



FITTERS DIVERSIFIED BERHAD

Company No: 149735-M

(Incorporated in Malaysia)

Interim Financial Report

31 December 2018

FITTERS DIVERSIFIED BERHAD

(Company No. 149735-M)

ANNOUNCEMENT OF UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2018

The Board of Directors are pleased to announce the unaudited consolidated results of the Company for the financial quarter ended 31 December 2018.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018 - unaudited**

	FOURTH QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31-Dec-2018 RM'000	31-Dec-2017 RM'000 (Restated)	31-Dec-2018 RM'000	31-Dec-2017 RM'000 (Restated)
Revenue	100,373	89,437	350,733	303,042
Cost of sales	(85,658)	(74,984)	(295,820)	(258,637)
Gross profit	14,715	14,453	54,913	44,405
Interest income	891	78	2,863	506
Other income	132	15	772	1,232
Selling and marketing expenses	(1,116)	(745)	(3,587)	(3,335)
Impairment loss on receivables	825	(631)	(969)	(2,251)
Administrative expenses	(1,222)	(6,870)	(16,429)	(21,270)
Depreciation and amortisation	(2,888)	(2,133)	(10,656)	(7,918)
Forex gain/ (loss)	90	(87)	219	(195)
Finance costs	(1,497)	(1,541)	(6,081)	(6,271)
Profit before tax	9,930	2,539	21,045	4,903
Income tax expense	(2,779)	(2,365)	(6,886)	(4,671)
Profit after tax	7,151	174	14,159	232
Loss for the financial period for discontinued operation, net of tax	-	(2,944)	-	(3,419)
Profit/(loss) for the financial period	7,151	(2,770)	14,159	(3,187)
Other comprehensive profit/(loss)	2	(3,645)	(18)	(4,261)
Total comprehensive profit/(loss) for the financial period	7,153	(6,415)	14,141	(7,448)
Profit/(loss) attributable to :				
Owners of the Company	7,296	(1,737)	15,474	(201)
Non-controlling interests	(145)	(1,033)	(1,315)	(2,986)
	7,151	(2,770)	14,159	(3,187)
Earnings per share attributable to owners of the Company :				
Basic (sen)	1.64	(0.38)	3.48	(0.04)

(The Condensed Consolidated Statements Of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements)

FITTERS DIVERSIFIED BERHAD
(Company No. 149735-M)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	As at 31-Dec-2018 RM'000 (Unaudited)	As at 31-Dec-2017 RM'000 (Restated)	As at 1-Jan-2017 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	238,087	244,189	235,811
Investment properties	1,341	1,321	683
Intangible assets	5,606	5,684	5,684
Investment securities	106	2,321	2,321
Trade and other receivables	43,608	33,599	4,117
Deferred tax assets	401	479	1,111
	289,149	287,593	249,727
Current assets			
Inventories - development properties	98,631	96,826	92,080
Inventories - stocks	36,375	38,981	41,151
Current tax assets	1,515	1,146	2,454
Trade and other receivables	119,628	85,199	107,228
Other current assets	26,487	26,794	35,732
Investment securities	1	1	1
Deposits, cash and bank balances	15,481	20,534	49,202
	298,118	269,481	327,848
Assets of a disposal group classified as held for sale	-	-	34,458
	298,118	269,481	362,306
TOTAL ASSETS	587,267	557,074	612,033

FITTERS DIVERSIFIED BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	31-Dec-2018 RM'000 (Unaudited)	31-Dec-2017 RM'000 (Restated)	1-Jan-2017 RM'000 (Restated)
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	83,280	70,279	88,011
Current tax liabilities	3,069	446	1,930
Trade and other payables	77,714	55,642	65,371
Other current liabilities	5,771	14,234	6,354
	169,834	140,601	161,666
Liabilities of a disposal group classified as held for sale			332
	169,834	140,601	161,998
Net current assets	128,284	128,880	200,308
Non-current liabilities			
Loans and borrowings	43,673	64,645	86,388
Trade and other payables	997	377	-
Deferred tax liabilities	3,664	3,315	1,730
	48,334	68,337	88,118
TOTAL LIABILITIES	218,168	208,938	250,116
NET ASSETS	369,099	348,136	361,917
Equity attributable to owners of the Company			
Share Capital	240,471	240,366	240,248
Share Premium	-	-	118
Treasury Shares	(14,489)	(11,663)	(5,330)
Revaluation Reserve	22,583	23,040	18,153
Capital Reserve	7,275	7,275	7,275
Exchange Reserve	523	541	9,783
Retained Earnings	99,132	84,499	84,606
	355,495	344,058	354,853
Non-controlling interests	13,604	4,078	7,064
Total equity	369,099	348,136	361,917
TOTAL EQUITY AND LIABILITIES	587,267	557,074	612,033
Net Assets per Share (RM) **	0.8002	0.7612	0.7585

** Net assets per share is calculated based on Total Assets (including intangibles) minus Total Liabilities and Non-controlling interest divided by the total number of ordinary shares less treasury shares.

(The Condensed Consolidated Statement Of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2017)

FITTERS DIVERSIFIED BERHAD

(Company No. 149735-M)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018 - unaudited

	[----- Attributable to owners of the Company -----]									
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
12 months ended 31 December 2018										
Balance as at 1 January 2018	240,366	-	7,275	23,040	541	(11,663)	84,499	344,058	4,078	348,136
Total comprehensive income/(loss)	-	-	-	-	(18)	-	15,474	15,456	(1,315)	14,141
Treasury shares acquired	-	-	-	-	-	(13,976)	-	(13,976)	-	(13,976)
Treasury shares disposed	105	-	-	-	-	11,150	-	11,255	-	11,255
Share subscription by non-controlling interests	-	-	-	-	-	-	-	-	10,000	10,000
Dilution of non-controlling interests	-	-	-	-	-	-	(841)	(841)	841	-
Realisation of revaluation reserve	-	-	-	(457)	-	-	-	(457)	-	(457)
Balance as at 31 December 2018	<u>240,471</u>	<u>-</u>	<u>7,275</u>	<u>22,583</u>	<u>523</u>	<u>(14,489)</u>	<u>99,132</u>	<u>355,495</u>	<u>13,604</u>	<u>369,099</u>
12 months ended 31 December 2017										
Balance as at 1 January 2017 (as previously reported)	240,248	118	7,275	18,153	9,783	(5,330)	83,907	354,154	6,974	361,128
Effect of adoption of MFRS 9 and 15	-	-	-	-	-	-	699	699	90	789
Restated balance as at 1 January 2017	<u>240,248</u>	<u>118</u>	<u>7,275</u>	<u>18,153</u>	<u>9,783</u>	<u>(5,330)</u>	<u>84,606</u>	<u>354,853</u>	<u>7,064</u>	<u>361,917</u>
Realisation of revaluation reserve	-	-	-	(94)	-	-	94	-	-	-
Total comprehensive income/(loss)	-	-	-	4,981	(9,242)	-	(424)	(4,685)	(2,955)	(7,640)
Adjustment	-	-	-	-	-	-	223	223	(31)	192
Treasury shares acquired	-	-	-	-	-	(6,333)	-	(6,333)	-	(6,333)
Transition to no-par value regime	118	(118)	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	<u>240,366</u>	<u>-</u>	<u>7,275</u>	<u>23,040</u>	<u>541</u>	<u>(11,663)</u>	<u>84,499</u>	<u>344,058</u>	<u>4,078</u>	<u>348,136</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017)

FITTERS DIVERSIFIED BERHAD
(Company No. 149735-M)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018 - unaudited

	12 months ended 31-Dec-2018 RM'000 (Unaudited)	12 months ended 31-Dec-2017 RM'000 (Restated)
Profit/(loss) before tax		
- Continuing operations	21,045	4,903
- Discontinued operation	-	(3,419)
	<u>21,045</u>	<u>1,484</u>
Adjustment for non-cash items:		
Operating items	11,280	13,053
Investing items	4,841	5,793
Operating profit before changes in working capital	<u>37,166</u>	<u>20,330</u>
Changes in Working Capital:		
Inventories	2,606	2,147
Receivables	(44,386)	(12,749)
Payables	22,693	(9,224)
Property development	(2,645)	(3,106)
Construction contracts	(7,315)	15,178
Cash generated from operating activities	<u>8,119</u>	<u>12,576</u>
Net tax paid	(4,661)	(4,166)
Interest paid	(6,081)	(6,271)
Net cash generated from operating activities	<u>(2,623)</u>	<u>2,139</u>
Cash Flow from investing activities		
Interest received	2,863	506
Purchase of investment property	(57)	(666)
Proceeds from disposal of property, plant & equipment	25	275
Purchase of property, plant & equipment	(3,485)	(9,764)
	<u>(654)</u>	<u>14,952</u>
Cash Flow from financing activities		
Purchase of treasury shares	(13,975)	(6,333)
Disposal of treasury shares	11,255	-
Share subscription by Minority Shareholder	10,000	-
Finance lease repayment	(386)	(416)
Net drawdown/(repayment) of bank borrowings	(8,981)	(39,886)
	<u>(2,087)</u>	<u>(46,635)</u>
Net change in cash & cash equivalents	(5,364)	(29,544)
Cash & cash equivalents at beginning of year	18,548	48,195
Effect of foreign exchange rate changes on cash and cash equivalents	-	(103)
Cash & cash equivalents at end of period	<u>13,184</u>	<u>18,548</u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017)

FITTERS DIVERSIFIED BERHAD
(Company No. 149735-M)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018 - unaudited

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for revaluation of certain freehold land and building included within property, plant and equipment and the following assets and liabilities that are stated at fair value: available-for-sale financial assets and investment properties.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

2. Changes in Accounting Policies

The Group prepared its annual financial statements for the financial year ended 31 December 2017 in accordance with the Financial Reporting Standards ("FRSs").

The financial statements of the Group for the financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards. The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017, being the transition date, and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been retated as a result of transition to MFRS Framework.

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements of the Group for the year ended 31 Decemeber 2017 except for the adoption of the relevant new MFRSs, amendments to MFRSs and IC interpretations that are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted the standards that have been issued by Malaysian Accounting Standards Board ("MASB") which are effective for the accounting periods beginning 1 January 2019. The adoption of the new MFRSs, amendments to MFRSs and IC Interpretations does not have any material impact on the financial position and results of the Group, except for the effects arising from the transition from FRSs to MFRSs, which are disclosed below.

Transition from FRSs to MRFSSs

The effects of first-time adoption of MFRS are primarily from the following:

(i) MFRS 9 Financial Instruments

The key effect of adoption of this new accounting standard would principally be in respect of the assessment of impairment losses of outstanding debts based on expected credit loss ("ECL") model. The ECL model required impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss impairment model only requires recognition of credit losses incurred as at reporting date.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018 - unaudited

2. Changes in Accounting Policies (continued)

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 Revenue, MFRS 111 Construction Contracts and related interpretations.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contracts with customers. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognized when the performance obligation is satisfied, which may be a point in time or over time.

As a result of adoption of MFRS Framework, the following comparatives in the interim financial report have been restated.

The effects of the transition from FRSs to MFRs are as follows :

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	As per previously stated under FRSs	Adjustments	Year ended 31/12/2017 As restated
	RM'000	RM'000	RM'000
Revenue	303,404	362	303,042
Cost of sales	(258,922)	(285)	(258,637)
Gross profit	44,482		44,405
Interest income	506		506
Other income	1,296	64	1,232
Selling and marketing expenses	(3,335)		(3,335)
Impairment loss on receivables	(2,251)		(2,251)
Administrative expenses	(21,603)	(333)	(21,270)
Depreciation and amortisation	(7,918)		(7,918)
Forex gain/ (loss)	(195)		(195)
Finance costs	(6,271)		(6,271)
Profit before tax	4,711		4,903
Income tax expense	(4,671)		(4,671)
Profit after tax	40		232
Loss for the financial period for discontinued operation, net of tax	(3,419)		-
Profit/(loss) for the financial period	(3,379)	(192)	(3,187)
Other comprehensive (loss)/profit	(4,261)		(4,261)
Total comprehensive profit/(loss) for the financial period	(7,640)	(192)	(7,448)
Profit/(loss) attributable to :			
Owners of the Company	(424)		(201)
Non-controlling interests	(2,955)	31	(2,986)
	(3,379)	31	(3,187)
Earnings per share attributable to owners of the Company :			
Basic (sen)	(0.09)		(0.04)

FITTERS DIVERSIFIED BERHAD
(Company No. 149735-M)

2. Changes in Accounting Policies (continued)

The effects of the transition from FRSs to MFRSs are as follows :

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	As previously stated under FRSs	Adjustment	As at 31.12.2017 As restated (unaudited)
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	244,189		244,189
Investment properties	1,321		1,321
Intangible assets	5,684		5,684
Investment securities	2,321		2,321
Trade and other receivables	33,599		33,599
Deferred tax assets	479		479
	<u>287,593</u>		<u>287,593</u>
Current assets			
Development properties	96,826		96,826
Inventories	38,360	621	38,981
Current tax assets	1,146		1,146
Trade and other receivables	84,039	1,160	85,199
Other current assets	26,794		26,794
Investment securities	1		1
Deposits, cash and bank balances	20,534		20,534
	<u>267,700</u>		<u>269,481</u>
TOTAL ASSETS	<u>555,293</u>		<u>557,074</u>
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	70,279		70,279
Current tax liabilities	446		446
Trade and other payables	55,642		55,642
Other current liabilities	13,434	(800)	14,234
	<u>139,801</u>		<u>140,601</u>
Net current assets	<u>127,899</u>		<u>128,880</u>
Non-current liabilities			
Loans and borrowings	64,645		64,645
Trade and other payables	377		377
Deferred tax liabilities	3,315		3,315
	<u>68,337</u>		<u>68,337</u>
TOTAL LIABILITIES	<u>208,138</u>		<u>208,938</u>
NET ASSETS	<u>347,155</u>		<u>348,136</u>
Equity attributable to owners of the Company			
Share Capital	240,366		240,366
Treasury Shares	(11,663)		(11,663)
Revaluation Reserve	23,040		23,040
Capital Reserve	7,275		7,275
Exchange Reserve	541		541
Retained Earnings	83,577	(922)	84,499
	<u>343,136</u>		<u>344,058</u>
Non-controlling interests	4,019	(59)	4,078
Total equity	<u>347,155</u>		<u>348,136</u>
TOTAL EQUITY AND LIABILITIES	<u>555,293</u>		<u>557,074</u>
Net Assets per Share (RM) **	<u>0.7592</u>		<u>0.7612</u>

FITTERS DIVERSIFIED BERHAD
(Company No. 149735-M)

2. Changes in Accounting Policies (continued)

The effects of the transition from FRSs to MFRSs are as follows :

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	As previously stated under FRSs	Adjustment	As at 31.12.2017 As restated (unaudited)
	RM'000	RM'000	RM'000
Profit/(loss) before tax			
- Continuing operations	4,711	192	4,903
- Discontinued operation	(3,419)		(3,419)
	1,292		1,484
Adjustment for non-cash items:			
Operating items	13,313	(260)	13,053
Investing items	5,793		5,793
Operating profit before changes in working capital	20,398		20,330
Changes in Working Capital:			
Inventories	2,768	(621)	2,147
Receivables	(12,741)	(8)	(12,749)
Payables	(9,224)		(9,224)
Property development	(3,803)	697	(3,106)
Construction contracts	15,178		15,178
Cash generated from operating activities	12,576		12,576
Net tax paid	(4,166)		(4,166)
Interest paid	(6,271)		(6,271)
Net cash generated from operating activities	2,139		2,139
Cash Flow from investing activities			
Interest received	506		506
Purchase of investment property	(666)		(666)
Proceeds from disposal of property, plant & equipment	275		275
Proceed from disposal of subsidiary, net of cash	24,601		24,601
Purchase of property, plant & equipment	(9,764)		(9,764)
	14,952		14,952
Cash Flow from financing activities			
Purchase of treasury shares	(6,333)		(6,333)
Finance lease repayment	(416)		(416)
Net drawdown/(repayment) of bank borrowings	(39,886)		(39,886)
	(46,635)		(46,635)
Net change in cash & cash equivalents	(29,544)		(29,544)
Cash & cash equivalents at beginning of year	48,195		48,195
Effect of exchange rate changes	(103)		(103)
Cash & cash equivalents at end of year	18,548		18,548

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3. Auditors' Report on Preceding Annual Financial Statements

The report of the Auditors for the preceding financial year ended 31 December 2017 was not subject to any qualification.

4. Segmental Information

Analysis of the Group's results by business segments:

	Fourth Quarter		Cumulative Quarter	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Segment Revenue				
Fire Services	35,485	34,154	115,661	119,334
Property Development & Construction	25,301	6,521	87,022	13,967
Renewable & Waste-To-Energy	30,830	48,222	134,031	166,455
HYPRO [®] PVC-O Pipes Manufacturing & Distribution	9,659	2,490	17,796	13,159
Investment holding and others	-	-	-	-
Total revenue including inter-segment sales	101,275	91,387	354,510	312,915
Elimination of inter-segment sales	(902)	(1,950)	(3,777)	(9,873)
Total	100,373	89,437	350,733	303,042
Segment Result				
Fire Services	1,949	4,290	3,949	6,602
Property Development & Construction	7,828	2,901	22,041	4,428
Renewable & Waste-To-Energy	(1,314)	(2,312)	(1,783)	248
HYPRO [®] PVC-O Pipes Manufacturing & Distribution	69	(2,544)	(2,921)	(7,127)
Investment holding and others	673	(170)	(764)	659
Total result including inter-segment profit	9,205	2,165	20,522	4,810
Elimination of inter-segment profit	725	374	523	93
Total	9,930	2,539	21,045	4,903

5. Exceptional or Unusual Items

During the financial quarter, there was no item of exceptional or unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

6. Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter.

7. Comment about Seasonal or Cyclical Factors

The business operations of the Group for the quarter are not materially affected by any seasonal or cyclical factor.

8. Dividend Paid

The Board of Directors does not recommend the payment of any dividend in respect of the financial period ended 31 December 2018.

9. Carrying Amount of Revalued Assets

The valuation of properties, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2017.

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10. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, shares buy-back, shares cancellation, shares held as treasury shares and resale of treasury shares during the financial period to-date except as disclosed below:-

Treasury Shares

- (i) During the year ended 31 Dec 2018, the Company repurchased its issued ordinary shares from the open market totalling 35,351,800 units at an average price of RM0.3937 per share. The total consideration paid for the repurchase including transaction costs was RM13,975,466. The shares repurchased are being held as Treasury Shares in accordance with Section 127 of the Companies Act, 2016.
- (ii) During the year under review, the Company also resale 27,605,900 units of its Treasury Shares via the open market at an average price of RM0.4091 per share. The total shares proceeds for the disposal net of transaction costs was RM11,255,311.

The Company held a total of 36,258,900 units of Treasury Shares as at 31 December 2018 at a value of RM14,488,714.

11. Subsequent Event

There was no material event subsequent to the financial quarter ended 31 December 2018.

12. Changes in Composition of the Group

There was no change in the composition of the Group during the financial period under review other than the following:-

Acquisition of subsidiary company

On 22 June 2018, the Company subscribed for an additional 60,000,000 ordinary shares of RM0.50 each in Molecor (SEA) Sdn Bhd ("MBSB"), fully paid for a total cash consideration of RM30,000,000. Consequent upon the above subscription, the resultant shareholdings of the Company in MSSB are 79,500,000 shares, representing 72.27% of the total equity of MSSB.

13. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2018 is as follows:

	RM'000
Approved and contracted for :	
Property, plant and equipment	11

14. Contingent Liabilities

Corporate guarantees were given by the Company in respect of the following:

	RM'000
Banks and financial institutions credit facilities granted to subsidiary companies	340,876
Corporations for trade credit facilities granted to subsidiary companies	139,100
	479,976

There are no further contingent liabilities save for that disclosed above.

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD**

1. Performance Review

For the quarter ended 31 December 2018, the Group recorded an increase in revenue by 12.2% to RM100.4 million from RM89.4 million and a profit before tax of RM9.9 million, an increase of 291.1% from RM2.5 million as compared to the previous corresponding quarter ended 31 December 2017.

For the 12 months under review, the Group recorded an increase in revenue by 15.7% to RM350.7 million from RM303.0 million and a profit before taxation of RM21.0 million from RM4.9 million, an increased by 329.2% as compared to the preceding financial year ended 31 Dec 2017.

The detailed analysis and explanation for the variances for each business segment are as follows:

(i) Business segment: Fire Services (RM'000)

	Fourth Quarter			Cumulative Quarter		
	31/12/2018	31/12/2017	Changes	31/12/2018	31/12/2017	Changes
	Restated			Restated		
Revenue	35,485	34,154	3.9%	115,661	119,334	-3.1%
Profit/(loss) before tax	1,949	4,290	-54.6%	3,949	6,602	-40.2%

During the quarter ended 31 December 2018, the Fire Services Division posted an increase in revenue by 3.9%, however, profit before tax decline by 54.6% as compared to the previous year same quarter. For the cumulative financial year, both revenue and profit before tax recorded a decline of 3.1% and 40.2% respectively.

The decline was mainly due to decrease in sales and margins from its trading business, Computerised Fire Alarm Monitoring Systems, coupled with slow-down in the progress of certain projects and uncertified project variation orders under Fire-fighting Engineering business.

(ii) Business segment: Property Development & Construction (RM'000)

	Fourth Quarter			Cumulative Quarter		
	31/12/2018	31/12/2017	Changes	31/12/2018	31/12/2017	Changes
	Restated			Restated		
Revenue	25,301	6,521	288.0%	87,022	13,967	523.1%
Profit/(loss) before tax	7,828	2,901	169.8%	22,041	4,428	397.8%

For the Property Development & Construction Division, both revenue and profit before tax recorded a significant improvement to RM25.3 million and RM7.8 million respectively during the current quarter as compared to the same quarter previous year. For the cumulative financial year, both revenue and profit before tax increased by 523.1% and 397.8% respectively.

The increase was contributed by the work progress of the project management & construction contract secured in the fourth quarter of 2017.

(iii) Business segment: Renewable & Waste-To-Energy (RM'000)

	Fourth Quarter			Cumulative Quarter		
	31/12/2018	31/12/2017	Changes	31/12/2018	31/12/2017	Changes
Revenue	30,830	48,222	-36.1%	134,031	166,455	-19.5%
Profit/(loss) before tax	(1,314)	(2,312)	N/A	(1,783)	248	N/A

The Renewable & Waste-to-Energy Division recorded a decline in both revenue and profit before tax by 36.1% and 43.2% respectively for the current quarter as compared to previous year same quarter.

For the cumulative year, the division recorded RM134.0 million in revenue, a decline by 19.5% and a loss before tax of RM1.8 million as compared to the previous financial year.

The decline is primarily due to the decline in crude palm oil and palm kernel price by 19% and 27% respectively and lower crop trend as experienced in the area we are operating as compared to previous corresponding quarter. The medical waste treatment plant at Sendayan has also contributed to losses with reduced operating margin, when taking into account overall costs (added on to operational costs). The plant currently still operates only one line as against the projected three lines required to enable profitability. Margins have been further reduced when higher disposal charges were billed in the last two quarters.

During the quarter, an impairment was also being made on an investment in Philippine amounting to RM0.8 million.

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1. Performance Review (continued)

(iv) Business segment: HYPRO® PVC-O Pipes Manufacturing & Distribution (RM'000)

	Fourth Quarter			Cumulative Quarter		
	31/12/2018	31/12/2017	Changes	31/12/2018	31/12/2017	Changes
Revenue	9,659	2,490	287.9%	17,796	13,159	35.2%
Profit/(loss) before tax	69	(2,544)	N/A	(2,921)	(7,127)	N/A

HYPRO® PVC-O Pipes Manufacturing & Distribution Division, a relatively new set-up, recorded a revenue of RM9.7 million, an increase of 287.9% and a marginal profit before tax of RM0.07 million as compared to a loss of RM2.5 million the previous corresponding quarter.

For the cumulative financial period, the division recorded RM17.8 million in revenue, an increase of 35.2% and lower loss before tax of RM2.9 million as compared to a loss of RM7.1 million in the previous financial year under review.

2. Comment on Material Changes in Profit Before Taxation Against Immediate Preceding Quarter

The material changes in profit before taxation for the current quarter as compared to the immediate preceding quarter are as follow :

	Current Quarter	Immediate Preceding Quarter	Changes	
	31/12/2018	30/9/2018	Amount	%
Profit/(loss) before taxation	9,930	6,016	3,914	65.1%

The material changes are mainly due to the following :

- i.) Fire Services division which recorded a profit of RM1.9 million as compared to RM0.5 million in the third quarter of FYE 2018 due to recognition of project variation orders of certain projects.
- ii.) Property, Development & Construction division which recorded a profit of RM7.8 million as compared to RM5.6 million in the previous quarter contributed from the work progress of a contract awarded in FYE2017.
- iii.) Renewable & Waster-To-Energy Division recorded a loss of RM1.3 million as compared to previous quarter profit of RM1.8 million due to lower crops produced and low demand of crude oil from the overall market. The current quarter also recorded an impairment loss on an investment amounting to RM0.8 million.
- iii.) HYPRO® PVC-O Pipes Manufacturing & Distribution Division, recorded a profit of RM69K as compared to a loss of RM1.1 million in the third quarter due to increase in sales.

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3. Commentary of Prospects

The sectors in which the Group operates are still in cautious sentiment and characterised by short and medium term uncertainties as experienced by the general market. The Group continues to monitor closely the market conditions and put in place prudent business development strategies to ensure that it remains resilient and proactively respond to the challenges.

Despite the challenges, the Group has intensified its efforts to enhance the performance of its existing businesses. The property development & construction division, is continuing with its progress of the RM97.8 million project management & construction contract which has is poised to contributed substantially to the Group's turnover and profitability for FY 2018 and expected the same for FY2019.

The stringent measures implemented earlier by our palm oil mill has yielded encouraging results and the management is committed to further enhance on its potential. The 2 Megawatt Biogas Power generation facility which was commissioned and operating since first quarter of 2018 continues to generate revenue with positive performance. The medical waste treatment facility has also been a subject of strict compliance to legislation by the authorities. The medical waste market (for non-concessionaires) is highly regulated and competitive. Operations are being rationalised and target to achieveable profitability at the operations level in coming year.

The management and marketing team of HYPRO® PVC-O pipes division has intensified its efforts to engage with the relevant authorities for wider state acceptance and to expand its reach to other sectors. To-date, our HYPRO® pipes have garnered a strong track record across ten states in Malaysia, with over 450 km of pipes installed. We have also earned the confidence and approvals of key authorities in the water sector such as Suruhanjaya Perkhidmatan Air Negara (SPAN), Ranhill SAJ, Syarikat Air Negeri Sembilan (SAINS), Air Selangor, Air Kelantan. In October 2018, Molecor was awarded the Central Purchase Contract by Pengurusan Aset Air Bhd (PAAB) for the supply of HYPRO® PVC-O water pipes from 2018 to 2020. In December 2018, Molecor SEA appointed Syarikat Logam Unitrade Sdn Bhd (UNITRADE) as master stockist and distributor for HYPRO ® PVC-O pipes for supply to water and sewerage projects in Malaysia with a commitment of RM50.0 million worth of sales p.a. With these contracts, management is confident of a performance turnaround for FY 2019.

Despite the slowdown in the building and construction sector that resulted in a decline in the division's revenue and profitability, the fire services division will continue to put in concerted efforts to increase its revenue stream through greater participation in cross sectoral projects.

At the prevailing market conditions, the Group remains cautious but optimistic about its prospects for the future.

4. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

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5. Income Tax Expense

	Fourth Quarter		Cumulative Quarter	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current year	2,890	1,938	7,411	3,856
- Prior year	-	10	(495)	(68)
	2,890	1,948	6,916	3,788
Deferred tax	(111)	216	(30)	682
Total income tax expense	<u>2,779</u>	<u>2,164</u>	<u>6,886</u>	<u>4,470</u>

The effective tax rate for the Group was higher than the statutory rate due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purposes.

6. Corporate Proposals

(a) Status of Corporate Proposals Announced But Not Completed

Save as disclosed below, there was no corporate proposal announced but not completed as at 18 May 2017, being the latest practicable date:

(i) Long Term Incentive Plan ("LTIP")

On 15 April 2013, the Company announced the proposal to establish a Long Term Incentive Plan ("Proposed LTIP") of up to 15% of the issued and paid-up share capital of the Company at any time during the duration of the Proposed LTIP, for the eligible employees and Executive Directors of the FITTERS Group.

The Listing application of the Proposed LTIP had been submitted to Bursa Malaysia Securities Berhad on 30 April 2013 and was approved vide its letter dated 15 May 2013.

The effective date of implementation of the LTIP is 11 November 2013 and will be in force for a period of 5 years and may be extended for up to another 5 years immediately from the expiry of the first 5 years, but will not in aggregate exceed 10 years from the Effective Date.

Pursuant to the provisions of the By-Laws of LTIP, on 9 November 2018, the board had approved to extend the duration of the LTIP for another five (5) years immediately from the Expiry Date. The extended LTIP will now expire on 11 November 2023.

(b) Status of Utilisation of Proceeds Raised from Corporate Proposal

There was no corporate proposal involving fund raising.

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7. Group Borrowings

The total Group borrowings are as follows:

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Short term borrowings		
Secured		
Term Loans	28,362	26,114
Finance lease liabilities	393	345
Bank overdrafts	1,839	596
Bankers acceptance	17,503	21,356
Revolving credits	27,145	10,245
Unsecured		
Bank overdrafts	458	1,390
Bankers acceptance	7,580	3,533
Revolving credits	-	6,700
	<u>83,280</u>	<u>70,279</u>
Long term borrowings		
Secured		
Term Loans	43,067	63,894
Finance lease liabilities	606	751
	<u>43,673</u>	<u>64,645</u>

The above include borrowings denominated in foreign currency as follows:

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Euro	<u>1,189</u>	<u>2,924</u>

8. Material Litigation

The Group does not have any material litigation for the financial year under review.

9. Dividend Payable

The Board of Directors does not recommend the payment of any dividend in respect of the financial period ended 31 December 2018.

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10. Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding treasury shares held by the Company.

	Fourth Quarter		Cumulative Quarter	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit attributable to ordinary equity holders of the Company	7,296	(1,737)	15,474	(201)
Adjusted weighted average number of ordinary shares in issue 445,276,445 (2017: 460,958,095) ('000)	445,276	460,958	445,276	460,958
Basic earnings per share (sen)	1.64	(0.38)	3.48	(0.04)

(b) Diluted Earnings Per Share

The Company has potential ordinary shares in the form of warrants. The effect on the basic earnings per share for the current quarter from the assumed conversion of warrants is anti-dilutive. Accordingly, the diluted earnings per share for the current quarter is not presented.

11. Disclosure of Realised and Unrealised Profits/Losses

The breakdown of the retained earnings of the Group as at 31 December 2018 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Current	As at end of
	financial	last
	year ended	financial
	31/12/2018	year
	RM'000	31/12/2017
		RM'000
Total retained profits of FITTERS Diversified Berhad and its subsidiaries:		
- Realised	82,961	69,158
- Unrealised	3,263	2,896
Add: Consolidation adjustments	86,224	72,054
	12,908	12,445
Total retained profits	99,132	84,499

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12. Authorisation for Issue

The interim financial statements for the period ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2019.

FITTERS DIVERSIFIED BERHAD

DATO' WONG SWEE YEE
MANAGING DIRECTOR
Kuala Lumpur
27 February 2019