

FEDERAL INTERNATIONAL HOLDINGS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2019

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
	30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
1. Revenue	42,909	50,555	42,909	50,555
Investment income	-	-	-	-
Other income including interest income	616	262	616	262
Operating expenses	(40,303)	(47,362)	(40,303)	(47,362)
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	3,223	3,455	3,223	3,455
(b) Interest on borrowings	(389)	(211)	(389)	(211)
(c) Depreciation and amortisation	(659)	(609)	(659)	(609)
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	2,175	2,635	2,175	2,635
(e) Share of profit/(loss) in associated companies	-	-	-	-
(f) Profit/(Loss) before taxation	2,175	2,635	2,175	2,635
(g) Income tax expenses	(717)	(967)	(717)	(967)
3. Profit/(Loss) for the period	1,458	1,668	1,458	1,668
Other comprehensive income, net of tax	-	-	-	-
4. Total comprehensive income for the period	1,458	1,668	1,458	1,668
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	1,374	1,782	1,374	1,782
(ii) Non-controlling interest	84	(114)	84	(114)
	1,458	1,668	1,458	1,668
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	1,374	1,782	1,374	1,782
(ii) Non-controlling interest	84	(114)	84	(114)
	1,458	1,668	1,458	1,668
7. (a) Earnings per share based on 5(i) above after deducting any provision for preference dividends, if any:-				
(i) Basic based on 106,275,215 ordinary shares - (sen)	1.29	1.71	1.29	1.71
(ii) Fully diluted based on 175,801,531 shares - (sen)	0.78	1.03	0.78	1.03
8. Net assets per share (RM)			0.9528	0.9247

FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

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

	AS AT END OF CURRENT QUARTER 30/9/2019	AS AT PRECEDING FINANCIAL YEAR END 30/6/2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	42,124	42,508
Investment properties	5,034	5,061
Goodwill on consolidation	18,556	18,556
Intangible assets	243	243
Deferred tax assets	338	338
Trade receivables	7,351	7,357
	<u>73,646</u>	<u>74,063</u>
Current assets		
Inventories	4,124	3,815
Trade receivables	96,457	87,207
Other receivables	5,717	5,270
Fixed deposits with licensed banks	2,879	4,660
Cash and bank balances	6,671	5,737
	<u>115,848</u>	<u>106,689</u>
TOTAL ASSETS	<u>189,494</u>	<u>180,752</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	98,965	98,965
Treasury shares	(1,322)	(1,322)
Reserves	2,790	1,416
Equity attributable to owners of the parent	<u>100,433</u>	<u>99,059</u>
Non-controlling interest	824	741
Total equity	<u>101,257</u>	<u>99,800</u>
Non-current liabilities		
Borrowings	2,977	2,891
Deferred tax liabilities	3,894	3,734
Trade payables	5,908	5,988
	<u>12,779</u>	<u>12,613</u>
Current liabilities		
Trade payables	37,499	38,728
Other payables	21,083	21,678
Borrowings	16,824	7,921
Provision for taxation	52	12
	<u>75,458</u>	<u>68,339</u>
Total liabilities	<u>88,237</u>	<u>80,952</u>
TOTAL EQUITY AND LIABILITIES	<u>189,494</u>	<u>180,752</u>

**FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

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

	Attributable to owners of the parent							Total Equity RM'000	
	Ordinary Share Capital RM'000	RCPS RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000	Total RM'000		
At 1 July 2018	57,685	41,280	(2,333)	6,752	13	(9,799)	93,598	1,091	94,689
Dividend paid	-	-	-	-	-	(2,221)	(2,221)	-	(2,221)
Dividend in specie	-	-	1,011	-	-	(1,011)	-	-	-
Total comprehensive income	-	-	-	-	-	7,706	7,706	(351)	7,355
Other comprehensive income	-	-	-	-	(24)	-	(24)	-	(24)
AS AT 30 JUNE 2019	57,685	41,280	(1,322)	6,752	(11)	(5,325)	99,059	740	99,799
At 1 July 2019	57,685	41,280	(1,322)	6,752	(11)	(5,325)	99,059	740	99,799
Total comprehensive income	-	-	-	-	-	1,374	1,374	84	1,458
AS AT 30 SEPTEMBER 2019	57,685	41,280	(1,322)	6,752	(11)	(3,951)	100,433	824	101,257

* 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 2019**

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

	Unaudited 30/09/2019 RM'000	Audited 30/06/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	2,176	11,300
Adjustments for:		
Bad debts written off	-	52
Depreciation of investment properties	27	110
Depreciation of property, plant and equipment	632	2,565
Impairment losses on receivables	-	811
Inventories written off	-	215
Payables written off	-	(218)
Interest expense	389	795
Interest income	(15)	(116)
Property, plant and equipment written off	-	38
Loss/(Gain) on disposal of subsidiary	-	(32)
Loss/(Gain) on disposal of property, plant and equipment	(71)	(65)
Amortisation of intangible assets	-	454
Unrealised gain on foreign exchange	-	(64)
Operating (loss)/profit before working capital changes	<u>3,138</u>	<u>15,845</u>
Changes in working capital:		
Inventories	(309)	463
Receivables	(9,693)	(33,733)
Payables	<u>(1,906)</u>	<u>30,089</u>
Cash (used in)/generated from operations	<u>(8,770)</u>	<u>12,664</u>
Income tax paid	<u>(517)</u>	<u>(4,248)</u>
Net cash (used in)/generated from operating activities	<u>(9,287)</u>	<u>8,416</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	50	88
Purchase of property, plant and equipment	(153)	(874)
Interest received	15	116
Net cash (used in)/generated from investing activities	<u>(88)</u>	<u>(670)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(389)	(795)
Dividend paid	-	(2,221)
Advances from directors	-	613
Fixed deposit held as security value	1,624	(500)
Placement of fixed deposits	-	(30)
Loans (repaid)/raised	9,237	2,007
Repayment of hire purchase and lease payables	<u>(172)</u>	<u>(2,607)</u>
Net cash generated from/(used in) financing activities	<u>10,300</u>	<u>(3,533)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	925	4,214
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,900	1,683
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	3
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>6,825</u>	<u>5,900</u>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	2,879	4,659
Cash and bank balances	6,671	5,737
Bank Overdrafts	(1,773)	(1,920)
Pledged fixed deposits	-	(1,624)
Fixed deposit with maturity more than 3 months	<u>(952)</u>	<u>(952)</u>
	<u>6,825</u>	<u>5,900</u>

FEDERAL INTERNATIONAL HOLDINGS BHD

INTERIM FINANCIAL REPORT –1st QUARTER ENDED 30 SEPTEMBER 2019

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

No dividend was paid during the quarter. On 4 June 2019, the Company paid an interim dividend of 0.5 sen per ordinary share and 0.2 sen for each RCPS A and RCPS B held on the entitlement date.

8. Segmental Information

Period ended 30 September 2019	Turnover RM '000	Profit /(Loss) Before Taxation RM '000	Total Assets Employed RM '000
Manufacture and export	6,535	815	34,980
Trading and retail	-	(37)	1,866
Interior fit-out	9,177	13	21,873
Investment holding	-	(634)	1,363
Construction	27,446	2,021	107,813
Others	-	(3)	-
Total before Group elimination	43,158	2,175	167,895
Inter segment elimination	(249)	-	21,599
After elimination	42,909	2,175	189,494

Period ended 30 September 2018	Turnover RM '000	Profit /(Loss) Before Taxation RM '000	Total Assets Employed RM '000
Manufacture and export	6,832	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	54,407	2,635	142,375
Inter segment elimination	(3,852)	-	22,053
After elimination	50,555	2,635	164,428

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 the followings:

- a) Contract between Pembinaan Federal Sdn Bhd (PFSB), a wholly-owned subsidiary company and Masteron Sdn Bhd, a director-related company for main building works in respect of the proposed construction of 2 blocks of apartments on Lot 6656 PJS5 Mukim Petaling for the sum of approximately RM259,940,000, and
- b) Contract between PFSB and Pagoda Canggih Sdn Bhd, a director-related company for main building works in respect of one block of 29 storey residential condominium consisting of 183 units of condominium located in Puchong for the sum of RM 34,673,563.

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

14. Review of Performance

Q1 group turnover fell by about 25% to RM38.2m from RM50.6m for the corresponding period a year ago on lower revenue from the construction division. The manufacturing division's gross sales shrunk by 5% to RM6.5m as higher store sales to Japan and India could not offset the lower sales to the Philippines, Thailand and Malaysia and tabletops. Local sales were negligible at RM14k compared to RM50k a year earlier. Gross margin for the quarter was lower due to higher material costs and higher proportion of sale from subcontracted production which was up by 80% compared to own production which was down by 15%. Operating expenses meanwhile was stable while finance cost fell on lower interest costs compared to the previous year. The division's operating profit for the quarter decreased by 40% to RM0.8m from RM1.3m a year earlier.

Including inter-segment sales, the IFO division's turnover increased by 31% to RM9.2m from RM7.0m a year ago on higher billing from the hotel projects locally and overseas. Gross margin was marginally higher following the closure of one of its factory in Q4 FY2019 while operating expenses fell on lower staff overheads. The division made marginal profit of RM29k compared to a loss of RM0.6m a year ago and this improvement is attributable to the higher sales and other one-time income.

The construction division's turnover fell by 32% to RM27.4m from RM40.5m for the same period a year ago on lower billings from ongoing projects and completion of some projects while awaiting the commencement of new projects awarded during the quarter. Gross margin were however higher on final account of certain projects and contract sum that incorporated interest on deferred credit terms. Operating expenses was lower on lower maintenance costs but interest cost increased on higher project financing costs. The division registered a lower operating profit of RM2.0m for the quarter compared to RM2.5m a year ago due to the lower revenue. At the end of the quarter the division has unbilled contracts of approximately RM364m carried forward of which RM294m was secured during the current quarter.

On consolidated basis, PBT fell by 17% to RM2.2m from RM2.6m a year ago on lower contribution from the manufacturing and construction division while PAT was 13% lower at RM1.5m compared to RM1.7m for the same period respectively.

15. Comparison with Preceding Quarter

PBT for the current quarter shrank to RM2.2m from RM3.3m in the preceding quarter due mainly to the lower gross margin yield from the manufacturing division and the lower turnover from the construction division.

16. Current Year Prospects.

The prospect for the manufacturing division will hinge on the success of efforts made to regain the Thailand and Malaysia markets and the rate of store expansion in the India market while the growth seen in the Japan market last year is expected to continue into the current year. The division is continuing to look at opportunities to expand its products and market including those arising from the continuing US and China trade war and the prospect for the year will also depend on the success of this initiative. Gross margins will hinge on the strength of the USD against the Ringgit. The division is in negotiation to supply furniture to the hospitality industry to boost its export sales and the prospect for the year will depend on the success of these negotiations.

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. Operating loss will not be significant due to the inactivity.

The prospect for the IFO division will depend on the success in securing new projects to replace the hotel projects that will be completed this year. As operating condition in the

IFO industry are expected to continue to be challenging in terms of margins, the division has taken initiatives to reduce its overheads last year including the closure of a factory in the last quarter of last financial year.

The construction division has secured 2 new construction projects totaling approximately RM294m during the 1st quarter of the current financial year that will sustain its turnover over the next 30 months. However the positive contribution from these new projects is expected to be demonstrated in the 2nd half year as construction activities are ramped up. The division is expected to continue to make a significant contribution to the Group's result in FY2020. The prospect for the current year will hinge on the timely execution of the projects in hand.

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)	557	557
Under/(over) provision in prior years	-	-
Deferred tax	160	160
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Total tax	<u>717</u>	<u>717</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	1,773	-
Bankers acceptances	1,000	-
Hire Purchase	508	993
Term loans	128	1,984
Invoice Financing	3,416	
Local bill purchase	10,000	
Unsecured :		
Bank overdrafts	-	-
Bankers' acceptances	-	-
Revolving credit	-	-
Total group borrowings	16,825	2,977

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 during the quarter. The Board had on 13 November 2019 declared a share distribution of one ordinary share for every fifty ordinary shares and cash dividend of 0.2 sen for each RCPS A and RCPS B. This interim dividend is in respect of the financial year ended 30 June 2020 and will be paid on 18 December 2019 to security holders whose name appear on the ROD on 27 November 2019.

24. Basic/diluted earnings per share.

The basic earnings per share is calculated based on the Group's profit attributable to shareholders of RM1,374,441 and the average number of shares in issue net of treasury shares of 106,275,215; 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 175,801,531.

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	(15)	(15)
Other income	(424)	(424)
Interest expenses	389	389
Depreciation and amortization	659	659
Provisions for and write off of		
- Receivables	-	-
- Inventories	-	-
(Gain)/Loss on disposal of		
- Property, plant and equipment	(21)	(21)
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	(59)	(59)

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 2019.