

Fiamma Holdings Berhad (Company No: 88716-W)

(“Fiamma” or “the Company”)

Notes to the interim financial statements for the financial quarter ended 30 June 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 30 June 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 30 June 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 30 June 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.

There were no issuance, cancellation, resale and repayments of debt and equity securities for the current quarter and current financial period ended 30 June 2012, except for the issuance of 11,418,000 ordinary shares of RM1.00 each pursuant to the conversion of warrants in February 2012.

A7. Dividend Paid

No dividend was paid during the current quarter. The final single-tier dividend of 7.0 sen in respect of the financial year ended 30 September 2011 was paid to shareholders on 6 April 2012.

Notes to the Interim Financial Statements

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 30 June 2012					
<u>Operating Segments</u>					
External revenue	903	2,790	180,734	-	184,427
Inter-segment revenue	11,808	-	11,849	(23,657)	-
Total revenue	12,711	2,790	192,583	(23,657)	184,427
Segment results	812	(603)	30,988	-	31,197
Finance costs	(2)	-	(1,304)	-	(1,306)
Profit/(loss) before taxation	810	(603)	29,684	-	29,891
For the period ended 30 June 2011					
<u>Operating Segments</u>					
External revenue	418	3,160	158,480	-	162,058
Inter-segment revenue	10,056	-	12,259	(22,315)	-
Total revenue	10,474	3,160	170,739	(22,315)	162,058
Segment results	62	119	31,464	-	31,645
Finance costs	(1)	-	(1,138)	-	(1,139)
Profit before taxation	61	119	30,326	-	30,506
As at 30 June 2012					
<u>Assets</u>					
Operating assets	213,206	96,232	216,475	(172,898)	353,015
Tax assets					188
Total assets					353,203
As at 30 June 2011					
<u>Assets</u>					
Operating assets	153,825	90,851	178,240	(137,429)	285,487
Tax assets					190
Total assets					285,677

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 22 August 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 22 August 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:

	22 August 2012	30 Sept 2011
	RM'000	RM'000
Guarantees to financial institutions for facilities granted to subsidiaries	44,444	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
	30 June 2012	30 June 2011
	RM'000	RM'000
Revenue	184,427	162,058
Profit before taxation	29,891	30,506

The Group recorded a higher revenue of RM184.427 million for the current year to-date as compared to RM162.058 million achieved in the preceding year financial period ended 30 June 2011. However, the Group recorded a lower profit before taxation of RM29.891 million for the current year to-date as compared to RM30.506 million in the preceding year financial period ended 30 June 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 98.0% of the total group revenue. The segment recorded a higher revenue of RM180.734 million as compared to RM158.480 million recorded in the previous year corresponding period, representing a growth of 14.0%. Profit before taxation ("PBT") recorded by this segment is RM29.684 million against PBT of RM30.326 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 99.3% of the Group's PBT.

B2. Comparison with Preceding Quarter's Results

	Current quarter	Preceding quarter
	30 June 2012	31 March 2012
	RM'000	RM'000
Revenue	70,498	55,852
Profit before taxation	11,945	8,436

The Group recorded a higher revenue of RM70.498 million for the current quarter ended 30 June 2012 compared to RM55.852 million achieved in the preceding quarter ended 31 March 2012. This has resulted in a higher profit before taxation of RM11.945 million for the current year quarter compared to RM8.436 million recorded in the preceding quarter ended 31 March 2012.

B3. Prospects

The global economic environment remained challenging in the second quarter, amidst heightened vulnerabilities in several key economies. Growth in the major advanced economies was weighed down by policy and domestic structural concerns. In Asia, economic activity was affected by weaker external demand. In spite of this challenging environment, the Malaysian economy recorded a higher growth of 5.4% (1Q 12: 4.9%), driven by stronger domestic demand, which rose by 13.8% (1Q 2012: 9.7%).

For the Malaysian economy, the strong support provided by domestic demand, underpinned by activities in both the private and public sectors have ensured higher growth amidst the challenging global environment. This trend is expected to be sustained going forward, although downside risks emanating from external developments remain.

(Source: Bank Negara Malaysia, Economic and Financial Developments in Malaysia in the Second Quarter of 2012)

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. 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 continued at a slower pace in view of the sluggish property market in the state. The construction of double-storey residential houses is expected to be completed in financial year 2013. Upon the completion of such units, launching and construction of new phase of double-storey residential houses is expected to commence 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 be completed in financial year 2015.

B4. Profit Forecast or Profit Guarantee

Not applicable.

Notes to the Interim Financial Statements

B5. Taxation

Taxation comprises the following:

	Current quarter 30 June 2012 RM'000	Financial period 30 June 2012 RM'000
Current year tax expense	3,155	7,924
Deferred tax expense	(71)	(219)
	<u>3,084</u>	<u>7,705</u>
Prior year tax expense	(12)	(101)
	<u>3,072</u>	<u>7,604</u>
	RM'000	RM'000
Profit before taxation	<u>11,945</u>	<u>29,891</u>
Tax at the statutory income tax rates	2,986	7,473
Other tax effects	98	232
	<u>3,084</u>	<u>7,705</u>
Prior year tax expense	(12)	(101)
	<u>3,072</u>	<u>7,604</u>

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 30 June 2012 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Repayable within 12 months			
Bank overdraft	396	-	396
Bills payable	-	38,048	38,048
Revolving credit	6,000	-	6,000
	<u>6,396</u>	<u>38,048</u>	<u>44,444</u>
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Notes to the Interim Financial Statements

B8. Derivatives

There is no foreign currency forward contract as at 30 June 2012.

B9. Changes in Material Litigation

There was no impending material litigation as at 22 August 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 30 June 2012.

B11. Earnings per share

Basic earnings per share

The basic earnings per share for the current quarter and financial period ended 30 June 2012 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM8.185 million and RM20.264 million respectively, by the weighted average number of ordinary shares outstanding during the current quarter and financial period ended 30 June 2012.

	Current quarter 30 June 2012 RM'000	Financial period 30 June 2012 RM'000
Issued ordinary shares net of treasury shares at beginning of the period	122,212	117,914
Conversion of warrants into ordinary shares	-	5,219
Issued ordinary shares net of treasury shares at end of the period	122,212	123,133
Basic earnings per share (sen)	6.70	16.46

B11. Earnings per share (continued)

Diluted earnings per share

The diluted earnings per share for the current quarter and financial period ended 30 June 2012 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM8.185 million and RM20.264 million respectively, by the weighted average number of ordinary shares during the current quarter and financial period ended 30 June 2012 and adjusted for the dilutive effect of all potential ordinary shares.

	Current quarter 30 June 2012 RM'000	Financial period 30 June 2012 RM'000
Issued ordinary shares net of treasury shares at end of the period	122,212	123,133
Effect of dilution - warrants	35,955	33,055
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Adjusted weighted average number of ordinary shares issued	158,167	156,188
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	5.17	12.97
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:-

	30 June 2012 RM'000	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	535	522
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The above financial assistance does not have a material financial impact on the Group.

B13. Retained earnings

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

	As at 30 June 2012 RM'000	As at 30 Sept 2011 RM'000
Total retained earnings		
- Realised	147,670	126,436
- Unrealised	13,734	13,559
	<u>161,404</u>	<u>139,995</u>
Less: Consolidation adjustments	(61,864)	(51,797)
	<u>99,540</u>	<u>88,198</u>

B14. Profit before taxation

Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current quarter 30 June 2012 RM'000	Financial period 30 June 2012 RM'000
Interest income	203	510
Other income	(73)	385
Interest expense	312	1,030
Depreciation and amortisation	774	2,272
Inventory written down and written off	791	1,613
Loss on disposal of plant and equipment	-	1
Gain on foreign exchange	(20)	16

This announcement is dated 29 August 2012.