Fiamma Holdings Berhad (Company No: 88716-W)("Fiamma" or "the Company")
Notes to the interim financial statements for the financial quarter ended 31 March 2015.

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 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*

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.

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 period ended 31 March 2015.

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 March 2015, 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 640,000 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 March 2015.

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, bathroom accessories, home furniture, 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 period ended 31 March 2015				
External revenue	919	25,658	142,399	168,976
Inter segment revenue	3,473	9,416	7,861	20,750
Total reportable revenue	4,392	35,074	150,260	189,726
Segment profit	2,617	10,298	20,147	33,062
Segment assets	325,701	224,689	294,021	844,411
Segment assets				844,411
Other non-reportable segments				990
Elimination of inter-segment transactions or balances				(328,973)
				516,428

A8. Operating Segment Information (continued)

	Investment Holding & Property Investment RM'000	Property Development RM'000	Trading & Services RM'000	Total RM'000
Segment liabilities	(119,179)	(79,050)	(104,168)	(302,397)

Segment liabilities	(302,397)
Other non-reportable segments	(8,827)
Elimination of inter-segment transactions or balances	152,709
	(158,515)

Reconciliation of profit or loss

	31 March 2015 RM'000
Total profit or loss for reportable segments	33,062
Elimination of inter-segment profits	(4,610)
Depreciation	(1,577)
Interest expense	(1,008)
Interest income	1,976
	27,843

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 13 May 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.

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 13 May 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:

	31 March 2015 RM'000	**30 Sept 2014 RM'000**
Guarantees to financial institutions for facilities granted to subsidiaries	86,884	60,236
	======	======

B. Compliance with Bursa Malaysia Listing Requirements.

B1. Review of the Performance of the Group

	6 months ended	
	31 March 2015 RM'000	**31 March 2014 RM'000**
Revenue	168,976	159,489
Profit before taxation	27,843	30,276

The Group recorded a higher revenue of RM168.976 million for the current financial period compared to RM159.489 million achieved in the preceding financial period. This is mainly due to higher contribution from the trading and services segment.

However, the Group recorded a lower profit before taxation ("PBT") of RM27.843 million for the current financial period compared to RM30.276 million achieved in the preceding financial period. This is mainly attributable to lower contribution from the property development segment.

The Group's revenue is derived primarily from the trading and services segment which contributed 84.3% of the Group's net revenue. The segment recorded a net revenue of RM142.399 million as compared to RM122.041 million recorded in the previous financial period, representing a growth of 16.7%. Consequently, this segment recorded a higher PBT of RM19.301 million against PBT of RM15.461 million for the preceding financial period, representing an increase of 24.8%. The current financial period's PBT of this segment represented 69.3% of the Group's PBT.

The property development segment contributed 15.2% of the Group's net revenue. The segment recorded a net revenue of RM25.658 million as compared to RM36.679 million recorded in the previous financial period, representing a decrease of 30.0%. Consequently, this segment recorded a lower PBT of RM7.085 million against PBT of RM13.835 million for the preceding financial period, representing a decrease of 48.8%. The current financial period's PBT of this segment represented 25.4% 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 31 March 2015 RM'000	**Preceding quarter ended 31 Dec 2014 RM'000**
Revenue	92,090	76,886
Profit before taxation	15,413	12,430

The Group recorded a higher revenue and PBT of RM92.090 million and RM15.413 million respectively for the current quarter ended 31 March 2015 compared to RM76.886 million and RM12.430 million achieved in the preceding quarter ended 31 December 2014. The increase in revenue and PBT was attributable to higher revenue and profit contribution from the trading and services segment for the current quarter as compared to the preceding quarter.

B3. Prospects

The global economic activity expanded with divergent growth momentum across economies in the first quarter of 2015. While the US economy registered broader improvements, the economic recovery in the euro area and Japan progressed at a more gradual pace. In Asia, growth was sustained by the continued expansion in domestic demand.

The Malaysian economy registered a growth of 5.6% in the first quarter of 2015 (4Q 2014: 5.7%), underpinned mainly by the private sector demand. On the supply side, growth was supported by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.2% (4Q 2014: 1.8%).

Moving forward, global economic growth is projected to improve at a moderate pace, but with diverging growth momentum across major economies. Although lower oil prices will have varying impact on economies, overall global growth is expected to benefit from this development. Downside risks to the growth outlook continue to persist, arising from the prolonged weakness in domestic demand and low inflation in a number of major economies, concern on the growth prospects of several net commodity-exporting emerging economies and the re-emergence of geopolitical tensions, which could heighten financial market volatility.

B3. Prospects (continued)

The Malaysian economy is expected to remain on a steady growth path. Domestic demand will remain the key driver of growth amid the lower oil prices. Investment activity is projected to remain resilient, with continued capital spending by both the private and public sectors. While private consumption is expected to moderate as households adjust to the introduction of the Goods and Services Tax (GST), the steady rise in income and stable labour market conditions would support household spending. The recovery in global growth while remaining moderate, will provide support to manufactured exports, although lower commodity prices will likely weigh down on overall exports.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2015, Bank Negara Malaysia)

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.

B5. Taxation

Taxation comprises the following:

	Current quarter 31 March 2015 RM'000	Financial period 31 March 2015 RM'000
Current year tax expense	4,119	8,128
Deferred tax expense	(249)	(476)
	3,870	7,652
Prior year tax expense	1	(25)
	3,871	7,627

	RM'000	RM'000
Profit before taxation	15,413	27,843
Tax at Malaysian tax rate of 25%	3,853	6,961
Other tax effects	17	691
Tax expense	3,870	7,652
Prior year tax expense	1	(25)
Tax expense	3,871	7,627

B6. Status of Corporate Proposal

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 was completed on 30 April 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 31 March 2015 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
Repayable after 12 months			
Term loan	25,896	-	25,896
	=====	=====	=====
Current			
Repayable within 12 months			
Bank overdraft	18,695	-	18,695
Term loan	2,346	-	2,346
Revolving credit	14,200	8,000	22,200
Bills payable	-	21,947	21,947
Sub-total	35,241	29,947	65,188
	=====	=====	=====
Total	61,137	29,947	91,084
	=====	=====	=====

B8. Derivatives

There is no foreign currency forward contract as at 31 March 2015.

B9. Changes in Material Litigation

There was no impending material litigation as at 13 May 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.

B11. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2015 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 31 March 2015 RM'000	**Financial period 31 March 2015 RM'000**
Profit for the financial year attributable to owners of the Company	10,103	17,872
	'000	**'000**
Number of ordinary shares issued at beginning of the period	144,145	144,085
Effects of shares repurchased	(7,235)	(7,235)
Weighted average number of ordinary shares at 31 March 2015	136,910	136,850
Effect of exercise of warrants	149	132
At 31 March 2015	137,059	136,982
Basic earnings per share (sen)	7.37	13.05

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2015 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 31 March 2015 '000	**Financial period 31 March 2015 '000**
Weighted average number of ordinary shares (basic) at 31 March 2015	137,059	136,982
Effect of exercising of warrants	16,835	17,414
Weighted average number of ordinary shares (diluted) at 31 March 2015	153,894	154,396
Diluted earnings per share (sen)	6.56	11.58

B12. Profit before taxation

	Current quarter 31 March 2015 RM'000	**Financial period 31 March 2015 RM'000**
Profit before taxation is arrived at after charging:		
Interest expense	491	1,008
Depreciation and amortisation	801	1,577
Loss on foreign exchange – realised and unrealised	87	241
and after crediting:		
Gain on foreign exchange – realised and unrealised	37	77
Interest income	995	1,976

B13. Capital Commitments

	As at 31 March 2015 RM'000
Land held for property development	
Contracted but not provided for	44,083
Property, plant and equipment	
Contracted but not provided for	16,500

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 31 March 2015 RM'000	**As at 30 Sept 2014 RM'000**
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	9,299	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:

	As at 31 March 2015 RM'000	**As at 30 Sept 2014 RM'000**
Total retained earnings		
- Realised	261,005	237,792
- Unrealised	16,285	16,035
	277,290	253,827
Less: Consolidation adjustments	(99,622)	(94,031)
Total retained earnings	177,668	159,796

This announcement is dated 20 May 2015.