

Fiamma Holdings Berhad (Company No: 88716-W)

(“Fiamma” or “the Company”)

Notes to the interim financial statements for the financial quarter ended 30 September 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 following are the accounting standards, amendments and interpretation of the FRS framework that have been issued by Malaysia Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

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

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

AI. Accounting Policies (continued)

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2013 (continued)

- Amendments to FRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures*

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.

The MFRS framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS, 141, *Agriculture* and IC Interpretation 15, *Agreements for Construction of Real Estate*, including its parent, significant inventor and ventures (herein called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS framework for another two years. Consequently, adoption of MFRS framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group has subsidiaries which fall within the scope of IC Interpretation 15. As such, the Group and these subsidiaries will be exempted from adopting MFRS framework. Accordingly, the Group will be required to prepare financial statements using the MFRS framework in its first MFRS financial statements for the annual period beginning on 1 October 2014. The other subsidiaries will adopt the MFRS framework for annual period beginning on or after 1 October 2012.

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*

The business of the Group was not affected by any significant unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial year ended 30 September 2012.

A5. *Material Changes in Estimates of Amounts Reported*

There were no material changes in estimates used in reporting the current year as compared to the financial statements 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 September 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 year ended 30 September 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.

Notes to the Interim Financial Statements

A8. Segment Information

The Group has 3 reportable segments, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed based on the Group's management and internal reporting structure. For each of the strategic business units, the Group Managing Director (the chief operating decision maker) reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Groups' reportable segments:

Investment holding and property investment	The long term investment in unquoted shares and property investment
Property development	Property development
Trading and services	Distribution and servicing of electrical home appliances, sanitaryware, other household products, pre-fabricated kitchen cabinets, medical devices and healthcare products.

The reportable segment information for the Group is as follows:

	Investment Holding & Property Investment	Property Development	Trading & Services	Total
	RM'000	RM'000	RM'000	RM'000
For the financial year ended 30 September 2012				
External revenue	1,251	3,644	253,555	258,450
Inter segment revenue	12,737	-	16,649	29,386
Total reportable revenue	13,988	3,644	270,204	287,836
Segment profit/(loss)	19,886	(956)	47,220	66,150
Segment assets	172,312	146,789	216,820	535,921
Segment assets				535,921
Other non-reportable segments				606
Elimination of inter-segment transactions or balances				(175,400)
				361,127

Notes to the Interim Financial Statements

A8. Segment Information (continued)

	Investment Holding & Property Investment	Property Development	Trading & Services	Total
	RM'000	RM'000	RM'000	RM'000
Segment liabilities	(3,060)	(14,950)	(72,459)	(90,469)
				=====
Segment liabilities				(90,469)
Other non-reportable segments				(7,137)
Elimination of inter-segment transactions or balances				9,455

				(88,151)
				=====

Reconciliation of profit or loss

	2012 RM'000
Total profit or loss for reportable segments	66,150
Elimination of inter-segment profits	(22,550)
Depreciation	(3,016)
Interest expense	(1,464)
Interest income	708

	39,828
=====	

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

On 25 October 2012, Fiamma acquired 100,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up capital of Affluent Crafts Sdn Bhd (“Affluent Crafts”) from Fiamma Sdn Bhd, a wholly-owned subsidiary of Fiamma for a cash consideration of RM100,000. Subsequent to this, Affluent Crafts becomes a direct wholly-owned subsidiary of Fiamma.

Except for the above, there were no other material events as at 20 November 2012, being the date not earlier than 7 days from the date of this announcement that will affect the financial results of the financial year under review.

A11. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter ended 30 September 2012, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

There were no other changes in the composition of the Group for the period up to 20 November 2012, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations, other than as disclosed in Note A10 above.

A12. Contingent Liabilities

Contingent liabilities of the Group are as follows:

	30 Sept 2012	30 Sept 2011
	RM'000	RM'000
Guarantees to financial institutions for facilities granted to subsidiaries	43,231	41,164
	=====	=====

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B. Compliance with Bursa Malaysia Listing Requirements.

B1. Review of the Performance of the Group

	Current financial year 30 Sept 2012 RM'000	Preceding financial year 30 Sept 2011 RM'000
Revenue	258,450	225,494
Profit before taxation	39,828	40,690

The Group recorded a higher revenue of RM258.450 million for the current year to-date as compared to RM225.494 million achieved in the preceding financial year ended 30 September 2011. However, the Group recorded a lower profit before taxation of RM39.828 million for the current year to-date as compared to RM40.690 million in the preceding financial year ended 30 September 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 98.1% of the total group revenue. The segment recorded a higher revenue of RM253.555 million as compared to RM220.609 million recorded in the previous financial year, representing a growth of 14.9%. Profit before taxation ("PBT") recorded by this segment is RM39.783 million against PBT of RM41.645 million for the preceding financial year. The decrease in PBT was mainly attributable to higher operating expenses. The current financial year's PBT of this segment represented 99.9% of the Group's PBT.

B2. Comparison with Preceding Quarter's Results

	Current quarter 30 Sept 2012 RM'000	Preceding quarter 30 June 2012 RM'000
Revenue	74,023	70,498
Profit before taxation	9,937	11,945

The Group recorded a higher revenue of RM74.023 million for the current quarter ended 30 September 2012 compared to RM70.498 million achieved in the preceding quarter ended 30 June 2012. However, the Group recorded a lower profit before taxation of RM9.937 million for the current year quarter compared to RM11.945 million recorded in the preceding quarter ended 30 June 2012 mainly due to higher operating expenses incurred in the current quarter.

B3. Prospects

The world economic environment remained challenging in the third quarter of 2012. In Asia, economic activity moderated due mainly to further weakness in external demand arising from the uncertain global environment. Amid the challenging global economic conditions, the Malaysian economy recorded a growth of 5.2% (2Q 2012: 5.6%) during the quarter.

For the Malaysian economy, while the weakness in global economic conditions has affected growth in the third quarter, domestic demand continued to provide support to growth. Going forward, the more challenging international environment would present risks to Malaysia growth prospects. Nevertheless, domestic demand is expected to continue to be the anchor of growth, supported by the expansion in private consumption and investments. Public spending and investment activity are also expected to lend support to growth.

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

The performance of the Group will continue to be affected by the challenges faced by both the external and domestic economic environments.

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 medical devices and healthcare products. 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 comprising double-storey residential houses is expected to be completed in financial year 2013 and the construction of the 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 Sept 2012 RM'000	Financial year 30 Sept 2012 RM'000
Current year tax expense	2,736	10,660
Deferred tax expense	(215)	(434)
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	2,521	10,226
Prior year tax expense	(19)	(120)
	<hr/>	<hr/>
	2,502	10,106
	<hr/> <hr/>	<hr/> <hr/>
	RM'000	RM'000
Profit before taxation	9,937	39,828
	<hr/> <hr/>	<hr/> <hr/>
Tax at Malaysian tax rate of 25%	2,484	9,957
Other tax effects	37	269
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Tax expense	2,521	10,226
Prior year tax expense	(19)	(120)
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Tax expense	2,502	10,106
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B6. Status of Corporate Proposal

On 21 September 2012, Affluent Crafts Sdn Bhd (“ACSB”), a wholly-owned subsidiary of Fiamma Sdn Bhd, which in turn is a wholly-owned subsidiary of Fiamma entered into Joint Development Agreement (“Agreement”) with PIJ Property Development Sdn Bhd (“PPDSB”), a wholly-owned subsidiary of PIJ Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of Perbadanan Islam Johor (“PIJ”) for the proposed joint development of 2 parcels of leasehold land measuring approximately 5,270 square metres held under HS (D) 490918 PTB 13537 (“Land 1”) and 18,470 square metres held under HS (D) 490919 PTB 22059 (“Land 2”) at Bandar Johor Bahru. Both Land 1 and Land 2 shall be collectively referred to as “the Project Land”.

In consideration of the grant of the right to develop the Project Land by PPDSB to ACSB, ACSB has agreed to pay the total sum of RM19,749,128 within 3 years from the approval of the building plans for the said development, in the manner as provided in the Agreement.

An amount of RM3,000,000 has been paid upon the signing of the Agreement.

B6. Status of Corporate Proposal (continued)

Except for the above, 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 September 2012 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Repayable within 12 months			
Bank overdraft	4,421	-	4,421
Revolving credit	6,000	-	6,000
Bills payable	-	32,810	32,810
Total	<u>10,421</u> =====	<u>32,810</u> =====	<u>43,231</u> =====

B8. Derivatives

The details of the Group's foreign currency forward contracts as at 30 September 2012 are as follows:

	Notional amount RM'000	Fair value RM'000	Difference RM'000
Foreign currency forward contracts			
USD (Less than 3 months)	20,187	20,093	94
	<u>20,187</u> =====	<u>20,093</u> =====	<u>94</u> =====

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 RM94,000 has been recognised in the financial statements.

B9. Changes in Material Litigation

There was no impending material litigation as at 20 November 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. Pursuant to case management held, the shareholders of Hoklian Holdings Berhad (“the Plaintiff”) claim against Fiamma Land Sdn Bhd (“FLSB”) and FLSB’s counterclaim against the Plaintiff and Hoklian Properties Sdn Bhd was withdrawn with no order as to costs and no liberty to file afresh.

B10. Dividend

No interim dividend was declared for the current quarter and financial year ended 30 September 2012.

The Directors recommend a final single-tier dividend of 7 sen amounting to RM9,053,000 in respect of the financial year ended 30 September 2012, which is subject to the approval of the owners of the Company at the forthcoming Annual General Meeting. The proposed dividend has not been included in the financial statements.

B11. Earnings per share

Basic earnings per share

The basic earnings per share for the current quarter and financial year ended 30 September 2012 is calculated by dividing the Group’s net profit attributable to the owners of the Company of RM6.655 million and RM26.919 million respectively, by the weighted average number of ordinary shares outstanding during the current quarter and financial year ended 30 September 2012.

	Current quarter 30 Sept 2012 RM’000	Financial year 30 Sept 2012 RM’000
Issued ordinary shares net of treasury shares at beginning of the period	129,332	117,914
Conversion of warrants into ordinary shares	-	6,796
Issued ordinary shares net of treasury shares at end of the period	129,332	124,710
Basic earnings per share (sen)	5.15	21.59

B11. Earnings per share (continued)

Diluted earnings per share

The diluted earnings per share for the current quarter and financial year ended 30 September 2012 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM6.655 million and RM26.919 million respectively, by the weighted average number of ordinary shares during the current quarter and financial year ended 30 September 2012 and adjusted for the dilutive effect of all potential ordinary shares.

	Current quarter 30 Sept 2012 RM'000	Financial year 30 Sept 2012 RM'000
Issued ordinary shares net of treasury shares at end of the period	129,332	124,710
Effect of dilution - warrants	5,347	5,333
	<hr/>	<hr/>
Adjusted weighted average number of ordinary shares issued	134,679	130,043
	<hr/> <hr/>	<hr/> <hr/>
Diluted earnings per share (sen)	4.94	20.70
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B12. Profit before taxation

	Current quarter 30 Sept 2012 RM'000	Financial year 30 Sept 2012 RM'000
Profit before taxation is arrived at after charging:		
Interest expense	434	1,464
Depreciation and amortisation	744	3,016
Inventory written down and written off	580	2,193
Loss on disposal of plant and equipment	-	1
Loss on foreign exchange	(79)	203
	<hr/> <hr/>	<hr/> <hr/>
and after crediting:		
Gain on disposal of plant and equipment	1	1
Gain on foreign exchange	(56)	243
Interest income	198	708
Other income	112	497
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B13. Capital Commitments

Capital commitments of the Group are as follows:

	30 Sept 2012
	RM'000
Property development cost	
- Contracted but not accrued for and payable within the year	7,445
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B14. 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 Sept 2012	30 June 2012
	RM'000	RM'000
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	3,405	7,188
Advances to non-wholly owned subsidiaries	490	535
	=====	=====

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

B15. Retained earnings

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

	As at	As at
	30 Sept 2012	30 Sept 2011
	RM'000	RM'000
Total retained earnings		
- Realised	155,404	126,436
- Unrealised	13,838	13,559
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	169,242	139,995
Less: Consolidation adjustments	(63,014)	(51,797)
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Total retained earnings	106,228	88,198
	=====	=====

This announcement is dated 27 November 2012.