

Fiamma Holdings Berhad (Company No: 88716-W)

(“Fiamma” or “the Company”)

Notes to the interim financial statements for the financial quarter ended 31 March 2012.

A. Compliance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting

A1. Accounting Policies

The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and FRS 134, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the financial year ended 30 September 2011.

The Group has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group.

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*:
 - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
 - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
- Amendments to FRS 112, *Deferred Tax: Recovery of Underlying Assets*
- FRS 124, *Related Party Disclosures* (revised)

Convergence of the FRSs with the International Financial Reporting Standards

On 19 November 2011, the MASB issued new Malaysian Financial Reporting Standards (“MFRS”) framework, consisting of accounting standards which are in line with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). This MFRS framework is effective for annual periods beginning on or after 1 January 2012. As at 31 March 2012, all the FRSs issued under the existing FRS framework are the same as the MFRSs issued under the MFRS framework, except for differences in relation to the transitional provisions as well as differences in effective dates contained in certain of the existing FRSs.

The Group will adopt the MFRS framework for annual period beginning on or after 1 October 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group.

Notes to the Interim Financial Statements

A1. Accounting Policies (continued)

The following notes 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 financial year ended 30 September 2011.

A2. Report of the Auditors to the Members of Fiamma

The reports of the auditors to the members of Fiamma and its subsidiaries on the financial statements for the financial year ended 30 September 2011 were not subject to any qualification and did not include any adverse comments made under Section 174 (3) of the Companies Act, 1965.

A3. Seasonality or Cyclicity of Interim Operations

The business of the Group was not subject to material seasonal or cyclical fluctuations.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There are no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial period ended 31 March 2012.

A5. Material Changes in Estimates of Amounts Reported

There were no material changes in estimates used in reporting the current period as compared to the financial statement of the Group for the financial year ended 30 September 2011.

A6. Debt and Equity Securities

The owners of the Company, by a special resolution passed at the Annual General Meeting held on 22 February 2012, approved the Company's plan to repurchase its own shares.

During the current quarter, the Company did not purchase any shares from the open market. As at 31 March 2012, total number of shares purchased was 7,234,900, representing 5.3% of the total paid-up share capital of the Company. These shares were being held and retained as treasury shares.

During the current quarter, there was issuance of 11,418,000 ordinary shares of RM1.00 each pursuant to the conversion of warrants.

Other than the above, there were no issuance, cancellation, resale and repayments of debt and equity securities for the current quarter and current financial period ended 31 March 2012.

Notes to the Interim Financial Statements

A7. Dividend Paid

No dividend was paid during the current quarter.

A8. Segment Information

The Group's financial information analysed by operating segments is as follows:

	Investment Holding & Property Investment RM'000	Property Development RM'000	Trading & Services RM'000	Elimination RM'000	Total RM'000
For the financial period ended 31 March 2012					
<u>Operating Segments</u>					
External revenue	559	1,261	112,109	-	113,929
Inter-segment revenue	10,878	-	7,560	(18,438)	-
Total revenue	11,437	1,261	119,669	(18,438)	113,929
Segment results	556	(364)	18,638	-	18,830
Finance costs	(2)	-	(882)	-	(884)
Profit/(loss) before taxation	554	(364)	17,756	-	17,946
For the financial period ended 31 March 2011					
<u>Operating Segments</u>					
External revenue	281	1,504	101,763	-	103,548
Inter-segment revenue	1,462	-	8,401	(9,863)	-
Total revenue	1,743	1,504	110,164	(9,863)	103,548
Segment results	(25)	111	19,091	-	19,177
Finance costs	(1)	-	(835)	-	(836)
(Loss)/profit before taxation	(26)	111	18,256	-	18,341
As at 31 March 2012					
<u>Assets</u>					
Operating assets	221,133	95,198	189,627	(172,026)	333,932
Tax assets					275
Total assets					334,207
As at 31 March 2011					
<u>Assets</u>					
Operating assets	159,168	88,174	161,802	(133,184)	275,960
Tax assets					305
Total assets					276,265

A9. Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses.

A10. Events Subsequent to the end of the Financial Period

There were no material events as at 8 May 2012, being the date not earlier than 7 days from the date of this announcement that will affect the financial results of the financial period under review.

A11. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter and the period up to 8 May 2012, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

A12. Contingent Liabilities

Contingent liabilities of the Group are as follows:

	8 May 2012	30 Sept 2011
	RM'000	RM'000
Guarantees to financial institutions for facilities granted to subsidiaries	32,421	41,164
	=====	=====

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B. Compliance with Bursa Malaysia Listing Requirements.

B1. Review of the Performance of the Group

	Current year to-date	Preceding year corresponding period
	31 March 2012	31 March 2011
	RM'000	RM'000
Revenue	113,929	103,548
Profit before taxation	17,946	18,341

The Group recorded a higher revenue of RM113.929 million for the current year to-date as compared to RM103.548 million achieved in the preceding year financial period ended 31 March 2011. However, the Group recorded a lower profit before taxation of RM17.946 million for the current year to-date as compared to RM18.341 million in the preceding year financial period ended 31 March 2011. The decrease in profit before taxation was mainly attributable to higher operating expenses.

The Group's revenue is derived primarily from the Trading and Services segment which contributed 98.4% of the total group revenue. The segment recorded a higher revenue of RM112.109 million as compared to RM101.763 million recorded in the previous year corresponding period, representing a growth of 10.2%. Profit before taxation ("PBT") recorded by this segment is RM17.756 million against PBT of RM18.256 million for the corresponding period the previous year. The decrease in PBT was mainly attributable to higher operating expenses. The current period's PBT represented 98.9% of the total group PBT.

B2. Comparison with Preceding Quarter's Results

	Current year quarter	Preceding quarter
	31 March 2012	31 Dec 2011
	RM'000	RM'000
Revenue	55,852	58,077
Profit before taxation	8,436	9,510

The Group recorded a lower revenue of RM55.852 million for the current year quarter ended 31 March 2012 compared to RM58.077 million achieved in the preceding quarter ended 31 December 2011. This was mainly attributable to a slow down in market demand experienced during the current quarter. Consequently, the Group recorded a lower profit before taxation of RM8.436 million for the current year quarter compared to RM9.510 million recorded in the preceding quarter ended 31 December 2011.

B3. Prospects

The Group will remain focused on its distribution business and continue to enhance and strengthen its several established brands. Fiamma will continue to build on its core competencies and effective supply chain system to remain a market leader for its home appliances, sanitaryware products and healthcare equipment and devices. Going forward, the Group will continue to invest in brand building, improve product quality and after sales support and service delivery.

The Group's on-going property development activities in Kota Tinggi, Johor have taken a slower pace in view of the sluggish property market in the state. The construction of new phases of double-storey residential houses is expected to be completed in financial year 2013.

The construction of the proposed commercial development located in Jalan Tuanku Abdul Rahman, Kuala Lumpur comprising office suites and retail spaces is expected to commence by the third quarter of financial year 2012.

B4. Profit Forecast or Profit Guarantee

Not applicable.

Notes to the Interim Financial Statements

B5. Taxation

Taxation comprises the following:

	Current quarter 31 March 2012 RM'000	Financial period 31 March 2012 RM'000
Current year tax expense	2,275	4,769
Deferred tax expense	(48)	(148)
	<hr/> 2,227	<hr/> 4,621
Prior year tax expense	(89)	(89)
	<hr/> 2,138	<hr/> 4,532
	<hr/> <hr/> RM'000	<hr/> <hr/> RM'000
Profit before taxation	8,436	17,946
	<hr/> <hr/>	<hr/> <hr/>
Tax at the statutory income tax rates	2,109	4,487
Other tax effects	118	134
	<hr/> 2,227	<hr/> 4,621
Prior year tax expense	(89)	(89)
	<hr/> 2,138	<hr/> 4,532
	<hr/> <hr/>	<hr/> <hr/>

B6. Status of Corporate Proposal

The Group has not announced any corporate proposals, which have not been completed at the date of this announcement.

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2012 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Repayable within 12 months			
Bills payable	-	25,421	25,421
Revolving credit	7,000	-	7,000
	<hr/> 7,000	<hr/> 25,421	<hr/> 32,421
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Interim Financial Statements

B8. Derivatives

The details of the Group's foreign currency forward contracts as at 31 March 2012 are as follows:

	Notional amount RM'000	Fair value RM'000	Difference RM'000
Foreign currency forward contracts			
USD (Less than 3 months)	6,242	6,351	109
	=====	=====	=====

The above instruments are executed with established financial institutions in Malaysia. There is no cash requirement for these contracts.

The Group uses appropriate financial instruments, such as foreign currency forward contracts, to hedge against specific exposures including foreign currency risks.

With the adoption of FRS 139, the difference between the notional value and fair value of the contracts amounting to RM109,000 has been recognised in the financial statements.

B9. Changes in Material Litigation

There was no impending material litigation as at 8 May 2012, being the date not earlier than 7 days from the date of this announcement, other than as disclosed in the most recent audited financial statements for the financial year ended 30 September 2011.

B10. Dividend

No interim dividend was declared for the current quarter and financial period ended 31 March 2012.

B11. Earnings per share

Basic earnings per share

The basic earnings per share for the current quarter and financial period ended 31 March 2012 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM5.632 million and RM12.079 million respectively, by the weighted average number of ordinary shares outstanding during the current quarter and financial period ended 31 March 2012.

	Current quarter 31 March 2012 RM'000	Financial period 31 March 2012 RM'000
Issued ordinary shares net of treasury shares at beginning of the period	117,914	117,914
Conversion of warrants into ordinary shares	4,298	2,137
	<hr/>	<hr/>
Issued ordinary shares net of treasury shares at end of the period	122,212	120,051
	<hr/> <hr/>	<hr/> <hr/>
	4.61	10.06
Basic earnings per share (sen)	<hr/> <hr/>	<hr/> <hr/>

Diluted earnings per share

The diluted earnings per share for the current quarter and financial period ended 31 March 2012 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM5.632 million and RM12.079 million respectively, by the weighted average number of ordinary shares during the current quarter and financial period ended 31 March 2012 and adjusted for the dilutive effect of all potential ordinary shares.

	Current quarter 31 March 2012 RM'000	Financial period 31 March 2012 RM'000
Issued ordinary shares net of treasury shares at end of the period	122,212	120,051
Effect of dilution - warrants	32,022	32,791
	<hr/>	<hr/>
Adjusted weighted average number of ordinary shares issued	154,234	152,842
	<hr/> <hr/>	<hr/> <hr/>
	3.65	7.90
Diluted earnings per share (sen)	<hr/> <hr/>	<hr/> <hr/>

B12. Provision of Financial Assistance

The amount of financial assistance provided by the Company and its subsidiaries to its non wholly-owned subsidiaries pursuant to paragraph 8.23(1) of the Listing Requirements is as follows:-

Type of transactions	Cumulative value as at 1 January 2012 RM'000	Value provided during the quarter RM'000	Cumulative value as at 31 March 2012 RM'000
Corporate guarantees to financial institutions for trade facilities granted to non wholly-owned subsidiaries	20,910	-	20,910
Advances to non wholly-owned subsidiaries	395	127	522

The above financial assistance does not have a material financial impact on the Group.

B13. Additional Disclosures

The breakdown of the retained earnings of the Group into realised and unrealised profits is as follows:

	As at 31 March 2012 RM'000	As at 30 Sept 2011 RM'000
Total retained earnings		
- Realised profits	147,636	126,436
- Unrealised profits	13,770	13,559
	<u>161,406</u>	<u>139,995</u>
Less: Consolidation adjustments	(61,070)	(51,797)
	<u>100,336</u>	<u>88,198</u>
Total retained earnings	<u><u>100,336</u></u>	<u><u>88,198</u></u>

Notes to the Interim Financial Statements

B13. Additional Disclosures (continued)

Notes to the Condensed Consolidated Statement of Comprehensive Income

Profit before taxation is arrived at after charging/crediting the following items:

	Current quarter 31 March 2012 RM'000	Financial period 31 March 2012 RM'000
Interest income	162	307
Other income	306	458
Interest expense	338	718
Depreciation and amortisation	773	1,498
Inventory written down and written off	482	822
Loss on disposal of plant and equipment	-	1
Gain on foreign exchange	43	36
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This announcement is dated 15 May 2012.