

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

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

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

***FRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2016***

- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to FRSs 2012-2014 Cycle)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements to FRSs 2012-2014 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- 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* and FRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119, *Employee Benefits (Annual Improvements to FRSs 2012-2014 Cycle)*
- Amendments to FRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements to FRSs 2012-2014 Cycle)*

***FRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2018***

- FRS 9, *Financial Instruments*

## Notes to the Interim Financial Statements

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

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

- from the annual period beginning on 1 October 2014 for those FRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2014 and 1 July 2014, except for 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 FRSs, amendments and 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 FRSs, 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 (“MFRSs”) and is referred to as a “Transitioning Entity”. Being a Transitioning Entity, the Group is required to adopt the MFRSs for annual period beginning on 1 January 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 2014 were not subject to any qualification and did not include any adverse comments made under Section 174 (3) of the Companies Act, 1965.

## Notes to the Interim Financial Statements

### **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 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 2014.

### **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 December 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 60,000 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 ended 31 December 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, bathroom accessories, home furniture, 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 December 2014</b>				
External revenue	421	15,266	61,199	76,886
Inter segment revenue	2,316	7,062	3,653	13,031
Total reportable revenue	2,737	22,328	64,852	89,917
Segment profit	1,889	7,425	7,123	16,437
Segment assets	266,028	250,788	282,777	799,593
Segment assets				799,593
Other non-reportable segments				858
Elimination of inter-segment transactions or balances				(302,859)
				497,592

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	(60,869)	(65,693)	(103,893)	(230,455)
				=====
Segment liabilities				(230,455)
Other non-reportable segments				(7,446)
Elimination of inter-segment transactions or balances				85,915
				-----
				(151,986)
				=====
<i>Reconciliation of profit or loss</i>				
				<b>31 Dec 2014</b>
				<b>RM'000</b>
Total profit or loss for reportable segments				16,437
Elimination of inter-segment profits				(3,695)
Depreciation				(776)
Interest expense				(517)
Interest income				981
				-----
				12,430
				=====

**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 February 2015, 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.

## 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 19 February 2015, 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 Dec 2014</b>	<b>30 Sept 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Guarantees to financial institutions for facilities granted to subsidiaries	78,250	60,236
	=====	=====

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

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

	<b>3 months ended</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	76,886	77,752
Profit before taxation	12,430	13,127

The Group recorded a lower revenue and profit before taxation (“PBT”) of RM76.886 million and RM12.430 million respectively for the current financial period compared to RM77.752 million and RM13.127 million achieved in the preceding financial period.

The Group’s revenue is derived primarily from the trading and services segment which contributed 79.6% of the Group’s net revenue. The segment recorded a net revenue of RM61.199 million as compared to RM66.406 million recorded in the previous financial period, representing a decrease of 7.8%. Consequently, this segment recorded a lower PBT of RM6.702 million against PBT of RM9.199 million for the preceding financial period, representing a decrease of 27.1%. The current financial period’s PBT of this segment represented 53.9% of the Group’s PBT.

The property development segment contributed 19.9% of the Group’s net revenue. The segment recorded a net revenue of RM15.266 million as compared to RM10.961 million recorded in the previous financial period, representing a growth of 39.3%. Consequently, this segment recorded a higher PBT of RM5.088 million against PBT of RM3.426 million for the preceding financial period, representing an increase of 48.5%. The current financial period’s PBT of this segment represented 40.9% 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***

	<b>Current</b>	<b>Preceding</b>
	<b>quarter ended</b>	<b>quarter ended</b>
	<b>31 Dec 2014</b>	<b>30 Sept 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	76,886	86,039
Profit before taxation	12,430	13,860

The Group recorded a lower revenue and PBT of RM76.886 million and RM12.430 million respectively for the current quarter ended 31 December 2014 compared to RM86.039 million and RM13.860 million achieved in the preceding quarter ended 30 September 2014. The decrease in revenue and PBT was attributable to lower revenue and profit contribution from the trading and services segment for the current quarter as compared to the preceding quarter.

### **B3. Prospects**

Global economic activity continued to expand at a moderate pace in the fourth quarter of 2014. Nevertheless, the growth has remained uneven across economies. While the US economy continued to show broader signs of improvement, economic activity in the euro area and Japan remained subdued. In Asia, growth has been driven by domestic demand and exports. Lower inflation was recorded in most economies with the decline in energy prices reinforcing this trend.

The Malaysian economy registered a higher growth of 5.8% in the fourth quarter of 2014 (3Q 2014: 5.6%), driven mainly by stronger private sector spending. On the supply side, growth was sustained by the major economic sectors, supported by trade and domestic activities. On a quarter-on-quarter seasonally-adjusted basis, growth momentum increased to 2.0% (3Q 2014: 0.9%). For the year 2014, the Malaysian economy grew by 6.0%.

Moving forward, the global economy is expected to remain on a moderate growth path, but with increasing divergence in the growth momentum among the major economies. The decline in energy prices is expected to provide some additional support to overall global growth, as higher disposable income and lower inflation will support consumer spending. Nevertheless, there remain considerable downside risks to global economic activity. This includes a prolonged weakness in demand and low inflation or the possibility of deflation in several major economies, uncertainty over monetary policy adjustments in key advanced economies, and rising concerns on the growth prospects of several net commodity-exporting emerging economies amid declining energy prices.

The Malaysian economy is expected to remain on a steady growth path. The gradual recovery in global growth will lend support to manufactured export performance, although overall export growth would likely remain modest amid lower commodity prices. Domestic demand is expected to remain favourable amidst the lower oil prices. Investment activity is projected to remain resilient, with broad-based capital spending by both the private and public sectors cushioning the lower oil and gas-related investment activity. While private consumption is expected to moderate, the steady rise in income and employment, and the additional disposable income from the lower oil prices would support household spending.

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



**B3. Prospects (continued)**

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 effective supply chain system and proven core competencies to remain a market leader for its products. It will continue to invest in promotional activities and brand building to strengthen and expand its distribution network for its various brands of home appliances, sanitaryware products, home furniture 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 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. Construction of the new warehouse is expected to be completed and in operation by the beginning of the financial year 2016.

For the property development segment, the commercial development located in Jalan Tuanku Abdul Rahman, Kuala Lumpur (which was completed in the first quarter of financial year 2015) and the on-going residential development in Kota Tinggi, Johor will 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, both in Kuala Lumpur 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>Financial period 31 Dec 2014 RM'000</b>
Current year tax expense	4,009
Deferred tax expense	(227)
	<hr/> 3,782
Prior year tax expense	(26)
	<hr/> 3,756
	<hr/> <b>RM'000</b>
Profit before taxation	12,430
Tax at Malaysian tax rate of 25%	3,108
Other tax effects	674
	<hr/> 3,782
Tax expense	(26)
	<hr/> 3,756
	<hr/> <hr/>

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

On 16 May 2014, the Company announced that Fiamma Logistics Sdn Bhd, a wholly-owned subsidiary of Fiamma, had entered into a Sale and Purchase Agreement (“SPA”) 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 FL Acquisition”). The FL Acquisition is to cater for the relocation and centralisation of the Group’s logistics operations, with allowance for future expansion. The FL Acquisition was completed on 16 December 2014.

On 23 December 2014, the Company announced that Fiamma Properties Sdn Bhd, a wholly-owned subsidiary of Fiamma, had entered into a SPA with third parties for the proposed acquisition of land in Seksyen 92, Town and District of Kuala Lumpur for a total purchase consideration of RM48,981,300 (“the FP Acquisition”). The FP Acquisition is to cater for future expansion of the property development activities of the Group and to enhance its future earnings. Payment terms will be in the manner as provided for in the agreement. The FP Acquisition is expected to be completed in the financial year ending 30 September 2015.

## Notes to the Interim Financial Statements

### **B6. Status of Corporate Proposal (continued)**

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 2014 are as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b>Non-current</b>			
<b>Repayable after 12 months</b>			
Term loan	26,266	-	26,266
	=====	=====	=====
<b>Current</b>			
<b>Repayable within 12 months</b>			
Bank overdraft	6,893	-	6,893
Term loan	2,128	-	2,128
Revolving credit	19,900	8,000	27,900
Bills payable	-	24,963	24,963
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Sub-total	28,921	32,963	61,884
	=====	=====	=====
Total	55,187	32,963	88,150
	=====	=====	=====

### **B8. Derivatives**

There is no foreign currency forward contract as at 31 December 2014.

### **B9. Changes in Material Litigation**

There was no impending material litigation as at 19 February 2015, 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.

## Notes to the Interim Financial Statements

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

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

The calculation of basic earnings per share at 31 December 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>Financial period 31 Dec 2014 RM'000</b>
Profit for the financial period attributable to owners of the Company	7,769
	<hr/>
	<b>'000</b>
Number of ordinary shares issued at beginning of the year	144,085
Effects of shares repurchased	(7,235)
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Weighted average number of ordinary shares net of treasury shares at 1 October 2014	136,850
Effect of exercise of warrants	48
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At 31 December 2014	136,898
	<hr/>
Basic earnings per ordinary share (sen)	5.68
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#### **Diluted earnings per share**

The calculation of diluted earnings per share at 31 December 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>Financial period 31 Dec 2014 '000</b>
Weighted average number of ordinary shares (basic) at 31 December 2014	136,898
Effect of exercising of warrants	17,775
	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December 2014	154,673
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Diluted earnings per ordinary share (sen)	5.02
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## Notes to the Interim Financial Statements

### ***B12. Profit before taxation***

	<b>Financial period 31 Dec 2014 RM'000</b>
Profit before taxation is arrived at after charging:	
Interest expense	517
Depreciation and amortisation	776
Inventory written down and written off	355
Loss on foreign exchange – realised and unrealised	154
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and after crediting:	
Gain on foreign exchange – realised and unrealised	40
Interest income	981
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### ***B13. Capital Commitments***

	<b>As at 31 Dec 2014 RM'000</b>
<b>Investment properties</b>	
Contracted but not provided for	2,354
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<b>Land held for property development</b>	
Contracted but not provided for	44,083
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## Notes to the Interim Financial Statements

### ***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:-

	<b>As at 31 Dec 2014 RM'000</b>	<b>As at 30 Sept 2014 RM'000</b>
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	6,841	7,751

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:

	<b>As at 31 Dec 2014 RM'000</b>	<b>As at 30 Sept 2014 RM'000</b>
<b>Total retained earnings</b>		
- Realised	248,566	237,792
- Unrealised	16,159	16,035
	<u>264,725</u>	<u>253,827</u>
Less: Consolidation adjustments	(96,901)	(94,031)
	<u>167,824</u>	<u>159,796</u>

This announcement is dated 26 February 2015.