

**Fiamma Holdings Berhad (Company No: 88716-W) (“Fiamma” or “the Company”)**

**Notes to the interim financial statements for the financial quarter ended 31 March 2014.**

**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 2013.

The following are the Financial Accounting Standards (“FRSs”), interpretations and amendments that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

***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*

## Notes to the Interim Financial Statements

### **A1. Accounting Policies (continued)**

The Group plans to apply the abovementioned FRSs, interpretations and amendments:

- from the annual period beginning on 1 October 2013 for those FRSs, interpretations and amendments that are effective from annual periods beginning on or after 1 January 2013, except for FRS 11, FRS 128, IC Interpretation 20, Amendments to FRS 1 and Amendments to FRS 11 which are not applicable to the Group.
- from the annual period beginning on 1 October 2014 for those FRSs, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2014, except for IC Interpretation 21 and Amendments to FRS 139 which are not applicable to the Group.

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

The Group has subsidiaries which fall within the scope of IC Interpretation 15, *Agreement for the Construction of Real Estate*. Therefore, the Group and these subsidiaries are currently exempted from adopting Malaysian Financial Reporting Standards (“MFRSs”) and as such is referred to as a “Transitioning Entity”. Being a Transitioning Entity, the Group will adopt the MFRS and present its first set of MFRS financial statements when adoption of the MFRS is mandated by MASB.

### **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 2013 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.

## Notes to the Interim Financial Statements

### **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 March 2014.

### **A5. *Material Changes in Estimates of Amounts Reported***

There were no material changes in estimates used in reporting the current quarter as compared to the financial statements of the Group for the financial year ended 30 September 2013.

### **A6. *Debt and Equity Securities***

The owners of the Company, by a special resolution passed at the Annual General Meeting held on 19 February 2014, 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 March 2014, total number of shares purchased was 7,234,900, representing 5.0% of the total paid-up share capital of the Company. These shares were being held and retained as treasury shares.

During the current quarter, the Company issued 2,500,000 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 period ended 31 March 2014.

### **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, home furniture and fittings, medical devices and healthcare products.

The reportable segment information for the Group is as follows:

	<b>Investment Holding &amp; Property Investment RM'000</b>	<b>Property Development RM'000</b>	<b>Trading &amp; Services RM'000</b>	<b>Total RM'000</b>
<b>For the financial period ended 31 March 2014</b>				
External revenue	769	36,679	122,041	159,489
Inter segment revenue	3,925	11,770	6,764	22,459
Total reportable revenue	4,694	48,449	128,805	181,948
Segment profit	15,599	18,326	16,637	50,562
Segment assets	234,719	246,786	218,149	699,654
Segment assets				699,654
Other non-reportable segments				529
Elimination of inter-segment transactions or balances				(263,694)
				436,489

Notes to the Interim Financial Statements

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

	<b>Investment Holding &amp; Property Investment RM'000</b>	<b>Property Development RM'000</b>	<b>Trading &amp; Services RM'000</b>	<b>Total RM'000</b>
Segment liabilities	(30,255)	(62,976)	(53,590)	(146,821)
Segment liabilities				(146,821)
Other non-reportable segments				(8,860)
Elimination of inter-segment transactions or balances				44,210
				(111,471)

*Reconciliation of profit or loss*

	<b>31 March 2014 RM'000</b>
Total profit or loss for reportable segments	50,562
Elimination of inter-segment profits	(18,486)
Depreciation	(1,562)
Interest expense	(1,298)
Interest income	1,060
	30,276

**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 subsequent to the end of the financial period, except as disclosed in Note B6.

## 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 12 May 2014, 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>31 March 2014</b>	<b>30 Sept 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Guarantees to financial institutions for facilities granted to subsidiaries	50,359	65,421
	=====	=====

## Notes to the Interim Financial Statements

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

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

	<b>6 months ended</b>	
	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	159,489	136,246
Profit before taxation	30,276	22,473

The Group recorded a higher revenue of RM159.489 million for the current period compared to RM136.246 million achieved in the preceding financial period and a higher profit before taxation (“PBT”) of RM30.276 million for the current period as compared to RM22.473 million in the preceding financial period. The increase in revenue and PBT was mainly contributed by the property development segment.

The Group’s revenue is derived primarily from the trading and services segment which contributed 76.5% of the Group’s net revenue. The segment recorded a net revenue of RM122.041 million as compared to RM119.336 million recorded in the previous financial period, representing an increase of 2.3%. However, PBT recorded by this segment is RM15.462 million against PBT of RM19.004 million for the preceding financial period, representing a decrease of 18.6%. The decrease in PBT was attributable to higher operating expenses incurred in the current quarter. The current financial period’s PBT of this segment represented 51.1% of the Group’s PBT.

The property development segment contributed 23.0% of the Group’s net revenue. The segment recorded a net revenue of RM36.679 million as compared to RM16.257 million recorded in the previous financial period, representing a growth of 225.6%. Consequently this segment recorded a PBT of RM13.834 million against PBT of RM2.783 million for the preceding financial period, representing a significant increase of 497.1%. The current financial period’s PBT of this segment represented 45.7% of the Group’s PBT. The revenue and PBT contribution is derived mainly from the Group’s commercial development in Jalan Tuanku Abdul Rahman, Kuala Lumpur.

## Notes to the Interim Financial Statements

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

	<b>Current quarter ended 31 March 2014 RM'000</b>	<b>Preceding quarter ended 31 Dec 2013 RM'000</b>
Revenue	81,737	77,752
Profit before taxation	17,149	13,127

The Group recorded a higher revenue and PBT of RM81.737 million and RM17.149 million for the current quarter ended 31 March 2014 compared to RM77.752 million and RM13.127 million achieved in the preceding quarter ended 31 December 2013. The increase in revenue and PBT was attributable to higher revenue contribution from the property development segment for the current quarter as compared to the preceding quarter.

### **B3. Prospects**

Global economic activity expanded at a moderate pace in the first quarter. The US economy experienced a slower growth, mainly due to unusually adverse weather conditions. In the euro area, the recovery was supported by modest improvements in exports, while domestic demand remained sluggish due to structural constraints. Growth in several Asian economies expanded at a slower pace as domestic demand was affected by country-specific developments.

The Malaysian economy registered a strong growth of 6.2% in the first quarter of 2014 (4Q 2013: 5.1%), driven by a stronger expansion in domestic demand and a turnaround in net exports. On the supply side, the major economic sectors grew further, supported by both domestic and trade activities. On a quarter-on-quarter seasonably-adjusted basis, the economy grew by 0.8% (4Q 2013: 1.9%).

Going forward, recovery in the global economy is expected to continue. International trade will be supported by the continued recovery in the advanced economies. In Asia, while domestic demand is expected to moderate, it will continue to underpin the overall performance of these economies, with additional support coming from the improving external conditions. Continued uncertainty over the monetary policy in key advanced economies, economic development in both the advanced and emerging market economies, as well as geopolitical developments, are likely to generate continued volatility in the global financial markets.



## Notes to the Interim Financial Statements

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

For the Malaysian economy, growth will remain anchored by domestic demand, with additional support from the improvement in the external environment. Exports will continue to benefit from the recovery in the advanced economies while private domestic demand is expected to remain the key driver of the overall growth. Going forward, the Malaysian economy is therefore expected to remain on a steady growth path.

*(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2014, Bank Negara Malaysia)*

With the above outlook, Fiamma expects the performance for the financial year to remain challenging as growth will be dependent on domestic demand as well as 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 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 and sold.

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

Not applicable.

## Notes to the Interim Financial Statements

### **B5. Taxation**

Taxation comprises the following:

	<b>Current quarter 31 March 2014 RM'000</b>	<b>Financial period 31 March 2014 RM'000</b>
Current year tax expense	5,245	9,090
Deferred tax expense	(178)	(243)
	<hr/> 5,067	<hr/> 8,847
Prior year tax expense	(36)	(65)
	<hr/> 5,031	<hr/> 8,782
	<hr/> <hr/> <b>RM'000</b>	<hr/> <hr/> <b>RM'000</b>
Profit before taxation	17,149	30,276
	<hr/> <hr/>	<hr/> <hr/>
Tax at Malaysian tax rate of 25%	4,287	7,569
Other tax effects	780	1,278
	<hr/> 5,067	<hr/> 8,847
Tax expense	(36)	(65)
	<hr/> 5,031	<hr/> 8,782
	<hr/> <hr/>	<hr/> <hr/>

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

Fiamma Logistics Sdn Bhd, a wholly-owned subsidiary of Fiamma Sdn Bhd which in turn is a wholly-owned subsidiary the Company, had on 16 May 2014 entered into a Sale and Purchase Agreement (“SPA”) with Binastra Land Sdn Bhd (formerly known as Nurani Gemilang Sdn Bhd) for the acquisition of the acquisition of two (2) pieces of industrial land held under H.S.(D) 139745 for PT 69172 (“PT 69172”) and H.S.(D) 139746 for PT 69173 (“PT 69173”) respectively, both situated in Mukim Kapar, Daerah Klang, Negeri Selangor measuring in aggregate approximately 25,415 square meters (6.28 acres/ 273,567 square feet), bearing postal address at Lot 9, PT 69173 & 10, PT 69172 respectively, Mukim Kapar, Bukit Raja Industrial Hub, Klang, Selangor Darul Ehsan, Malaysia (“the Acquisition”) for a total purchase consideration of RM30,092,370. The Acquisition is to cater for the relocation and centralisation of Fiamma and its subsidiaries’ logistic operations, with allowance for future expansion. The Acquisition is expected to be completed in the financial year ending 30 September 2015.

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 31 March 2014 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	5,220	-	5,220
Revolving credit	26,246	-	26,246
Bills payable	-	18,893	18,893
Total	<u>31,466</u> =====	<u>18,893</u> =====	<u>50,359</u> =====

**B8. Derivatives**

The details of the Group's foreign currency forward contracts as at 31 March 2014 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)	4,783	4,763	(20)
	<u>4,783</u> =====	<u>4,763</u> =====	<u>(20)</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 RM20,000 has been recognised in the financial statements.

**B9. Changes in Material Litigation**

There was no impending material litigation as at 12 May 2014, being the date not earlier than 7 days from the date of this announcement.

**B10. Dividend**

The Directors declared a first interim single-tier dividend of 3.0 sen per ordinary share for the financial year ending 30 September 2014, to be paid on 27 June 2014. The entitlement date for the dividend payment is 13 June 2014.

## Notes to the Interim Financial Statements

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

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

The calculation of basic earnings per share at 31 March 2014 was based on the profit attributable to the owners of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

	<b>Current quarter 31 March 2014 RM'000</b>	<b>Financial period 31 March 2014 RM'000</b>
Profit for the financial period attributable to owners of the Company	11,386	19,716
	=====	=====
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares net of treasury shares:		
At beginning of the period	134,337	134,337
Effect of exercise of warrants	817	413
At 31 March 2014	135,154	134,750
	=====	=====
Basic earnings per share (sen)	8.42	14.63
	=====	=====

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

The calculation of diluted earnings per share at 31 March 2014 was based on the profit attributable to the owners of the Company and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	<b>Current quarter 31 March 2014 '000</b>	<b>Financial period 31 March 2014 '000</b>
Weighted average number of ordinary shares (basic) at 31 March 2014	135,154	134,750
Effect of exercising of warrants	14,367	14,752
Weighted average number of ordinary shares (diluted) at 31 March 2014	149,521	149,502
	=====	=====
Diluted earnings per share (sen)	7.61	13.19
	=====	=====

Notes to the Interim Financial Statements

**B12. Profit before taxation**

	<b>Current quarter 31 March 2014 RM'000</b>	<b>Financial period 31 March 2014 RM'000</b>
Profit before taxation is arrived at after charging:		
Interest expense	653	1,298
Depreciation and amortisation	780	1,562
Inventory written down and written off	530	962
Loss on foreign exchange – realised and unrealised	97	266
Unrealised loss on derivative financial Instruments	163	450
	<hr/>	<hr/>
and after crediting:		
Gain on foreign exchange – realised and unrealised	182	730
Interest income	524	1,060
Unrealised gain on derivative financial instruments	(80)	-
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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:-

	<b>As at 31 March 2014 RM'000</b>	<b>As at 30 Sept 2013 RM'000</b>
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	878	6,600
	<hr/>	<hr/>

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 31 March 2014 RM'000</b>	<b>As at 30 Sept 2013 RM'000</b>
<b>Total retained earnings</b>		
- Realised	222,222	184,113
- Unrealised	15,059	15,802
	<u>237,281</u>	<u>199,915</u>
Less: Consolidation adjustments	(87,891)	(70,567)
	<u>149,390</u>	<u>129,348</u>
	<u><u>149,390</u></u>	<u><u>129,348</u></u>

This announcement is dated 19 May 2014.