

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

**Notes to the interim financial statements for the financial quarter ended 31 December 2016.**

**A. Compliance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting**

**AI. Accounting Policies**

The unaudited 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 2016.

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 2017***

- Amendments to FRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- 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)*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 4, *Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
- Amendments to FRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 140, *Investment Property – Transfers of Investment Property*

## Notes to the Interim Financial Statements

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

#### ***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 2017, except for Amendments to FRS 4, Amendments to FRS 12, FRS 128 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”).

### **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 2016 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.

### **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 31 December 2016.

## Notes to the Interim Financial Statements

### **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 2016.

### **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 2,340,000 of its issued share capital for a total consideration of RM1,303,234 from the open market at an average price of RM0.56 including transaction cost. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The repurchase transactions were financed by internally generated funds.

As at 31 December 2016, the Company held 11,140,000 of its own shares, representing 2.10% of the total paid-up share capital of the Company. These shares were being held and retained as treasury shares. 607,713 warrants remained unexercised as at the end of the current financial quarter.

There were no other issuance, cancellation, resale and repayments of debt and equity securities for the current financial quarter ended 31 December 2016.

### **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 2016</b>				
External revenue	1,293	5,242	62,734	69,269
Inter segment revenue	9,368	-	5,358	14,726
Total reportable revenue	10,661	5,242	68,092	83,995
Segment profit	9,405	9	7,600	17,014
Segment assets	391,392	328,697	321,774	1,041,863
Segment assets				1,041,863
Other non-reportable segments				4,304
Elimination of inter-segment transactions or balances				(349,329)
				696,838

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	(59,139)	(116,366)	(98,416)	(273,921)
				=====
Segment liabilities				(273,921)
Other non-reportable segments				(6,991)
Elimination of inter-segment transactions or balances				37,292
				-----
				(243,620)
				=====
<i>Reconciliation of profit or loss</i>				
				<b>31 Dec 2016</b>
				<b>RM'000</b>
Total profit or loss for reportable segments				17,014
Elimination of inter-segment profits				(9,160)
Depreciation				(1,296)
Interest expense				(951)
Interest income				491
				-----
				6,098
				=====

**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 other material events as at 15 February 2017, 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.

## 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, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

### ***A12. Contingent Liabilities***

Contingent liabilities of the Company are as follows:

	<b>As at 31 Dec 2016 RM'000</b>	<b>As at 30 Sept 2016 RM'000</b>
Guarantees to financial institutions for facilities granted to subsidiaries	158,758 =====	167,958 =====

## Notes to the Interim Financial Statements

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

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

	3 months ended	
	31 Dec 2016	31 Dec 2015
	RM'000	RM'000
Revenue	69,269	62,721
Profit before taxation	6,098	4,670

The Group recorded a higher revenue of RM69.269 million for the current financial period compared to RM62.721 million achieved in the previous financial period. This is mainly due to higher contribution from the trading and services and the property development segments. Consequently, the Group recorded a higher profit before taxation (“PBT”) of RM6.098 million for the current financial period compared to RM4.670 million achieved in the preceding financial year corresponding period.

The Group’s revenue is derived primarily from the trading and services segment which contributed 90.6% of the Group’s net revenue during the current financial period. The segment recorded a net revenue of RM62.734 million as compared to RM57.777 million recorded in the preceding financial year corresponding period, representing an increase of 8.6%. Consequently, this segment recorded a higher PBT of RM5.857 million against PBT of RM4.634 million for the preceding financial year corresponding period, representing an increase of 26.4%.

The property development segment contributed 7.6% of the Group’s net revenue during the current financial period. The segment recorded a net revenue of RM5.242 million as compared to RM3.699 million recorded in the preceding financial year corresponding period, representing an increase of 41.7%. This segment recorded a PBT of RM0.022 million in the current financial period against a loss before taxation of RM0.880 million for the preceding financial year corresponding period.

The investment holding and property investment segment contributed 1.9% of the Group’s net revenue during the current financial period. The segment recorded a net revenue of RM1.293 million as compared to RM1.245 million recorded in the preceding financial year corresponding period. 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 RM0.219 million against PBT of RM0.916 million for the preceding financial year corresponding period. The lower PBT was attributable to higher finance costs incurred during the current financial period.

## Notes to the Interim Financial Statements

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

	<b>3 months ended</b>	
	<b>31 Dec 2016</b>	<b>30 Sept 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	69,269	73,293
Profit before taxation	6,098	14,527

The Group recorded a lower revenue of RM69.269 million for the current quarter ended 31 December 2016 compared to RM73.293 million in the previous quarter ended 30 September 2016. Consequently, the Group recorded a lower PBT of RM6.098 million compared to RM14.527 million recorded in the previous quarter ended 30 September 2016. The higher PBT in the previous quarter was mainly attributable to an increase in fair value of investment properties of RM4.428 million recognised and lower operating expenses incurred.



### **B3. Prospects**

Global economic activity continued to expand in the fourth quarter of 2016. The advanced economies experienced divergent growth trends, in part, driven by differences in the strength of private consumption amid cyclical and structural weaknesses. The Malaysian economy grew by 4.5% in the fourth quarter of 2016 (3Q2016: 4.3%), underpinned by continued expansion in private sector expenditures. On the supply side, growth continues to be driven by the manufacturing and services sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a sustained growth of 1.4% (3Q2016: 1.4%).

While the external environment may continue to remain challenging, the Malaysian economy will experience sustained growth with the primary driver being domestic demand. Private consumption is anticipated to remain supported by wage and employment growth, with additional impetus coming from announced Government measures to support disposable income of households. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors.

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

With the above outlook, Fiamma expects the performance for the coming financial year to remain challenging. 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 in Malaysia 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 are in synergy with the Group's products and activities.

The new and larger capacity warehouse in Bukit Raja Industrial Hub, Klang will further improve the operation and cost efficiency of the Group for the coming financial year as all the Group's logistic operations are now under one roof. The new integrated logistics warehouse will also be able to 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.

## Notes to the Interim Financial Statements

### **B3. Prospects (continued)**

For the property development segment, the on-going development of double-storey terrace houses at Taman Kota Jaya 2 in Kota Tinggi, Johor, the development of service apartments and retail space (Vida Heights) in Johor Bahru and the redevelopment of the existing warehouse land in Bandar Menjalara, Kuala Lumpur into service apartments (East Parc @ Menjalara) which has commenced construction in July 2016 will contribute to the Group's revenue and profit in the coming financial years commencing from financial year 2017. 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:

	<b>3 months ended 31 Dec 2016 RM'000</b>
Current year tax expense	2,055
Deferred tax expense	(52)
	<hr/> 2,003
Prior year tax expense	-
	<hr/> 2,003
	<hr/> <hr/> <b>RM'000</b>
Profit before taxation	6,098
Tax at Malaysian tax rate of 24%	1,464
Other tax effects	539
	<hr/> 2,003
Prior year tax expense	-
	<hr/> 2,003
Tax expense	<hr/> <hr/> 2,003

## Notes to the Interim Financial Statements

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

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 2016 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	98,691	-	98,691
	=====	=====	=====
<b>Current</b>			
<b>Repayable within 12 months</b>			
Term loan	23,098	-	23,098
Revolving credit	8,000	13,000	21,000
Bills payable	-	15,969	15,969
Sub-total	31,098	28,969	60,067
	=====	=====	=====
Total	129,789	28,969	158,758
	=====	=====	=====

### **B8. Derivatives**

There is no foreign currency forward contract as at 31 December 2016.

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

There was no impending material litigation as at 15 February 2017, 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.

## Notes to the Interim Financial Statements

### **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:

	<b>3 months ended 31 Dec 2016 RM'000</b>
Profit for the financial year attributable to owners of the Company	3,600
	<hr/> <hr/>
	<b>'000</b>
Weighted average number of ordinary shares net of treasury shares at 31 December 2016	518,763
	<hr/> <hr/>
Basic earnings per share (sen)	0.69
	<hr/> <hr/>

#### **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:

	<b>'000</b>
Weighted average number of ordinary shares (basic) as at 31 December 2016	518,763
Effect of exercising of warrants	246
Effect of share options	28,590
	<hr/>
Weighted average number of ordinary shares (diluted) as at 31 December 2016	547,599
	<hr/> <hr/>
Diluted earnings per share (sen)	0.66
	<hr/> <hr/>

Notes to the Interim Financial Statements

**B12. Profit before taxation**

	<b>3 months ended 31 Dec 2016 RM'000</b>
Profit before taxation is arrived at after charging:	
Depreciation and amortisation	1,296
Interest expense	951
Loss on foreign exchange – realised and unrealised	64
Stocks written down and written off	180
	<hr/> <hr/>
and after crediting:	
Gain on foreign exchange – realised and unrealised	55
Interest income	491
	<hr/> <hr/>

**B13. Capital Commitments**

	<b>As at 31 Dec 2016 RM'000</b>	<b>As at 30 Sept 2016 RM'000</b>
<b>Property, plant and equipment</b>		
Contracted but not provided for	173	171
	<hr/> <hr/>	<hr/> <hr/>

**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 2016 RM'000</b>	<b>As at 30 Sept 2016 RM'000</b>
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	5,592	4,550
	<hr/> <hr/>	<hr/> <hr/>

The above financial assistance does not have a material financial impact on the Group.

## Notes to the Interim Financial Statements

### **B15. Retained earnings**

The breakdown of the retained earnings of the Group into realised and unrealised is as follows:

	<b>As at 31 Dec 2016 RM'000</b>	<b>As at 30 Sept 2016 RM'000</b>
<b>Total retained earnings</b>		
- Realised	187,272	182,396
- Unrealised	46,419	46,431
	<hr/>	<hr/>
	233,691	228,827
Less: Consolidation adjustments	(91,681)	(90,417)
	<hr/>	<hr/>
Total retained earnings	142,010	138,410
	<hr/> <hr/>	<hr/> <hr/>

This announcement is dated 22 February 2017.