Fiamma Holdings Berhad (Company No: 88716-W)("Fiamma" or "the Company")

Notes to the interim financial statements for the financial quarter ended 30 September 2014.

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 2013.

The following are the accounting standards, amendments and interpretations 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

- 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*
- IC Interpretation 21, *Levies*

A1. Accounting Policies (continued)

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

- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to FRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*
- FRS 14, *Regulatory Deferral Accounts*
- Amendments to FRS 116, *Property, Plant and Equipment*
- FRS138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation*

FRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2018

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- FRS 9, *Financial Instruments – Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

A1. Accounting Policies (continued)

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

- from the annual period beginning on 1 October 2014 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2014, except for Amendments to Amendments to FRS 139, IC Interpretation 21 and Amendments to FRS 2, which are not applicable to the Company.

- from the annual period beginning on 1 October 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016 except for Amendments to FRS 11 and FRS 14 which are not applicable to the Company.

The initial application of the other accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group.

The Group has subsidiaries which fall within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate*. Therefore, the Group and these subsidiaries are currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") and is referred to as a "Transitioning Entity". Being a Transitioning Entity, the Company is required to adopt the MFRSs for annual period beginning on 1 October 2017.

Hence, the Group's financial statements for annual period beginning on 1 October 2017 will be prepared in accordance with MFRSs issued by MASB and the International Financial Reporting Standards ("IFRSs"). As a result, the Company will not be adopting FRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018.

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 Cyclicality 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 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 30 September 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 financial year, the Company issued 2,512,500 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 2014.

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

The reportable segment information for the Group is as follows:

	Investment Holding & Property Investment RM'000	**Property Development RM'000**	**Trading & Services RM'000**	**Total RM'000**
For the financial year ended 30 September 2014				
External revenue	1,554	62,167	274,440	338,161
Inter segment revenue	14,993	23,541	14,880	53,414
Total reportable revenue	16,547	85,708	289,320	391,575
Segment profit	25,981	27,873	43,488	97,342
Segment assets	248,269	241,300	259,819	749,388
Segment assets				749,388
Other non-reportable segments				689
Elimination of inter-segment transactions or balances				(278,497)
				471,580

A8. Operating Segment Information (continued)

	Investment Holding & Property Investment RM'000	Property Development RM'000	Trading & Services RM'000	Total RM'000
Segment liabilities	(44,969)	(62,724)	(84,570)	(192,263)

	RM'000
Segment liabilities	(192,263)
Other non-reportable segments	(6,007)
Elimination of inter-segment transactions or balances	63,760
	(134,510)

Reconciliation of profit or loss

	30 Sept 2014 RM'000
Total profit or loss for reportable segments	97,342
Elimination of inter-segment profits	(31,754)
Depreciation	(3,131)
Interest expense	(1,698)
Interest income	2,423
	63,182

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 2014, 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 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:

	30 Sept 2014 RM'000	30 Sept 2013 RM'000
Guarantees to financial institutions for facilities granted to subsidiaries	68,936	65,421
	======	======

B. Compliance with Bursa Malaysia Listing Requirements.

B1. Review of the Performance of the Group

	12 months ended	
	30 Sept 2014 RM'000	**30 Sept 2013 RM'000**
Revenue	338,161	292,884
Profit before taxation	63,182	50,146

The Group recorded a higher revenue of RM338.161 million for the current financial year compared to RM292.884 million achieved in the preceding financial year and a higher profit before taxation ("PBT") of RM63.182 million for the current financial year as compared to RM50.146 million in the preceding financial year. 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 81.2% of the Group's net revenue. The segment recorded a net revenue of RM274.440 million as compared to RM263.470 million recorded in the previous financial year, representing an increase of 4.2%. However, PBT recorded by this segment is RM41.436 million against PBT of RM43.460 million for the preceding financial year, representing a decrease of 4.7%. The decrease in PBT was attributable to higher operating expenses and inventories written down and written off incurred in the current financial year. The current financial year's PBT of this segment represented 65.6% of the Group's PBT.

The property development segment contributed 18.4% of the Group's net revenue. The segment recorded a net revenue of RM62.167 million as compared to RM28.104 million recorded in the previous financial year, representing a growth of 121.2% Consequently this segment recorded a higher PBT of RM19.727 million against PBT of RM5.715 million for the preceding financial year, representing a significant increase of 245.2% The current financial year's PBT of this segment represented 31.2% 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.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 30 Sept 2014 RM'000	Preceding quarter ended 30 June 2014 RM'000
Revenue	86,039	92,633
Profit before taxation	13,860	19,046

The Group recorded a lower revenue and PBT of RM86.039 million and RM13.860 million for the current quarter ended 30 September 2014 compared to RM92.633 million and RM19.046 million achieved in the preceding quarter ended 30 June 2014. The decrease in revenue and PBT was attributable to lower revenue and profit contribution from the property development segment for the current quarter as compared to the preceding quarter.

B3. Prospects

The global economy continued to expand at a moderate pace in the third quarter of 2014, with uneven growth performance across economies. While the US economy continued to show broader signs of improvements, growth in the euro area remained subdued amid persistent structural constraints and weakening sentiments. In Asia, economic activity continued to expand, although growth was more moderate in several economies.

The Malaysian economy registered a growth of 5.6% in the third quarter of 2014 (2Q 2014: 6.5%), supported by private sector demand and continued positive growth in net exports of goods and services. On the supply side, growth in the major economic sectors was sustained, supported by trade and domestic activities. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 0.9% (2Q 2014: 1.9%)

Going forward, global growth is expected to remain moderate. Growth across the advanced economies is expected to remain uneven. In Asia, growth will be underpinned by a continued expansion in domestic demand and exports. Nevertheless, there remains considerable downside risks to global growth. These include prolonged weakness in domestic demand and low inflation in a number of major economies, uncertainty over monetary policy adjustments in the key advanced economies and persistent geopolitical tensions that could heighten financial market volatility.

B3. Prospects (continued)

While risks to growth have increased, the Malaysian economy is expected to remain on a steady growth path. Although exports will benefit from the recovery in the advanced economies and from regional demand, the trend is likely to moderate reflecting both the high base effect from 2013 and lower commodity prices. While private consumption may moderate, investment activity will be supported by continued flow of ongoing and new projects by the private and public sectors. Going forward, domestic demand will remain the key driver of growth.

For 2015, economic growth is expected to remain strong between 5% to 6% while the fiscal deficit is projected to further decline to 3% of GDP.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2014, Bank Negara Malaysia and The Malaysian 2015 Budget Speech)

With the above outlook, Fiamma expects the performance for the coming 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.

The proposed relocation and centralisation of the existing warehouse in Bandar Manjalara to a new and larger capacity warehouse to be built on the land acquired in Bukit Raja Industrial Hub, Klang (Note B6) is expected to improve efficiency as it will cater to all the Group’s logistic operations under one roof. In addition, the new warehouse is expected to provide additional income stream from the provision of storage space and logistic services to third party customers.

For the property development segment, the on-going commercial development located in Kuala Lumpur and the residential development in Kota Tinggi, Johor will continue to contribute to the Group’s revenue and profit for the financial year 2015. The on-going development of residential and commercial properties in Johor Bahru will contribute to the Group’s revenue and profit for the financial years 2015 and 2016. The proposed new commercial development in Jalan Yap Kwan Seng and the proposed redevelopment of the existing warehouse in Bandar Manjalara into commercial properties 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.

B5. Taxation

Taxation comprises the following:

	Current quarter 30 Sept 2014 RM'000	**Financial year 30 Sept 2014 RM'000**
Current year tax expense	3,984	18,574
Deferred tax expense	(478)	(793)
	3,506	17,781
Prior year tax expense	-	(72)
	3,506	17,709

	RM'000	**RM'000**
Profit before taxation	13,860	63,182
Tax at Malaysian tax rate of 25%	3,465	15,796
Other tax effects	41	1,985
Tax expense	3,506	17,781
Prior year tax expense	-	(72)
Tax expense	3,506	17,709

B6. Status of Corporate Proposal

In May 2014, the Company announced that Fiamma Logistics Sdn Bhd, a wholly-owned subsidiary of Fiamma Sdn Bhd which in turn is a wholly-owned subsidiary the Company, had entered into a Sale and Purchase Agreement with a third party for the proposed acquisition of land in Bukit Raja Industrial Hub, Klang, Selangor for a total purchase consideration of RM30,092,370 ("the Acquisition"). The Acquisition is to cater for the relocation and centralisation of Fiamma and its subsidiaries' logistic operations, with allowance for future expansion. Payment terms will be in the manner as provided for in the agreement. 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.

B7. Group Borrowings and Debt Securities

The Group's borrowings as at 30 September 2014 are as follows:

	Secured RM'000	**Unsecured RM'000**	**Total RM'000**
Non-current			
Repayable after 12 months			
Term loan	3,586	-	3,586
	=====	=====	=====
Current			
Repayable within 12 months			
Bank overdraft	9,403	-	9,403
Term loan	906	-	906
Revolving credit	13,700	8,000	21,700
Bills payable	-	33,341	33,341
Sub-total	24,009	41,341	65,350
	=====	=====	=====
Total	27,595	41,341	68,936
	=====	=====	=====

B8. Derivatives

The details of the Group's foreign currency forward contracts as at 30 September 2014 are as follows:

	Notional amount RM'000	**Fair value RM'000**	**Difference RM'000**
Foreign currency forward contracts			
USD (Less than 3 months)	3,542	3,665	123
	=====	======	======

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 RM123,000 has been recognised in the financial statements.

B9. Changes in Material Litigation

There was no impending material litigation as at 19 November 2014, being the date not earlier than 7 days from the date of this announcement.

B10. Dividend

No interim dividend was declared for current quarter under review.

The Directors recommend a final single tier tax exempt dividend of 6.0 sen per ordinary share amounting to RM8,215,000 in respect of the financial year ended 30 September 2014, 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 calculation of basic earnings per share at 30 September 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:

	Current quarter 30 Sept 2014 RM'000	**Financial year 30 Sept 2014 RM'000**
Profit for the financial year attributable to owners of the Company	9,178	41,396
	'000	**'000**
Number of ordinary shares issued at beginning of the year	144,085	141,572
Effects of shares repurchased	(7,235)	(7,235)
Weighted average number of ordinary shares at 30 September 2014	136,850	134,337
Effect of exercise of warrants	-	1,466
At 30 September 2014	136,850	135,803
Basic earnings per share (sen)	6.71	30.48

B11. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 30 September 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:

	Current quarter 30 Sept 2014 ’000	**Financial year 30 Sept 2014 ’000**
Weighted average number of ordinary shares (basic) at 30 September 2014	136,850	135,803
Effect of exercising of warrants	17,927	15,592
Weighted average number of ordinary shares (diluted) at 30 September 2014	154,777	151,395
Diluted earnings per share (sen)	5.93	27.34

B12. Profit before taxation

	Current quarter 30 Sept 2014 RM’000	**Financial year 30 Sept 2014 RM’000**
Profit before taxation is arrived at after charging:		
Interest expense	(327)	1,698
Depreciation and amortisation	787	3,131
Inventory written down and written off	973	2,368
Loss on foreign exchange – realised and unrealised	307	645
Unrealised loss on derivative financial liabilities	(429)	-
and after crediting:		
Gain on foreign exchange – realised and unrealised	(136)	643
Interest income	761	2,423
Unrealised gain on derivative financial assets	123	123

B13. Capital Commitments

	As at 30 Sept 2014 RM'000
Investment properties	
Contracted but not provided for	6,226
Properties, plant and equipment	
Contracted but not provided for	27,083

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:-

	As at 30 Sept 2014 RM'000	**As at 30 Sept 2013 RM'000**
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	7,751	6,600

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 30 Sept 2014 RM'000	**As at 30 Sept 2013 RM'000**
Total retained earnings		
- Realised	237,792	184,113
- Unrealised	16,035	15,802
	253,827	199,915
Less: Consolidation adjustments	(94,031)	(70,567)
Total retained earnings	159,796	129,348

This announcement is dated 26 November 2014.