Receivables	-	-
- Inventories	-	-
(Gain)/Loss on disposal of		
- Property, plant and equipment	-	(66)
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	(13)	(102)

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 2018.