Fiamma Holdings Berhad (Company No: 88716-W)("Fiamma" or "the Company")
Notes to the interim financial statements for the financial quarter ended 30 June 2016.

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 Securities") 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 2015.

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

- FRS 14, *Regulatory Deferral Accounts*
- 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*, 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*
- 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)*

A1. Accounting Policies (continued)

FRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

- FRS 9, *Financial Instruments (2014)*

FRSs, amendments and interpretations effective for a date yet to be confirmed

- 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*

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

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 2015 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 ended 30 June 2016.

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 2015.

A6. Debt and Equity Securities

The owners of the Company, by a special resolution passed at the Annual General Meeting held on 23 February 2016, approved the Company's plan to repurchase its own shares.

During the current financial quarter, the Company repurchased 7,600 of its issued share capital for a total consideration of RM4,644.38 from the open market at an average price of RM0.61 including transaction cost. During the financial period-to-date, the Company repurchased 1,329,400 of its issued share capital from the open market at an average price of RM1.74 per share including transaction cost. The total consideration paid was RM2,311,467.66. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

During the current financial quarter, the Company disposed 6,393,300 of its issued share capital held as treasury shares for a total consideration of RM13,384,268.45 in the open market at an average price of RM2.09 per share. During the financial period to-date, the Company disposed 6,572,300 of its issued share capital held as treasury shares for a total consideration of RM13,823,683.85 in the open market at an average price of RM2.10 per share.

A6. Debt and Equity Securities (continued)

As at 30 June 2016, the Company held 4,321,000 of its own shares, representing 0.8% of the total paid-up share capital of the Company. These shares were being held and retained as treasury shares.

During the current financial period, 32,627,897 warrants were exercised by the registered warrantholders to subscribe for 32,627,897 new ordinary shares of RM1.00 each at a price of RM1.00 per ordinary share.

Subsequent to the implementation of share split and bonus issue which was completed on 18 April 2016, 607,713 warrants remained unexercised as at the end of the current financial period.

There were no other issuance, cancellation, resale and repayments of debt and equity securities for the current financial quarter and financial period ended 30 June 2016.

A7. Dividend Paid

During the current quarter, the Company paid a final single-tier dividend of 7.5 sen per ordinary share in respect of the financial year ended 30 September 2015 on 8 April 2016.

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 30 June 2016				
External revenue	3,755	6,600	200,165	210,520
Inter segment revenue	25,188	-	10,787	35,975
Total reportable revenue	28,943	6,600	210,952	246,495
Segment profit/(loss)	24,727	(2,535)	24,902	47,094
Segment assets	384,553	290,798	342,638	1,017,989
Segment assets				1,017,989
Other non-reportable segments				3,798
Elimination of inter-segment transactions or balances				(344,573)
				677,214

A8. Operating Segment Information (continued)

	Investment Holding & Property Investment RM'000	Property Development RM'000	Trading & Services RM'000	Total RM'000
Segment liabilities	(56,282)	(89,611)	(137,865)	(283,758)

Segment liabilities	(283,758)
Other non-reportable segments	(5,476)
Elimination of inter-segment transactions or balances	45,920
	(243,314)

Reconciliation of profit or loss

	30 June 2016 RM'000
Total profit or loss for reportable segments	47,094
Elimination of inter-segment profits	(22,281)
Depreciation	(3,147)
Interest expense	(4,072)
Interest income	2,013
	19,607

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 August 2016, being the date not earlier than 7 days from the date of this announcement that will affect the financial results of the financial quarter under review.

A11. Changes in Composition of the Group

On 19 July 2016, Fiamma Trading Sdn Bhd ("FTSB") which holds 80% of the equity interest of Beaulogy Sdn Bhd ("BSB") acquired 20,000 ordinary shares of RM1.00 each, representing the remaining 20% of the issued and paid-up share capital of BSB for a cash consideration of RM1.00.

Subsequent to the above, the effective interest of the Company in BSB increased from 56% to 70%.

Except for the above, there were no changes in the composition of the Group for the current quarter, 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:

	As at 30 June 2016 RM'000	**As at 30 Sept 2015 RM'000**
Guarantees to financial institutions for facilities granted to subsidiaries	171,206	169,681
	======	======

B. Compliance with Bursa Securities Listing Requirements.

B1. Review of the Performance of the Group

	9 months ended	
	30 June 2016 RM'000	**30 June 2015 RM'000**
Revenue	210,520	246,680
Profit before taxation	19,607	39,850

The Group recorded a lower revenue of RM210.520 million for the current financial period compared to RM246.680 million achieved in the preceding year corresponding financial period. This is mainly due to lower contribution from the trading and services and the property development segments. Consequently, the Group recorded a lower profit before taxation ("PBT") of RM19.607 million for the current financial period compared to RM39.850 million achieved in the preceding year corresponding financial period.

The Group's revenue is derived primarily from the trading and services segment which contributed 95.1% of the Group's net revenue during the current financial period. The segment recorded a net revenue of RM200.165 million as compared to RM218.498 million recorded in the preceding year corresponding financial period, representing a decrease of 8.4%. Consequently, this segment recorded a lower PBT of RM21.745 million against PBT of RM31.174 million for the preceding year corresponding financial period, representing a decrease of 30.2%.

The property development segment contributed 3.1% of the Group's net revenue during the current financial period. The segment recorded a net revenue of RM6.6 million as compared to RM26.766 million recorded in the preceding year corresponding financial period, representing a decrease of 75.3%. Consequently, this segment recorded a loss before taxation of RM2.369 million in the current financial period against PBT of RM6.383 million for the preceding year corresponding financial period. There were no new launches of property for the current financial period. The revenue and PBT contribution in the preceding year corresponding financial period is derived mainly from the Group's commercial development in Jalan Tuanku Abdul Rahman, Kuala Lumpur, which was completed in 1 2015.

The investment holding and property investment segment contributed 1.8% of the Group's net revenue during the current financial period. The segment recorded a net revenue of RM3.755 million as compared to RM1.416 million recorded in the preceding year corresponding financial period, representing an increase of 165.2%. The revenue is derived mainly from letting of investment properties at Wisma Fiamma in Bandar Manjalara and Menara Centara in Jalan Tuanku Abdul Rahman, both in Kuala Lumpur. This segment recorded a lower PBT of RM0.231 million against PBT of RM2.293 million for the preceding year corresponding financial period, representing a decrease of 89.9%, mainly attributable to higher operating expenses incurred.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 30 June 2016 RM'000	**Preceding quarter ended 31 March 2016 RM'000**
Revenue	79,483	68,316
Profit before taxation	8,854	6,083

The Group recorded a higher revenue and PBT of RM79.483 million and RM8.854 million respectively for the current quarter ended 30 June 2016 compared to RM68.316 million and RM6.083 million achieved in the preceding quarter ended 31 March 2016.

The increase in revenue and profit from operations was mainly attributable to higher revenue contribution from the trading and services segment for the current quarter as compared to the preceding quarter.

B3. Prospects

In the second quarter of 2016, the global economy expanded at a more moderate pace, with uneven growth momentum across economies. Growth remained modest in the advanced economies amid continued cyclical and structural weaknesses. In Asia, economic expansion was supported by domestic demand, but was weighted down by persistent weakness in export performance. While initial impact from the result of the UK's EU referendum created uncertainty and heighted risk aversion, financial market volatility has since subsided. Amid continued growth concerns and low inflation, several major and regional central banks conducted further easing to support economic activity.

The Malaysia economy registered a growth of 4.0% in the second quarter of 2016 (1Q 2016: 4.2%). Despite the stronger expansion in domestic demand, growth was weighted down by the continued decline in net exports and a significant drawdown in stocks. On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 0.7% (1Q 2016: 1.0%).

Going forward, global economic activity is expected to remain subdued despite unprecedented easing of monetary conditions in major and regional economies. The pace of expansion in the advanced economies is expected to remain modest, while in Asia, domestic demand will continue to underpin growth. Further bouts of financial market volatility resulting from rising concerns on the US presidential elections and increased risks of political contagion following the UK's EU referendum could materially affect the markets through international capital flows. Overall global economic conditions have become increasingly challenging, with higher downside risks.

B3. Prospects (continued)

Growth of the Malaysian economy is expected to be 4 – 4.5%. Domestic demand will continue to be the main driver of growth, supported primarily by private sector spending. Private consumption is projected to expand further, underpinned by continued growth in wages and employment, as well as additional disposable income from Government measures. While the growth in private investment has moderated due to lower capital expenditures in the oil and gas growth, overall investment will remain supported by the implementation of infrastructure development projects and capital spending in the manufacturing and services sectors. Exports are projected to remain weak given the subdued global demand. Overall, while domestic conditions remain resilient, uncertainties in the external environment may pose downside risks to Malaysia's growth prospects.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2016, Bank Negara Malaysia)

With the above outlook, Fiamma expects the performance for the fourth quarter and the coming financial year to remain challenging, especially for the trading and services segment as most of Fiamma's purchases are transacted in the US dollar and the Chinese Renminbi, which exposes Fiamma to foreign currency risks.

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 brand building and promotional activities 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 under Phase 1 and Phase 2 have been completed in October 2015 and June 2016 respectively. This will improve the operation and cost efficiency of the Group as all the Group's logistic operations are now under one roof. The new integrated logistics warehouse will also generate a recurring income stream for the Group from the provision of storage space and logistic services to third party customers, as well as cater for future expansion of the Group. Phase 3 of the warehouse when initiated and completed is expected to provide further additional capacity and storage space.

B3. Prospects (continued)

For the property development segment, the on-going development of double-storey terrace houses (KT6 at Taman Kota Jaya 2) in Kota Tinggi, Johor and the development of service apartments and retail space (Vida Heights) 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 Menjalara, Kuala Lumpur into service apartments (East Parc @ Menjalara) has commenced construction in July 2016 and this project 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.

B4. Profit Forecast or Profit Guarantee

Not applicable.

B5. Taxation

Taxation comprises the following:

	3 months ended 30 June 2016 RM’000	**9 months ended 30 June 2016 RM’000**
Current year tax expense	2,800	6,715
Deferred tax expense	(126)	(821)
	2,674	5,894
Prior year tax expense	34	38
	2,708	5,932

	RM’000	**RM’000**
Profit before taxation	8,854	19,607
Tax at Malaysian tax rate of 24%	2,125	4,706
Other tax effects	549	1,188
Tax expense	2,674	5,894
Prior year tax expense	34	38
Tax expense	2,708	5,932

B6. Status of Corporate Proposal

Except for the implementation of share split, bonus issue and employee share option scheme that were completed on 18 April 2016 and 12 May 2016 respectively, 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 June 2016 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
Repayable after 12 months			
Term loan	105,166	-	105,166
	======	=====	======
Current			
Repayable within 12 months			
Bank overdraft	980	-	980
Term loan	12,112	-	12,112
Revolving credit	5,000	-	5,000
Bills payable	-	47,948	47,948
Sub-total	18,902	47,948	66,040
	======	=====	======
Total	123,258	47,948	171,206
	======	=====	======

B8. Derivatives

The details of the Group's foreign currency forward contracts as at 30 June 2016 are as follows:

	Notional amount RM'000	Fair value RM'000	Difference RM'000
Foreign currency forward contracts			
USD (Less than 3 months)	2,051	2,033	(18)
RMB (Less than 3 months)	3,540	3,527	(13)
	5,591	5,560	(31)

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 RM31,000 has been recognised in the financial statements.

B9. Changes in Material Litigation

There was no impending material litigation as at 18 August 2016, 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.

B11. Earnings per share

Basic earnings per share

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

	3 months ended 30 June 2016 RM'000	**9 months ended 30 June 2016 RM'000**
Profit for the financial year attributable to owners of the Company	5,961	12,276
	'000	**'000**
Number of ordinary shares issued at beginning of the period	144,725	144,725
Share split	177,353	177,353
Bonus issue	175,197	175,197
Effects of shares repurchased	(4,321)	(4,321)
Weighted average number of ordinary shares at 30 June 2016	492,954	492,954
Effect of exercise of warrants	-	14,615
At 30 June 2016	492,954	507,569
Basic earnings per share (sen)	1.21	2.42

Diluted earnings per share

The calculation of diluted earnings per share 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:

	'000	**'000**
Weighted average number of ordinary shares (basic) as at 30 June 2016	492,954	507,569
Effect of exercising of warrants	299	411
Weighted average number of ordinary shares (diluted) as at 30 June 2016	493,253	507,980
Diluted earnings per share (sen)	1.21	2.42

B12. Profit before taxation

	3 months ended 30 June 2016 RM'000	9 months ended 30 June 2016 RM'000
Profit before taxation is arrived at after charging:		
Depreciation and amortisation	1,069	3,147
Interest expense	1,356	4,072
Loss on foreign exchange – realised and unrealised	537	630
Stocks written down and written off	982	1,367
Unrealised loss on derivative financial liabilities	-	31
and after crediting:		
Gain on foreign exchange – realised and unrealised	176	619
Interest income	-	2,013
Unrealised gain on derivative financial assets	1,448	-

B13. Capital Commitments

	As at 30 June 2016 RM'000	As at 30 Sept 2015 RM'000
Property, plant and equipment		
Contracted but not provided for	2,503	2,770

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 June 2016 RM'000	As at 30 Sept 2015 RM'000
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	6,340	6,985

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 June 2016 RM'000	**As at 30 Sept 2015 RM'000**
Total retained earnings		
- Realised	174,358	253,207
- Unrealised	41,304	40,469
	215,662	293,676
Less: Consolidation adjustments	(88,193)	(85,591)
Total retained earnings	127,469	208,085

This announcement is dated 25 August 2016.