

Fiamma Holdings Berhad (Company No: 88716-W)

(“Fiamma” or “the Company”)

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

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

AI. 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 2012.

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 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*
- 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*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*

AI. Accounting Policies (continued)

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

- Amendments to FRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

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*

The Group plans to apply the abovementioned standards, amendments and interpretations from the annual period beginning on 1 October 2012 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2012, 1 July 2012 and 1 January 2013, except for Amendments to FRS 1, FRS 128 and IC Interpretation 20, which are not applicable to the Group.

The initial application of a standard, an amendment or an interpretation, which will be applied or which requires extend disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial application of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group.

The Group's financial statements for annual period beginning on 1 October 2014 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs"). As a result, the Group will not be adopting FRSs, Interpretations and amendments that are effective for annual periods beginning on or after 1 January 2014.

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 2012 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 period ended 31 December 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 2012.

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 December 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 31 December 2012.

A7. *Dividend Paid*

No dividend was paid during the current quarter.

Notes to the Interim Financial Statements

A8. Operating 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, 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 period ended 31 December 2012				
External revenue	337	10,216	62,068	72,621
Inter segment revenue	930	-	4,273	5,203
Total reportable revenue	1,267	10,216	66,341	77,824
Segment profit	6,022	1,677	10,368	18,067
Segment assets	182,118	147,935	216,792	546,845
Segment assets				546,845
Other non-reportable segments				426
Elimination of inter-segment transactions or balances				(176,989)
				370,282

A8. Operating Segment Information (continued)

	Investment Holding & Property Investment	Property Development	Trading & Services	Total
	RM'000	RM'000	RM'000	RM'000
Segment liabilities	(7,085)	(38,737)	(67,563)	(113,385)
				=====
Segment liabilities				(113,385)
Other non-reportable segments				(7,879)
Elimination of inter-segment transactions or balances				31,830

				(89,434)
				=====
<i>Reconciliation of profit or loss</i>				
				31 Dec 2012
				RM'000
Total profit or loss for reportable segments				18,067
Elimination of inter-segment profits				(5,479)
Depreciation				(727)
Interest expense				(415)
Interest income				172

				11,618
				=====

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 3 January 2013, Fiamma acquired 525,000 ordinary shares of RM1.00 each representing 30% of the issued and paid-up capital of Enex-Dynamic Sdn Bhd ("Enex") from a third party for a cash consideration of RM545,391. Subsequent to this, Enex becomes a direct wholly-owned subsidiary of Fiamma.

Except for the above, there were no other material events as at 13 February 2013, 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

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.

There were no other changes in the composition of the Group for the current quarter ended 31 December 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 13 February 2013, 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:

	31 Dec 2012	30 Sept 2012
	RM'000	RM'000
Guarantees to financial institutions for facilities granted to subsidiaries	44,670	43,231
	=====	=====

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B. Compliance with Bursa Malaysia Listing Requirements.

B1. Review of the Performance of the Group

	Current financial period 31 Dec 2012 RM'000	Preceding financial period 31 Dec 2011 RM'000
Revenue	72,621	58,077
Profit before taxation	11,618	9,510

The Group recorded a higher revenue of RM72.621 million for the current period compared to RM58.077 million achieved in the preceding financial period and a higher profit before taxation of RM11.618 million for the current period as compared to RM9.510 million in the preceding financial period. The increase in profit before taxation was in line with the increase in revenue.

The Group's revenue is derived primarily from the trading and services segment which contributed 85.2% of the total group revenue. The segment recorded a higher revenue of RM66.341 million as compared to RM60.859 million recorded in the previous financial period, representing a growth of 9.0%. Profit before taxation ("PBT") recorded by this segment is RM9.683 million against PBT of RM9.372 million for the preceding financial period. The current financial period's PBT of this segment represented 83.3% of the Group's PBT.

The property development segment contributed revenue of RM10.216 million and PBT of RM1.563 million in the current quarter. This represented 13.1% of the total Group revenue and 13.4% of the Group PBT. This was mainly attributable to the contribution from the Group's commercial development in Jalan Tuanku Abdul Rahman, Kuala Lumpur which commenced development in mid of 2012.

B2. Comparison with Preceding Quarter's Results

	Current quarter 31 Dec 2012 RM'000	Preceding quarter 30 Sept 2012 RM'000
Revenue	72,621	74,023
Profit before taxation	11,618	9,937

The Group recorded a lower revenue of RM72.621 million for the current quarter ended 31 December 2012 compared to RM74.023 million achieved in the preceding quarter ended 30 September 2012. However, the Group recorded a higher profit before taxation of RM11.618 million for the current year quarter compared to RM9.937 million recorded in the preceding quarter ended 30 September 2012 mainly due to revenue and profit recognition for the Property Development segment arising from Jalan Tuanku Abdul Rahman project in Kuala Lumpur in the current quarter. (see B1 above).

B3. Prospects

Recent economic indicators suggest some stabilisation in the global growth going forward. Nevertheless, risks remain arising from continued policy uncertainties in several key economies. 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's growth prospects. Nevertheless, domestic demand is expected to continue to be the anchor of growth, supported by the expansion in private consumption and investment. Public spending and investment activity are also expected to lend support to growth.

In 2013, based on the prospect of an improved global economy, the Malaysian economy is forecast to expand strongly between 4.5% to 5.5%.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2012, Bank Negara Malaysia; The 2013 Budget Speech).

With the above outlook, Fiamma expects the coming financial year to be challenging as growth will be dependent on domestic demand, public spending and investment activities.

For the trading and services segment, Fiamma will remain focused on its distribution business and will continue to build on its proven core competencies and effective supply chain system to remain a market leader for its products. It will continue to invest in brand building and promotional activities to strengthen and expand its distribution network for its various brands of home appliances, sanitaryware products and medical devices and healthcare products.

B3. Prospects (continued)

For the property development segment, the on-going residential development activities in Kota Tinggi, Johor will continue to contribute to the Group's bottom line with the completion of double-storey terrace houses and launching of new phases of single-storey terrace houses and double-storey shops. The commercial development located in Jalan Tuanku Abdul Rahman Kuala Lumpur which commenced contribution to the Group's revenue and profit in this first financial quarter will continue contributing to the Group's revenue and profit for the financial year 2013. The proposed development of residential and commercial properties in Bandar Johor Bahru and the proposed commercial development located off Jalan Yap Kwan Seng, Kuala Lumpur is expected to contribute to the Group's future income stream once the proposed developments are launched.

B4. Profit Forecast or Profit Guarantee

Not applicable.

B5. Taxation

Taxation comprises the following:

	Current quarter 31 Dec 2012 RM'000
Current period tax expense	2,868
Prior period tax expense	(17)
Deferred tax expense	113
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	2,964
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	RM'000
Profit before taxation	11,618
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Tax at the statutory income tax rates	2,904
Other tax effects	77
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Tax expense	2,981
Prior period tax expense	(17)
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	2,964
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B6. Status of Corporate Proposal

On 24 September 2012, the Company announced that Affluent Crafts, a wholly-owned subsidiary had entered into an agreement with a third party for the proposed joint development of residential and commercial properties on 2 parcels of leasehold land in Bandar Johor Bahru. In consideration of the grant of the right to develop the land by the third party to Affluent Crafts, Affluent Crafts 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. Affluent Crafts has submitted the application for development order for 1 parcel of land to the authorities in December 2012.

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 31 December 2012 are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Current			
<i>Repayable within 12 months</i>			
Bank overdraft	2,842	-	2,842
Revolving credit	12,120	-	12,120
Bills payable	-	29,708	29,708
Total	<u>14,962</u>	<u>29,708</u>	<u>44,670</u>
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Notes to the Interim Financial Statements

B8. Derivatives

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

	Notional amount RM'000	Fair value RM'000	Difference RM'000
Foreign currency forward contracts			
USD (Less than 3 months)	7,194	7,187	7
	=====	=====	=====

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 RM7,000 has been recognised in the financial statements.

B9. Changes in Material Litigation

There was no impending material litigation as at 13 February 2013, 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 2012.

B10. Dividend

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

B11. Earnings per share

Basic earnings per share

The basic earnings per share for the current quarter and financial period ended 31 December 2012 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM8.013 million, by the weighted average number of ordinary shares outstanding during the current quarter and financial period ended 31 December 2012.

	Current quarter 31 Dec 2012 RM'000
Weighted average number of ordinary shares net of treasury shares At 31 December	129,332
	<u>6.20</u>
Basic earnings per share (sen)	<u>6.20</u>

Diluted earnings per share

The diluted earnings per share for the current quarter and financial period ended 31 December 2012 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM8.013 million, by the weighted average number of ordinary shares during the current quarter and financial period ended 31 December 2012 and adjusted for the dilutive effect of all potential ordinary shares.

	Current quarter 31 Dec 2012 RM'000
Weighted average number of ordinary shares (basic) at 31 December 2012	129,332
Effect of exercising of warrants	6,311
	<u>135,643</u>
Weighted average number of ordinary shares (diluted) at 31 December 2012	135,643
	<u>5.91</u>
Diluted earnings per share (sen)	<u>5.91</u>

B12. Profit before taxation

	Current quarter 31 Dec 2012 RM'000
Profit before taxation is arrived at after charging:	
Interest expense	415
Depreciation and amortisation	727
Inventory written down and written off	266
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and after crediting:	
Gain on foreign exchange	17
Interest income	172
Other income	82
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B13. 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:-

	As at 31 Dec 2012 RM'000	As at 30 Sept 2012 RM'000
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	6,697	3,405
Advances to non-wholly owned subsidiaries	200	490
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The above financial assistance does not have a material financial impact on the Group.

Notes to the Interim Financial Statements

B14. Retained earnings

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

	As at 31 Dec 2012 RM'000	As at 30 Sept 2012 RM'000
Total retained earnings		
- Realised	163,557	155,404
- Unrealised	13,814	13,838
	<u>177,371</u>	<u>169,242</u>
Less: Consolidation adjustments	(63,027)	(63,014)
	<u>114,344</u>	<u>106,228</u>

This announcement is dated 20 February 2013.