

**Fiamma Holdings Berhad (Company No: 88716-W)**

**(“Fiamma” or “the Company”)**

**Notes to the interim financial statements for the financial quarter ended 30 June 2013.**

**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)*

## Notes to the Interim Financial Statements

### **A1. 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 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 prospectively or retrospectively, or which requires extended disclosures, is not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

The Group has subsidiaries which fall within the scope of IC Interpretation 15, *Agreement for the Construction of Real Estate*. The Group and these subsidiaries will be exempted from adopting Malaysian Financial Reporting Standards (“MFRS”) and as such is referred to as a “Transitioning Entity”. Being a Transitioning Entity, the Group is required to adopt MFRSs for annual period beginning on 1 January 2014.

Hence, the Group’s financial statements for annual period beginning on 1 October 2014 will be prepared in accordance with the 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 and 1 January 2015.

## Notes to the Interim Financial Statements

### **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 30 June 2013.

### **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 20 February 2013, 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 2013, total number of shares purchased was 7,234,900, representing 5.1% of the total paid-up share capital of the Company. These shares were being held and retained as treasury shares.

During the current quarter and current period, the Company issued 3,000,000 and 5,000,000 new ordinary shares of RM1.00 each respectively, pursuant to the exercise of warrants by registered shareholders at a price of RM1.00 each per ordinary share for every warrant held.

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 30 June 2013.

### **A7. *Dividend Paid***

The first interim single-tier dividend of 3.0 sen per share in respect of the financial year ending 30 September 2013 was paid to shareholders on 28 June 2013.

## 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:

	<b>Investment Holding &amp; Property Investment</b>	<b>Property Development</b>	<b>Trading &amp; Services</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>For the financial period ended 30 June 2013</b>				
External revenue	972	20,097	190,847	211,916
Inter segment revenue	2,735	11,374	11,996	26,105
Total reportable revenue	3,707	31,471	202,843	238,021
Segment profit	23,063	8,199	39,442	70,704
Segment assets	201,374	154,165	216,643	572,182
Segment assets				572,182
Other non-reportable segments				231
Elimination of inter-segment transactions or balances				(189,270)
				383,143

Notes to the Interim Financial Statements

**A8. Operating Segment Information (continued)**

	<b>Investment Holding &amp; Property Investment</b>	<b>Property Development</b>	<b>Trading &amp; Services</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment liabilities	(17,991)	(37,931)	(64,483)	(120,405)
=====				
Segment liabilities				(120,405)
Other non-reportable segments				(8,773)
Elimination of inter-segment transactions or balances				35,765
				<u>(93,413)</u>
				=====

*Reconciliation of profit or loss*

	<b>30 June 2013 RM'000</b>
Total profit or loss for reportable segments	70,704
Elimination of inter-segment profits	(31,116)
Depreciation	(2,208)
Interest expense	(1,169)
Interest income	717
	<u>36,928</u>
	=====

**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 14 August 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.

## Notes to the Interim Financial Statements

### ***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 14 August 2013, 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:

	<b>30 June 2013</b>	<b>30 Sept 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Guarantees to financial institutions for facilities granted to subsidiaries	46,410	43,231
	=====	=====

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## Notes to the Interim Financial Statements

### **B. Compliance with Bursa Malaysia Listing Requirements.**

#### ***B1. Review of the Performance of the Group***

	<b>Current financial period ended 30 June 2013 RM'000</b>	<b>Preceding financial period ended 30 June 2012 RM'000</b>
Revenue	211,916	184,427
Profit before taxation	36,928	29,891

The Group recorded a higher revenue of RM211.916 million for the current period compared to RM184.427 million achieved in the preceding financial period and a higher profit before taxation of RM36.928 million for the current period as compared to RM29.891 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 90.1% of the Group's net revenue. The segment recorded a net revenue of RM190.847 million as compared to RM180.734 million recorded in the previous financial period, representing a growth of 5.6%. Profit before taxation ("PBT") recorded by this segment is RM31.887 million against PBT of RM29.684 million for the preceding financial period. The current financial period's PBT of this segment represented 86.3% of the Group's PBT.

The property development segment contributed revenue of RM20.097 million and PBT of RM3.988 million in the current period. This represented 9.5% of the Group's net revenue and 10.8% of the Group's 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.

## Notes to the Interim Financial Statements

### **B2. Comparison with Preceding Quarter's Results**

	<b>Current quarter ended 30 June 2013 RM'000</b>	<b>Preceding quarter ended 31 March 2013 RM'000</b>
Revenue	75,670	63,625
Profit before taxation	14,455	10,855

The Group recorded a higher revenue of RM75.670 million for the current quarter ended 30 June 2013 compared to RM63.625 million achieved in the preceding quarter ended 31 March 2013. This has resulted in a higher profit before taxation of RM14.455 million for the current quarter compared to RM10.855 million recorded in the preceding quarter ended 31 March 2013.

The trading and services segment recorded a net revenue and PBT of RM71.512 million and RM12.869 million, representing 94.5% and 89.0% of the Group revenue and Group PBT respectively.

The property development segment recorded a net revenue and PBT of RM3.840 million and RM1.219 million, representing 5.1% and 8.4% of the Group revenue and Group PBT respectively.

### **B3. Prospects**

The global economy grew at a modest pace in the first quarter of 2013. In Asia, economic activity continued to expand, although at a slower pace, as domestic demand continued to outweigh weakness in external demand. Amid this weaker external environment, the Malaysian economy expanded by 4.1% in the first quarter (4Q 2012: 6.5%), supported by stronger domestic demand that expanded by 8.2% during the quarter (4Q 2012: 7.8%). On the supply side, while the domestic-oriented industries continued to register sustained growth, activity in the major economic sectors was weighed down by the weak external conditions. Private consumption recorded a strong growth of 7.5% (4Q 2012: 6.2%), driven by sustained income growth and favourable labour market conditions.

Going forward, the global economy is expected to expand, but downside risks to growth will remain. In the advanced economies, economic recovery continues to be vulnerable to policy uncertainties and the risk of contagion. The divergent policies across regions are also resulting in spillover effects on global financial conditions. Nevertheless, in Asia, growth will continue to be sustained by domestic demand, underpinned by income growth and healthy labour market conditions, and supported by continued policy flexibility.



## Notes to the Interim Financial Statements

### **B3. Prospects (continued)**

For the Malaysian economy, domestic demand is expected to remain as the key driver of growth, driven by sustained private sector expansion and supported by the public sector. While global developments will continue to present downside risks, intra-regional trade is expected to reinforce the growth performance.

*(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2013, Bank Negara Malaysia).*

With the above outlook, Fiamma expects the coming financial year to be challenging as growth will be dependent on domestic demand and sustained private sector expansion, supported by the public sector and the external environment.

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.

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 development. The commercial development located in Jalan Tuanku Abdul Rahman Kuala Lumpur which commenced contribution to the Group's revenue and profit since the first quarter will continue contributing to the Group's revenue and profit for the financial year 2013 and 2014. 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 are expected to contribute to the Group's future income stream once the proposed developments are launched.

### **B4. Profit Forecast or Profit Guarantee**

Not applicable.

## Notes to the Interim Financial Statements

### **B5. Taxation**

Taxation comprises the following:

	<b>Current quarter 30 June 2013 RM'000</b>	<b>Financial period 30 June 2013 RM'000</b>
Current year tax expense	4,669	10,454
Deferred tax expense	(84)	(58)
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	4,585	10,396
Prior year tax expense	14	9
	<hr/>	<hr/>
	4,599	10,405
	<hr/> <hr/>	<hr/> <hr/>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	14,455	36,928
	<hr/> <hr/>	<hr/> <hr/>
Tax at Malaysian tax rate of 25%	3,614	9,232
Other tax effects	971	1,164
	<hr/>	<hr/>
Tax expense	4,585	10,396
Prior year tax expense	14	9
	<hr/>	<hr/>
Tax expense	4,599	10,405
	<hr/> <hr/>	<hr/> <hr/>

### **B6. Status of Corporate Proposal**

On 24 September 2012, the Company announced that Affluent Crafts Sdn Bhd (“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. The application of development order for 1 parcel of land is pending approval from the authorities.

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

Notes to the Interim Financial Statements

**B7. Group Borrowings and Debt Securities**

The Group's borrowings as at 30 June 2013 are as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b>Current</b>			
<b>Repayable within 12 months</b>			
Bank overdraft	2,636	-	2,636
Revolving credit	14,200	-	14,200
Bills payable	-	29,574	29,574
Total	<u>16,836</u> =====	<u>29,574</u> =====	<u>46,410</u> =====

**B8. Derivatives**

The details of the Group's foreign currency forward contracts as at 30 June 2013 are as follows:

	<b>Notional amount RM'000</b>	<b>Fair value RM'000</b>	<b>Difference RM'000</b>
<b>Foreign currency forward contracts</b>			
USD (Less than 3 months)	24,898	25,736	838
	<u>24,898</u> =====	<u>25,736</u> =====	<u>838</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 RM838,000 has been recognised in the financial statements.

**B9. Changes in Material Litigation**

There was no impending material litigation as at 14 August 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 under review.

## Notes to the Interim Financial Statements

### **B11. Earnings per share**

#### **Basic earnings per share**

The basic earnings per share for the current quarter and financial period ended 30 June 2013 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM8.904 million and RM24.131 million respectively, by the weighted average number of ordinary shares outstanding during the current quarter and financial period ended 30 June 2013.

	<b>Current quarter 30 June 2013 RM'000</b>	<b>Financial period 30 June 2013 RM'000</b>
Issued ordinary shares net of treasury shares at beginning of the period	131,332	129,332
Effect of exercise of warrants	989	1,223
At 30 June 2013	<u>132,321</u>	<u>130,555</u>
	<u>6.73</u>	<u>18.48</u>
Basic earnings per share (sen)	<u><u>6.73</u></u>	<u><u>18.48</u></u>

#### **Diluted earnings per share**

The diluted earnings per share for the current quarter and financial period ended 30 June 2013 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM8.904 million and RM24.131 million respectively, by the weighted average number of ordinary shares during the current quarter and financial period ended 30 June 2013 and adjusted for the dilutive effect of all potential ordinary shares.

	<b>Current quarter 30 June 2013 RM'000</b>	<b>Financial period 30 June 2013 RM'000</b>
Weighted average number of ordinary Shares (basic) at 30 June 2013	132,321	130,555
Effect of exercising of warrants	12,106	11,393
Weighted average number of ordinary shares (diluted) at 30 June 2013	<u>144,427</u>	<u>141,948</u>
Diluted earnings per share (sen)	<u>6.17</u>	<u>17.00</u>
	<u><u>6.17</u></u>	<u><u>17.00</u></u>

Notes to the Interim Financial Statements

**B12. Profit before taxation**

	<b>Current quarter 30 June 2013 RM'000</b>	<b>Financial period 30 June 2013 RM'000</b>
Profit before taxation is arrived at after charging:		
Interest expense	364	1,169
Depreciation and amortisation	750	2,208
Inventory written down/(written back) and and written off	(37)	651
	<hr/> <hr/>	<hr/> <hr/>
and after crediting:		
Gain on foreign exchange	454	501
Interest income	301	717
Other income	613	1,093
	<hr/> <hr/>	<hr/> <hr/>

**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:-

	<b>As at 30 June 2013 RM'000</b>	<b>As at 30 Sept 2012 RM'000</b>
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	3,653	3,405
Advances to non-wholly owned subsidiaries	-	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:

	<b>As at 30 June 2013 RM'000</b>	<b>As at 30 Sept 2012 RM'000</b>
<b>Total retained earnings</b>		
- Realised	172,566	155,404
- Unrealised	14,832	13,838
	<u>187,398</u>	<u>169,242</u>
Less: Consolidation adjustments	(69,954)	(63,014)
	<u>117,444</u>	<u>106,228</u>
	<u><u>117,444</u></u>	<u><u>106,228</u></u>

This announcement is dated 21 August 2013.