

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

**Notes to the interim financial statements for the financial quarter ended 30 September 2015.**

**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 July 2014***

- Amendments to FRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- 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)*

## Notes to the Interim Financial Statements

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

#### ***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 2012-2014 Cycle)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements 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 10, *Consolidated Financial Statements*, FRS 12, *Disclosure of Interests in Other Entities* and FRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- FRS 14, *Regulatory Deferral Accounts*
- Amendments to FRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- 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 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 2012-2014 Cycle)*

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

- FRS 9, *Financial Instruments (2014)*

## 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 2015 for those FRSs, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.
- from the annual period beginning on 1 October 2016 for those FRSs, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to FRS 5, Amendments to FRS 11, Amendments to FRS 12, FRS 14, Amendments to FRS 127 and Amendments to FRS 128, 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 2018.

Hence, the Group’s financial statements for annual period beginning on 1 October 2018 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 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 30 September 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 26 February 2015, approved the Company's plan to repurchase its own shares.

During the financial period to date, the Company bought back its issued shares from the open market as follows:

Month	No. of shares purchased	Minimum price (RM)	Maximum price (RM)	Average price (RM)	Total amount paid# (RM)
August 2015	55,000	1.50	1.52	1.51	83,606.71
September 2015	117,300	1.55	1.67	1.61	185,757.41
Total	172,300				269,364.12

# *Inclusive of commission, stamp duty and other charges.*

As at 30 September 2015, total number of shares purchased was 7,407,200, representing 5.1% of the total paid-up share capital of the Company. These shares were being held and retained as treasury shares.

There were no issuance, cancellation, resale and repayments of debt and equity securities for the current quarter ended 30 September 2015.

### **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 30 September 2015</b>				
External revenue	2,233	28,713	302,542	333,488
Inter segment revenue	27,412	9,416	16,218	53,046
Total reportable revenue	29,645	38,129	318,760	386,534
Segment profit	35,414	5,277	49,573	90,264
Segment assets	352,475	267,936	345,928	966,339
Segment assets				966,339
Other non-reportable segments				3,060
Elimination of inter-segment transactions or balances				(315,053)
				654,346

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	(79,021)	(90,368)	(131,872)	(301,261)
				=====
Segment liabilities				(301,261)
Other non-reportable segments				(7,702)
Elimination of inter-segment transactions or balances				44,300
				-----
				(264,663)
				=====
<i>Reconciliation of profit or loss</i>				
				<b>30 Sept 2015</b>
				<b>RM'000</b>
Total profit or loss for reportable segments				90,264
Elimination of inter-segment profits				(11,946)
Depreciation				(3,364)
Interest expense				(3,336)
Interest income				3,797
				-----
				75,415
				=====

**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 18 November 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***

On 12 October 2015, the Company transferred 2 ordinary shares of RM1.00 each in Beaulogy Sdn Bhd (formerly known as Sterling Skills Sdn Bhd) (“BSB”), representing the entire issued and paid-up share capital of BSB to Fiamma Trading Sdn Bhd (“FTSB”), a 70%-owned subsidiary of the Company (“the Transfer”).

FTSB had also on 12 October 2015 subscribed for an additional 79,998 ordinary shares of RM1.00 each in the issued and paid-up share capital of BSB for a cash consideration of RM79,998, representing 80% of the enlarged issued and paid-up share capital of BSB (“Subscription”).

The Transfer and Subscription shall collectively be referred to as “the Change”.

Upon completion of the Change, FHB shall have an effective equity interest of 56% in BSB.

Except for the above, there were no changes in the composition of the Group for the current quarter and the period up to 18 November 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>30 Sept 2015</b>	<b>30 Sept 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Guarantees to financial institutions for facilities granted to subsidiaries	169,681	60,236
	=====	=====

## Notes to the Interim Financial Statements

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

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

	12 months ended	
	30 Sept 2015	30 Sept 2014
	RM'000	RM'000
Revenue	333,488	338,161
Profit before taxation	75,415	63,182

The Group recorded a lower revenue of RM333.488 million for the current financial year compared to RM338.161 million achieved in the preceding financial year. This is mainly due to lower contribution from the property development segment. The Group recorded a higher profit before taxation (“PBT”) of RM75.415 million for the current financial year compared to RM63.182 million achieved in the preceding financial year. The PBT of RM75.415 million comprise RM50.577 million arising from operations and RM24.838 million from increase in fair value of investment properties.

The Group’s revenue is derived primarily from the trading and services segment which contributed 90.7% of the Group’s net revenue. The segment recorded a net revenue of RM302.542 million as compared to RM274.440 million recorded in the preceding financial year, representing a growth of 10.2%. Consequently, this segment recorded a higher PBT of RM44.770 million against PBT of RM41.436 million for the preceding financial year, representing an increase of 8.0%. The current financial year’s PBT from this segment represented 59.4% of the Group’s PBT.

The property development segment contributed 8.6% of the Group’s net revenue. The segment recorded a net revenue of RM28.713 million as compared to RM62.167 million recorded in the preceding financial year, representing a decrease of 53.8%. Consequently, this segment recorded a lower PBT of RM3.078 million against PBT of RM19.727 million for the preceding financial year, representing a decrease of 84.4%. The revenue and PBT contribution is derived mainly from the Group’s commercial development in Jalan Tuanku Abdul Rahman, Kuala Lumpur, which was completed in March 2015. The current financial year’s PBT from this segment represented 4.1% of the Group’s PBT.



## Notes to the Interim Financial Statements

### ***B1. Review of the Performance of the Group (continued)***

The investment holding and property investment segment contributed 0.7% of the Group's net revenue. The segment recorded a net revenue of RM2.233 million as compared to RM1.554 million recorded in the preceding financial year, representing an increase of 43.7%. This segment recorded a higher PBT of RM27.567 million against PBT of RM2.019 million for the preceding financial year, representing an increase of 1265.4%. Included in the PBT of RM27.567 million is an amount of RM24.838 million arising from the increase in fair value of investment properties located in Jalan Tuanku Abdul Rahman. The current financial year's PBT from this segment represented 36.5% of the Group's PBT.

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

	<b>Current quarter ended 30 Sept 2015 RM'000</b>	<b>Preceding quarter ended 30 June 2015 RM'000</b>
Revenue	86,808	77,704
Profit before taxation	35,565	12,007

The Group recorded a higher revenue and PBT of RM86.808 million and RM35.565 million respectively for the current quarter ended 30 September 2015 compared to RM77.704 million and RM12.007 million achieved in the preceding quarter ended 30 June 2015. The increase in revenue was attributable to higher revenue contribution from the trading and services segment for the current quarter as compared to the preceding quarter. The higher PBT in the current quarter was mainly attributable to an increase in fair value of investment properties of RM24.838 million recognised in the current quarter.

### ***B3. Prospects***

The global economy continued to expand at a moderate pace in the third quarter of 2015, with diverging growth momentum across economies. While the US and the UK economies registered moderate growth, economic activity in the Euro area and Japan improved at a more gradual pace. In Asia, growth was supported by the continued expansion of domestic demand amid weak export performance. Against a backdrop of moderate growth and low inflation, several major and regional central banks lowered policy rates. In addition, a number of economies in the region have also announced fiscal measures to support domestic demand activity.

The Malaysian economy recorded a growth of 4.7% in the third quarter of 2015 (2Q 2015: 4.9%), supported mainly by private sector demand. On the supply side, all economic sectors continued to expand during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.7% (2Q 2015: 1.1%).

**B3. Prospects (continued)**

The ringgit and other regional currencies continued to face volatility during the quarter due to uncertainty in global growth and monetary conditions. Overall, the ringgit depreciated by 14.8% against the US dollar during the quarter.

Going forward, global growth is expected to remain moderate. While the major advanced economies continue to improve, the pace of recovery will be modest. While downside risks to growth remain, the Malaysian economy is expected to expand within the region of 4.5 – 5.5% this year and 4 – 5% in 2016. With the external sector performance expected to be modest, domestic demand will continue to be the main driver of growth, supported mainly by the private sector activity.

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

With the above outlook and the weakening and volatility of the ringgit against most currencies, Fiamma expects the performance for the coming financial year to be challenging, especially for the trading and services segment as most of Fiamma's purchases are transacted in the US dollar.

Nevertheless, Fiamma will remain focused on its distribution business and 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. Fiamma will continue to source for new products and business opportunities that is in synergy with the Group's products and activities.

The relocation and centralisation of the existing warehouse in Bandar Manjalara to a new and larger capacity warehouse in Bukit Raja Industrial Hub, Klang (Phase 1) has been completed in October 2015. This is expected to improve operation 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 residential development in Kota Tinggi, Johor and the development of residential and commercial properties in Johor Bahru will contribute to the Group's revenue and profit for the financial years 2016 and 2017. The proposed redevelopment of the existing warehouse land in Bandar Manjalara, Kuala Lumpur into commercial properties targeted in early 2016 will contribute to the Group's revenue and profit in the coming financial years. The proposed new commercial development in Jalan Yap Kwan Seng and the proposed new mixed development in Jalan Sungai Besi, both in Kuala Lumpur are expected to contribute to the Group's future income stream once the proposed developments are launched and sold.

Notes to the Interim Financial Statements

**B4. Profit Forecast or Profit Guarantee**

Not applicable.

**B5. Taxation**

Taxation comprises the following:

	<b>3 months ended 30 Sept 2015 RM'000</b>	<b>12 months ended 30 Sept 2015 RM'000</b>
Current year tax expense	2,617	13,952
Deferred tax expense	1,369	829
	<hr/>	<hr/>
	3,986	14,781
Prior year tax expense	17	42
	<hr/>	<hr/>
	4,003	14,823
	<hr/> <hr/>	<hr/> <hr/>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	35,565	75,415
	<hr/>	<hr/>
Tax at Malaysian tax rate of 25%	8,891	18,854
Increase in fair value of investment properties	(6,210)	(6,210)
Other tax effects	1,305	2,137
	<hr/>	<hr/>
Tax expense	3,986	14,781
Prior year tax expense	17	42
	<hr/>	<hr/>
Tax expense	4,003	14,823
	<hr/> <hr/>	<hr/> <hr/>

**B6. Status of Corporate Proposal**

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 2015 are as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b>Non-current</b>			
<b><i>Repayable after 12 months</i></b>			
Term loan	81,330	-	81,330
	=====	=====	=====
<b>Current</b>			
<b><i>Repayable within 12 months</i></b>			
Bank overdraft	9,813	-	9,813
Term loan	3,028	-	3,028
Revolving credit	35,000	8,000	43,000
Bills payable	-	35,510	35,510
	-----	-----	-----
Sub-total	47,841	43,510	91,351
	=====	=====	=====
Total	129,171	43,510	172,681
	=====	=====	=====

**B8. Derivatives**

There is no foreign currency forward contract as at 30 September 2015.

**B9. Changes in Material Litigation**

There was no impending material litigation as at 18 November 2015, being the date not earlier than 7 days from the date of this announcement.

**B10. Dividend**

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

The Directors recommend a final single tier dividend of 7.5 sen per ordinary share amounting to RM10,248,017 in respect of the financial year ended 30 September 2015, 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.

## Notes to the Interim Financial Statements

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

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

The calculation of basic earnings per share at 30 September 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:

	<b>3 months ended 30 Sept 2015 RM'000</b>	<b>12 months ended 30 Sept 2015 RM'000</b>
Profit for the financial year attributable to owners of the Company	30,762	56,538
	<b>'000</b>	<b>'000</b>
Number of ordinary shares issued at beginning of the period	144,725	144,085
Effects of shares repurchased	(7,407)	(7,407)
Weighted average number of ordinary shares at 30 September 2015	137,318	136,678
Effect of exercise of warrants	-	387
At 30 September 2015	137,318	137,065
Basic earnings per share (sen)	22.40	41.25

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

The calculation of diluted earnings per share at 30 September 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:

	<b>3 months ended 30 Sept 2015 '000</b>	<b>12 months ended 30 Sept 2015 '000</b>
Weighted average number of ordinary shares (basic) as at 30 September 2015	137,318	137,065
Effect of exercising of warrants	13,240	16,773
Weighted average number of ordinary shares (diluted) as at 30 September 2015	150,558	153,838
Diluted earnings per share (sen)	20.43	36.75

Notes to the Interim Financial Statements

**B12. Profit before taxation**

	<b>3 months ended 30 Sept 2015 RM'000</b>	<b>12 months ended 30 Sept 2015 RM'000</b>
Profit before taxation is arrived at after charging:		
Depreciation and amortisation	933	3,364
Interest expense	1,221	3,336
Loss on foreign exchange – realised and unrealised	220	546
Stocks written down and written off	896	1,236
	<hr/>	<hr/>
and after crediting:		
Gain on foreign exchange – realised and unrealised	85	242
Interest income	868	3,797
	<hr/>	<hr/>

**B13. Capital Commitments**

	<b>As at 30 Sept 2015 RM'000</b>
<b>Property, plant and equipment</b>	
Contracted but not provided for	2,770
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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 30 Sept 2015 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	6,985	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 30 Sept 2015 RM'000</b>	<b>As at 30 Sept 2014 RM'000</b>
<b>Total retained earnings</b>		
- Realised	277,958	237,792
- Unrealised	15,718	16,035
	<u>293,676</u>	<u>253,827</u>
Less: Consolidation adjustments	(85,591)	(94,031)
	<u>208,085</u>	<u>159,796</u>

This announcement is dated 25 November 2015.