

Fiamma Holdings Berhad (Company No: 88716-W)

(“Fiamma” or “the Company”)

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

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 2012.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian 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

- IC Interpretation 21, *Levies*
- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136, *Recoverable Amount Disclosures for Non- Financial Assets*
- Amendments to FRS 139, *Novation of Derivatives and Consultation of Hedge Accounting*

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 Effective 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 2013 for those standards, amendments or interpretations that are effective from annual periods beginning on or after 1 January 2013, except for FRS 128, IC Interpretation 20, Amendments to FRS 1 and Amendments to FRS 134 which are not applicable to the Group.
- from the annual period beginning on 1 October 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for IC Interpretation 21, Amendments to FRS 127 and Amendments to FRS 139 which are not applicable to the Group.

Notes to the Interim Financial Statements

A1. Accounting Policies (continued)

The initial application of the above standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements of the Group upon their first adoption.

The Group's financial statements for annual period beginning on 1 October 2015 will be prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") issued by MASB and International Financial Reporting Standards ("IFRS"). 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 2015.

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 year ended 30 September 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.

Notes to the Interim Financial Statements

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 September 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 financial year, the Company issued 5,005,000 new ordinary shares of RM1.00 each, 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 year ended 30 September 2013.

A7. Dividend Paid

No dividend was paid during the current quarter.

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, pre-fabricated kitchen cabinets, medical devices and healthcare products.

Notes to the Interim Financial Statements

A8. *Operating Segment Information (continued)*

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 2013				
External revenue	1,310	28,104	263,470	292,884
Inter segment revenue	27,820	14,125	16,208	58,153
Total reportable revenue	29,130	42,229	279,678	351,037
Segment profit	26,714	10,947	51,645	89,306
Segment assets	205,278	167,131	241,087	613,496
Segment assets				613,496
Other non-reportable segments				210
Elimination of inter-segment transactions or balances				(193,416)
				420,290
Segment liabilities	(18,555)	(53,086)	(83,503)	(155,144)
Segment liabilities				(155,144)
Other non-reportable segments				(4,885)
Elimination of inter-segment transactions or balances				41,600
				(118,429)

Notes to the Interim Financial Statements

A8. Operating Segment Information (continued)

Reconciliation of profit or loss

	30 Sept 2013
	RM'000
Total profit or loss for reportable segments	89,306
Elimination of inter-segment profits	(35,788)
Depreciation	(2,942)
Interest expense	(1,698)
Interest income	1,268
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	50,146
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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 19 November 2013, 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 and the period up to 19 November 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:

	30 Sept 2013	30 Sept 2012
	RM'000	RM'000
Guarantees to financial institutions for facilities granted to subsidiaries	65,421	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

	Current financial year ended 30 Sept 2013 RM'000	Preceding financial year ended 30 Sept 2012 RM'000
Revenue	292,884	258,450
Profit before taxation	50,146	39,828

The Group recorded a higher revenue of RM292.884 million for the current year to-date compared to RM258.450 million achieved in the preceding financial year and a higher profit before taxation of RM50.146 million for the current year as compared to RM39.828 million in the preceding financial year. The increase in profit before taxation was in line with the increase in revenue and mainly contributed by the trading and services and property development segments.

The Group's revenue is derived primarily from the trading and services segment which contributed 90.0% of the Group's net revenue. The segment recorded a net revenue of RM263.470 million as compared to RM253.555 million recorded in the previous financial year, representing a growth of 3.9%. Profit before taxation ("PBT") recorded by this segment is RM43.460 million against PBT of RM39.783 million for the preceding financial year, representing an increase of 9.2%. The current financial year's PBT of this segment represented 86.7% of the Group's PBT.

The property development segment contributed revenue of RM28.104 million and PBT of RM5.715 million in the current year. This represented 9.6% of the Group's net revenue and 11.4% 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

	Current quarter ended 30 Sept 2013 RM'000	Preceding quarter ended 30 June 2013 RM'000
Revenue	80,968	75,670
Profit before taxation	13,218	14,455

The Group recorded a higher revenue of RM80.968 million for the current quarter ended 30 September 2013 compared to RM75.670 million achieved in the preceding quarter ended 30 June 2013. However, the Group recorded a lower profit before taxation of RM13.218 million for the current quarter compared to RM14.455 million recorded in the preceding quarter ended 30 June 2013. This was attributable mainly to higher operating expenses incurred for the current quarter.

The trading and services segment recorded a net revenue and PBT of RM72.623 million and RM11.573 million, representing 89.7% and 87.6% of the Group revenue and Group PBT respectively.

The property development segment recorded a net revenue and PBT of RM8.007 million and RM1.727 million, representing 9.9% and 13.1% of the Group revenue and Group PBT respectively.

B3. Prospects

The Malaysian economy recorded a stronger growth of 5.0% in the third quarter (2Q 2013: 4.4%). Domestic demand remained the key driver of growth, expanding by 8.3% (2Q 2013: 7.4%), while exports turned around to grow by 1.7% (2Q 2013: -5.2%). On the supply side, most major sectors expanded further in the third quarter, supported by the continued strength in domestic demand and the improvement in trade activity. International financial markets, however, experienced increased volatility amid uncertainties over the fiscal and monetary policies of the advanced economies, particularly the US. The domestic financial system remained resilient throughout the third quarter, despite the increased volatility in global and domestic financial markets.

Going forward, emerging signs of a recovery in the major advanced economies are expected to support overall global growth. Uncertainties surrounding the fiscal and monetary policy adjustments in these economies, however, may affect market sentiment and overall growth prospects in the global economy. While global policy spillovers may have some impact on Asia, growth will continue to be underpinned by domestic demand.

Notes to the Interim Financial Statements

B3. Prospects (continued)

For the Malaysian economy, the gradual recovery in the external sector will support growth. Domestic demand from the private sector will remain supportive of economic activity amid the continued consolidation of the public sector. The economy is therefore expected to remain on its steady growth trajectory.

In 2014, in tandem with an improved global economic outlook, the domestic economy is projected to grow at a stronger pace of 5.0% to 5.5%. Growth will be driven by private investment expanding 12.7%, and private consumption at 6.2%.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2013, Bank Negara Malaysia and The Malaysia 2014 Budget Speech).

With the above outlook, Fiamma expects the coming financial year to be challenging as growth will be dependent on domestic demand as well as the external economy.

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 commercial development located in Kuala Lumpur, the residential development in Kota Tinggi, Johor and proposed development of residential and commercial properties in Johor Bahru will contribute to the Group's revenue and profit for the financial years 2014 and 2015. Other proposed new projects including commercial development in Kuala Lumpur and Johor Bahru are expected to contribute to the Group's future income stream once these proposed developments are launched.

B4. Profit Forecast or Profit Guarantee

Not applicable.

Notes to the Interim Financial Statements

B5. Taxation

Taxation comprises the following:

	Current quarter 30 Sept 2013 RM'000	Financial year 30 Sept 2013 RM'000
Current year tax expense	3,572	14,026
Deferred tax expense	(1,837)	(1,895)
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	1,735	12,131
Prior year tax expense	(41)	(32)
	<hr/>	<hr/>
	1,694	12,099
	<hr/> <hr/>	<hr/> <hr/>
	RM'000	RM'000
Profit before taxation	13,218	50,146
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Tax at Malaysian tax rate of 25%	3,305	12,537
Other tax effects	(1,570)	(406)
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Tax expense	1,735	12,131
Prior year tax expense	(41)	(32)
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Tax expense	1,694	12,099
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B6. Status of Corporate Proposal

In 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. Payment terms will be in the manner as provided for in the agreement.

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 September 2013 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Repayable within 12 months			
Bank overdraft	5,796	-	5,796
Revolving credit	16,700	-	16,700
Bills payable	-	42,925	42,925
Total	<u>22,496</u> =====	<u>42,925</u> =====	<u>65,421</u> =====

B8. Derivatives

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

	Notional amount RM'000	Fair value RM'000	Difference RM'000
Foreign currency forward contracts			
USD (Less than 3 months)	13,932	14,362	430
	<u>=====</u>	<u>=====</u>	<u>=====</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 RM430,000 has been recognised in the financial statements.

B9. Changes in Material Litigation

There was no impending material litigation as at 19 November 2013, being the date not earlier than 7 days from the date of this announcement.

Notes to the Interim Financial Statements

B10. Dividend

No interim dividend was declared for the current quarter under review.

The Directors recommend a final single tier tax exempt dividend of 5.0 sen per ordinary share amounting to RM6,717,000 in respect of the financial year ended 30 September 2013, 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 2013 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM10.563 million and RM34.694 million respectively, by the weighted average number of ordinary shares outstanding during the current quarter and financial year ended 30 September 2013.

	Current quarter 30 Sept 2013 RM'000	Financial year 30 Sept 2013 RM'000
Issued ordinary shares net of treasury shares at beginning of the period	132,321	129,332
Effect of exercise of warrants	2	2,176
At 30 September 2013	<u>132,323</u>	<u>131,508</u>
	<u>7.98</u>	<u>26.38</u>
Basic earnings per share (sen)		

Diluted earnings per share

The diluted earnings per share for the current quarter and financial year ended 30 September 2013 is calculated by dividing the Group's net profit attributable to the owners of the Company of RM10.563 million and RM34.694 million respectively, by the weighted average number of ordinary shares during the current quarter and financial year ended 30 September 2013 and adjusted for the dilutive effect of all potential ordinary shares.

Notes to the Interim Financial Statements

B11. Earnings per share (continued)

Diluted earnings per share (continued)

	Current quarter 30 Sept 2013 RM'000	Financial year 30 Sept 2013 RM'000
Weighted average number of ordinary Shares (basic) at 30 September 2013	132,323	131,508
Effect of exercising of warrants	14,322	11,817
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Weighted average number of ordinary shares (diluted) at 30 September 2013	146,645	143,325
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Diluted earnings per share (sen)	7.20	24.21
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B12. Profit before taxation

	Current quarter 30 Sept 2013 RM'000	Financial year 30 Sept 2013 RM'000
Profit before taxation is arrived at after charging:		
Interest expense	529	1,698
Depreciation and amortisation	734	2,942
Inventory written down and written off	603	1,254
Unrealised loss on derivative financial instruments	409	-
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and after crediting:		
Gain on foreign exchange (net)	499	1,000
Interest income	551	1,268
Other income	(86)	1,007
Unrealised gain on derivative financial instruments	-	430
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Notes to the Interim Financial Statements

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 30 Sept 2013 RM'000	As at 30 Sept 2012 RM'000
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	6,600	3,405
Advances to non-wholly owned subsidiaries	-	490
	<u> </u>	<u> </u>

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

B14. Retained earnings

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

	As at 30 Sept 2013 RM'000	As at 30 Sept 2012 RM'000
Total retained earnings		
- Realised	184,113	155,404
- Unrealised	15,802	13,838
	<u>199,915</u>	<u>169,242</u>
Less: Consolidation adjustments	<u>(70,567)</u>	<u>(63,014)</u>
Total retained earnings	<u>129,348</u>	<u>106,228</u>

This announcement is dated 26 November 2013.