

FEDERAL INTERNATIONAL HOLDINGS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DEC 2020

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 31/12/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2019 RM'000	CURRENT YEAR TO DATE 31/12/2020 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2019 RM'000
1. Revenue	28,565	46,174	50,057	89,083
Investment income	-	-	-	-
Other income including interest income	131	563	261	1,179
Operating expenses	(25,195)	(42,045)	(44,875)	(82,346)
2. (a) Profit/(Loss) from operations before interest on borrowings, depreciation and amortisation, income tax and minority interest	3,501	4,692	5,443	7,916
(b) Interest on borrowings	(387)	(338)	(498)	(727)
(c) Depreciation and amortisation	(681)	(893)	(1,365)	(1,553)
(d) Profit/(Loss) from operations after interest on borrowings, depreciation and amortisation	2,433	3,461	3,580	5,636
(e) Share of profit/(loss) in associated companies	-	-	-	-
(f) Profit/(Loss) before taxation	2,433	3,461	3,580	5,636
(g) Income tax expenses	(666)	(1,042)	(1,092)	(1,759)
3. Profit/(Loss) for the period	1,767	2,419	2,488	3,877
Other comprehensive income, net of tax	-	-	-	-
4. Total comprehensive income for the period	1,767	2,419	2,488	3,877
5. Profit/(Loss) for the period attributable to:-				
(i) Owners of the parent	1,773	2,285	2,501	3,659
(ii) Non-controlling interest	(6)	134	(13)	218
	1,767	2,419	2,488	3,877
6. Total comprehensive income attributable to:-				
(i) Owners of the parent	1,773	2,285	2,501	3,659
(ii) Non-controlling interest	(6)	134	(13)	218
	1,767	2,419	2,488	3,877
7. (a) Earnings per share based on 5(i) above after deducting any provision for preference dividends, if any:-				
(i) Basic based on 114,400,319 ordinary shares - (sen)	1.55	2.15	2.19	3.44
(ii) Fully diluted based on 176,962,988 shares - (sen)	1.00	1.30	1.41	2.08
8. Net assets per share (RM)			0.9590	0.9673

FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DEC 2020

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

	AS AT END OF CURRENT QUARTER 31/12/2020	AS AT PRECEDING FINANCIAL YEAR END 30/6/2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	42,602	43,472
Investment properties	7,829	7,941
Goodwill on consolidation	18,556	18,556
Trade receivables	11,360	8,434
	<u>80,347</u>	<u>78,403</u>
Current assets		
Inventories	3,161	3,374
Trade receivables	89,270	82,290
Other receivables	7,804	8,092
Fixed deposits with licensed banks	1,961	1,781
Cash and bank balances	3,336	4,668
	<u>105,532</u>	<u>100,205</u>
TOTAL ASSETS	<u>185,879</u>	<u>178,608</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	98,965	98,965
Treasury shares	(556)	(556)
Reserves	10,735	8,218
Equity attributable to owners of the parent	<u>109,144</u>	<u>106,627</u>
Non-controlling interest	806	819
Total equity	<u>109,950</u>	<u>107,446</u>
Non-current liabilities		
Borrowings	2,670	2,825
Deferred tax liabilities	5,031	4,823
Trade payables	4,914	4,409
	<u>12,615</u>	<u>12,057</u>
Current liabilities		
Trade payables	32,907	27,721
Other payables	14,670	16,733
Borrowings	15,752	14,959
Provision for taxation	(15)	(308)
	<u>63,314</u>	<u>59,105</u>
Total liabilities	<u>75,929</u>	<u>71,162</u>
TOTAL EQUITY AND LIABILITIES	<u>185,879</u>	<u>178,608</u>

FEDERAL INTERNATIONAL HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DEC 2020

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 RM'000	Non-controlling Interest RM'000	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			
At 1 JULY 2019	57,685	41,280	(1,322)	6,752	(11)	(5,325)	99,059	741	99,800
Conversion of shares	398	(398)	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(254)	-	-	-	(254)	-	(254)
Dividend paid	-	-	-	-	-	(880)	(880)	(225)	(1,105)
Dividend in specie	-	-	1,020	-	-	(1,020)	-	-	-
Revaluation on leasehold land and buildings	-	-	-	4,249	-	-	4,249	-	4,249
Total comprehensive income	-	-	-	-	-	4,474	4,474	303	4,777
Other comprehensive income	-	-	-	-	(21)	-	(21)	-	(21)
AS AT 30 JUNE 2020	<u>58,083</u>	<u>40,882</u>	<u>(556)</u>	<u>11,001</u>	<u>(32)</u>	<u>(2,751)</u>	<u>106,627</u>	<u>819</u>	<u>107,446</u>
At 1 JULY 2020	58,083	40,882	(556)	11,001	(32)	(2,751)	106,627	819	107,446
Conversion of shares	4,150	(4,150)	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	2,501	2,501	(13)	2,488
Other comprehensive income	-	-	-	-	16	-	16	-	16
AS AT 31 DEC 2020	<u>62,233</u>	<u>36,732</u>	<u>(556)</u>	<u>11,001</u>	<u>(16)</u>	<u>(250)</u>	<u>109,144</u>	<u>806</u>	<u>109,950</u>

* 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 DEC 2020

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

	Unaudited 31/12/2020 RM'000	Audited 30/06/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	3,580	6,766
Adjustments for:		
Bad debts written off	-	137
Depreciation of investment properties	112	227
Depreciation of property, plant and equipment	1,253	2,661
Impairment losses on receivables	-	146
Inventories written off	-	350
Payables written off	-	(251)
Interest expense	498	1,209
Interest income	(15)	(196)
Property, plant and equipment written off	-	85
Loss/(Gain) on disposal of investment property	-	(48)
Loss/(Gain) on disposal of property, plant and equipment	-	(7)
Amortisation of intangible assets	-	243
Unrealised gain on foreign exchange	-	(75)
Operating (loss)/profit before working capital changes	<u>5,428</u>	<u>11,247</u>
Changes in working capital:		
Inventories	213	(36,601)
Receivables	(9,619)	37,481
Payables	<u>3,628</u>	<u>(16,532)</u>
Cash (used in)/generated from operations	(350)	(4,405)
Income tax paid	<u>(591)</u>	<u>(2,225)</u>
Net cash (used in)/generated from operating activities	<u>(941)</u>	<u>(6,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	76
Proceeds from disposal of investment property	-	380
Purchase of property, plant and equipment	(382)	(928)
Purchase of investment property	-	(16)
Interest received	<u>15</u>	<u>196</u>
Net cash (used in)/generated from investing activities	<u>(367)</u>	<u>(292)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(498)	(1,209)
Dividend paid	-	(1,105)
Advances from directors	-	(723)
Fixed deposit held as security value	-	1,624
Placement of fixed deposits	-	391
Loans (repaid)/raised	(1,020)	6,304
Repayment of hire purchase and lease payables	(106)	(185)
Acquisition of treasury shares	-	(254)
Net cash generated from/(used in) financing activities	<u>(1,624)</u>	<u>4,843</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,932)	(2,078)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,798	5,900
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	16	(24)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>882</u>	<u>3,798</u>
Cash and cash equivalents comprised of :		
Fixed deposit with licensed banks	1,961	1,780
Cash and bank balances	3,336	4,668
Bank Overdrafts	(3,854)	(2,089)
Fixed deposit with maturity more than 3 months	<u>(561)</u>	<u>(561)</u>
	<u>882</u>	<u>3,798</u>

FEDERAL INTERNATIONAL HOLDINGS BHD

INTERIM FINANCIAL REPORT –2nd QUARTER ENDED 31 DEC 2020

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 2020 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 2020.

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 2020.

Details of standards, amendments to published standards and interpretations to existing standards that are applicable to the Group with effect from 1 July 2020 or later are provided in note 2 to the audited financial statements of the Group for the financial year ended 30 June 2020. 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. As at the end of the current quarter the number of ordinary shares is 116,112,343. During the current quarter, the Company did not buy any shares as treasury shares and the number of treasury shares held remains at 1,455,987.

7. Dividends paid

No dividend was paid during the quarter.

8. Segmental Information

Period ended 31 Dec 2020	Turnover RM '000	Profit /(Loss) Before Taxation RM '000	Total Assets Employed RM '000
Manufacture and export	11,398	(121)	35,661
Trading and retail	1	(18)	654
Interior fit-out	57	(6,765)	11,647
Investment holding	-	(763)	741
Construction	38,601	3,861	116,021
Others	-	(8)	-
Total before Group elimination	50,057	(3,814)	164,724
Inter segment elimination	-	7,394	21,155
After elimination	50,057	3,580	185,879

Period ended 31 Dec 2019	Turnover RM '000	Profit /(Loss) Before Taxation RM '000	Total Assets Employed RM '000
Manufacture and export	12,348	1,136	36,657
Trading and retail	2	(29)	691
Interior fit-out	18,064	617	19,253
Investment holding	-	(1,358)	1,440
Construction	59,150	5,518	113,716
Others	-	(5)	-
Total before Group elimination	89,564	5,879	171,757
Inter segment elimination	(481)	(243)	21,356
After elimination	89,083	5,636	193,113

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

Q2 group turnover fell by 38% to RM28.6m from RM46.2m for the corresponding period a year ago on lower revenue from the construction division and the scale down of IFO division that has not been able to secure any project. The manufacturing division's gross sales was marginally lower at RM5.6m compared to RM5.7m a year earlier. Due to impact of Covid-19 pandemic, total number of stores shipped and stores sales from Starbucks was down by 48% as compared to the corresponding period last year. Reduction in Starbucks sales was mitigated by local sales in supplying furniture to the hospitality industry at RM3m for the current quarter as compared to local sale of RM36k a year earlier. Lower gross margin for the quarter from Starbucks on account of lower sales volume was mitigated by higher margin from local sales recognised upon completion of project, while operating expenses was substantially lower due to lower staff costs compared to the previous year. The division's operating profit for the quarter increased by 145% to RM786k from RM321k a year earlier. YTD turnover fell by 7% to RM11.4m from RM12.2m a year ago and correspondingly resulted in lower gross margin. Operating expenses for the period meanwhile was lower due to substantial savings from lower staff cost and savings from other operating expenses. Consequently, YTD PBT improved marginally to RM1.2m from RM1.1m for the same period a year ago.

The IFO division has a small turnover of RM70k for the quarter as compared to RM8.7m a year ago as the division has not been able to secure any project resulting in it having to downsize its operations. Operating expenses fell on substantially lower staff cost and overheads upon the division scaling down its operations to mitigate operating losses. The division made an operating loss of RM410k compared to profit of RM619k a year earlier due to expenses in relation to remaining staff and overheads in the division for the current quarter. YTD turnover was reduced to RM57k from RM17.7m a year ago while YTD loss was at RM0.6m from a profit of RM0.6m a year ago, which is mainly due to the minimum operating expenses required.

The construction division's turnover fell by 28% to RM22.9m from RM31.7m for the same period a year ago on lower billings from on-going projects that have to catch up on construction work progress due to impact of MCO. Gross margin was about the same compared to the corresponding quarter. Operating expenses was lower on lower staff cost but interest cost increased on higher financing in the quarter. Results of the quarter was also impacted by lower rental income and profit on materials purchased on behalf of subcontractor. The division registered a lower operating profit of RM2.5m for the quarter compared to RM3.5m a year ago. At the end of the quarter the division has unbilled contacts of approximately RM249m carried forward. YTD turnover reduced by 35% to RM38.6m compared to RM59.1m last year. Other income comprising rental income, profit on material purchased on behalf of subcontractor and gain on disposal of property and asset decreased from RM0.7m to RM0.2m. The division's YTD PBT was down by 30% to RM3.9m from RM5.5m for the same period last year.

On consolidated basis, PBT fell by 30% to RM2.4m from RM3.4m a year ago on lower contribution from all divisions. PAT was also 25% lower at RM1.8m compared to RM2.4m for the same period last year.

15. Comparison with Preceding Quarter

PBT for the current quarter increased to RM2.4m from RM1.1m in the preceding quarter due mainly to substantially higher turnover from the construction division and margin yield from the manufacturing and construction division.

16. Current Year Prospects.

The manufacturing division of the Group has seen a significant reduction in export orders since the implementation of the Movement Control Order in March 2020 due to the slowdown in Starbucks retail store expansion in the Asia Pacific region. The number of stores shipped reduced by 47% in the first half of financial year 2021 while revenue fell by 56% although the division had been successful in securing other sales that substantially made up the reduction in sales due to the slowdown in Starbucks retail store expansion. The prospect for the manufacturing division going forward will hinge on the extent that COVID-19 pandemic has on its key customer's store expansion programme and the ability to secure other sales. The division has undertaken a cost optimisation exercise to reduce its operating overheads to mitigate the effect of the lower revenue while gross margin will hinge on the strength of the United States Dollar against the Ringgit and the production throughput.

A substantial portion of the interior fit-out (IFO) division's sales is derived from the hospitality industry that has been adversely affected by the pandemic. The division has not been able to secure any external projects in recent months and do not anticipate to secure any substantial future external projects. As such the decision has been made to scale down the operations to a bare minimum to mitigate operating losses. The division is not expected to make any significant contribution to the group's revenue or bottom line in the near future.

The construction division has two ongoing projects with a combined contract sum of RM295 million that will provide profit visibility for the next two years and expect to secure further related party contracts in the current year to ensure that it continues to make a significant contribution to the Group's result in financial year 2021. The prospect for the current year will hinge on the timely and uninterrupted execution of these projects since the construction industry is considered a high risk industry for COVID-19 infections. In this respect the division has taken proactive measures to ensure compliance with the required standard of procedure(s) ("SOP(s)") to mitigate the risks of work stoppage due to COVID-19 infections.

The Group actively explore for new businesses that can contributes positively to the Group continued growth. At the moment, the Group is evaluating for any business opportunities arising from the COVID-19 pandemic.

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)	548	884
Under/(over) provision in prior years	(52)	(52)
Deferred tax	170	260
	-----	-----
Total tax	666	1,092
	=====	=====

19. Status of corporate proposal

On 11 February 2021, the Company proposes to undertake the Proposed Private Placement of up to 17,852,600 new FIHB shares to independent third party investors to be identified later. The issue price of the Placement Shares shall be determined and fixed by the Board at a later date.

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

- **Group Borrowings :**

RM'000	Short term	Long term
Secured :		
Bank overdrafts	3,854	-
Bankers acceptances	150	-
Hire Purchase	840	1,152
Term loans	325	1,518
Invoice Financing	3,567	
Bank Guarantee	20	
Local bill purchase	6,996	
Unsecured :		
Bank overdrafts	-	-
Bankers' acceptances	-	-
Revolving credit	-	-
Total group borrowings	15,752	2,670

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.

24. Basic/diluted earnings per share.

The basic earnings per share is calculated based on the Group's profit attributable to shareholders of RM2,501,412 and the average number of shares in issue net of treasury shares of 114,400,319; 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 176,962,988.

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	(6)	(15)
Other income	(80)	(94)
Interest expenses	387	498
Depreciation and amortization	681	1,365
Provisions for and write off of		
- Receivables	-	-
- Inventories	-	-
(Gain)/Loss on disposal of		
- Property, plant and equipment	-	-
- Investments	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	-	48

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 Dec 2020.