

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

**Notes to the interim financial statements for the financial quarter ended 31 March 2017.**

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

**A1. 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*

**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 2017 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.

## 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 ended 31 March 2017.

### **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 22 February 2017, approved the Company's plan to repurchase its own shares.

During the current financial quarter, the Company repurchased 3,378,000 of its issued share capital from the open market, at an average price of RM0.58 per share including transaction cost. The total consideration paid was RM1,967,060. During the current financial period to-date, the Company repurchased 5,718,000 of its issued share capital from the open market at an average price of RM0.57 per share including transaction cost. The total consideration paid was RM3,270,294. 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 March 2017, the Company held 14,518,000 of its own shares, representing 2.74% 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 March 2017.

### **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:

	Investment Holding & Property Investment RM'000	Property Development RM'000	Trading & Services RM'000	Total RM'000
<b>For the financial period ended 31 March 2017</b>				
External revenue	2,601	15,663	123,583	141,847
Inter segment revenue	10,424	-	10,116	20,540
Total reportable revenue	13,025	15,663	133,699	162,387
Segment profit	10,440	1,181	15,007	26,628
Segment assets	395,768	328,489	318,953	1,043,210
Segment assets				1,043,210
Other non-reportable segments				4,316
Elimination of inter-segment transactions or balances				(359,860)
				687,666

Notes to the Interim Financial Statements

**A8. Operating Segment Information (continued)**

	Investment Holding & Property Investment RM'000	Property Development RM'000	Trading & Services RM'000	Total RM'000
Segment liabilities	(64,235)	(110,413)	(90,969)	(265,617)
Segment liabilities				(265,617)
Other non-reportable segments				(7,073)
Elimination of inter-segment transactions or balances				41,850
				(230,840)
<i>Reconciliation of profit or loss</i>				
				<b>31 March 2017</b>
				<b>RM'000</b>
Total profit or loss for reportable segments				26,628
Elimination of inter-segment profits				(9,659)
Depreciation				(2,617)
Interest expense				(1,870)
Interest income				941
				13,423

**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 17 May 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 March 2017 RM'000</b>	<b>As at 30 Sept 2016 RM'000</b>
Guarantees to financial institutions for facilities granted to subsidiaries	166,722	167,958

## Notes to the Interim Financial Statements

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

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

	6 months ended	
	31 March 2017	31 March 2016
	RM'000	RM'000
Revenue	141,847	131,037
Profit before taxation	13,423	10,753

The Group recorded a higher revenue of RM141.847 million for the current financial period compared to RM131.037 million achieved in the preceding financial year corresponding period. This is mainly due to higher contribution from the property development segment. Consequently, the Group recorded a higher profit before taxation ("PBT") of RM13.423 million for the current financial period compared to RM10.753 million achieved in the preceding financial year corresponding period.

The Group's revenue is derived primarily from the trading and services segment which contributed 87.1% of the Group's net revenue during the current financial period. The segment recorded a slightly higher net revenue of RM123.583 million as compared to RM122.967 million recorded in the preceding financial year corresponding period. PBT increased marginally to RM 11.794 million during the current financial period from RM11.111 million recorded in the preceding financial year corresponding period.

The property development segment contributed 11.1% of the Group's net revenue during the current financial period. The segment recorded a net revenue of RM15.663 million as compared to RM5.574 million recorded in the preceding financial year corresponding period, representing an increase of 181%. Consequently this segment recovered from a loss before tax of RM1.901 million in the preceding financial year corresponding period and recorded a PBT of RM1.196 million in the current financial period. This was mainly attributable to higher revenue contribution from the Group's ongoing developments in Johor and the launching of East Parc @ Menjalara project in Kuala Lumpur in the second quarter of financial year 2017.

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 RM2.601 million as compared to RM2.496 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 lower PBT of RM0.433 million against PBT of RM1.543 million for the preceding financial year corresponding period due to lower interest income for the current financial period.

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

	3 months ended	
	31 March 2017	31 Dec 2016
	RM'000	RM'000
Revenue	72,578	69,269
Profit before taxation	7,325	6,098

The Group recorded a higher revenue of RM72.578 million for the current quarter ended 31 March 2017 compared to RM69.269 million recorded in the previous quarter ended 31 December 2016. Consequently, the Group recorded a higher PBT of RM7.325 million compared to RM6.098 million recorded in the previous quarter ended 31 December 2016. The higher revenue and PBT in the current quarter was mainly attributable to higher revenue and PBT contribution from the property development segment.



**B3. Prospects**

The Malaysian economy recorded a higher growth of 5.6% in the first quarter of 2017 (4Q 2016: 4.5%). Private sector activity was higher and remained as the main driver of growth. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.8% (4Q 2016: 1.3%). Domestic demand growth increased to 7.7% in the first quarter of the year (4Q 2016: 3.2%), supported by continued expansion in private sector expenditure (8.2%; 4Q 2016: 5.9%) and the turnaround in public sector expenditure. Private consumption grew by 6.6% (4Q 2016: 6.1%). Household spending remained supported by continued expansion in employment and wage growth.

Looking ahead, leading indicators such as the Department of Statistics Malaysia's composite leading index, Malaysian Institute of Economic Research ("MIER") Business Conditions Index and MIER Consumer Sentiments Index, point to continued expansion of the domestic economy. Private consumption will be sustained by continued wage and employment growth, with additional lift coming from various policy measures to raise disposable income. Overall, the economy remains on track to expand as projected in 2017.

*(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2017, Bank Negara Malaysia)*

With the above positive outlook, Fiamma will remain focused on expanding its existing core businesses.

For the trading and services segment, Fiamma 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 brand building and promotional activities to strengthen and expand its distribution network in Malaysia for its various brands of home appliances, sanitaryware, medical devices and healthcare products and 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 current 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.

**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 development of service apartments (East Parc @ Menjalara) in Bandar Menjalara, Kuala Lumpur which was launched in February 2017 will contribute to the Group's revenue and profit in financial year 2017 and 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:

	<b>6 months ended 31 March 2017 RM'000</b>
Current year tax expense	3,821
Deferred tax expense	404
	<hr/> 4,225
Prior year tax expense	(4)
	<hr/> 4,221
	<hr/> <hr/>
	<b>RM'000</b>
Profit before taxation	13,423
	<hr/>
Tax at Malaysian tax rate of 24%	3,222
Non-deductible expenses and other tax effects	1,003
	<hr/> 4,225
Tax expense	(4)
Prior year tax expense	<hr/> 4,221
Tax expense	<hr/> <hr/> 4,221

**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 March 2017 are as follows:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>			
<i>Repayable after 12 months</i>			
Term loan	95,567	-	95,567
	=====	=====	=====
<b>Current</b>			
<i>Repayable within 12 months</i>			
Term loan	28,994	-	28,994
Revolving credit	8,000	13,000	21,000
Bills payable	-	20,968	20,968
Bank overdraft	193	-	193
Sub-total	37,187	33,968	71,155
	=====	=====	=====
Total	132,754	33,968	166,722
	=====	=====	=====

**B8. Derivatives**

There is no foreign currency forward contract as at 31 March 2017.

**B9. Changes in Material Litigation**

There was no impending material litigation as at 17 May 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.

**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 March 2017 RM'000</b>	<b>6 months ended 31 March 2017 RM'000</b>
Profit for the financial year attributable to owners of the Company	4,394	7,994
	<u>          </u>	<u>          </u>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares net of treasury shares at 31 March 2017	515,433	515,408
	<u>          </u>	<u>          </u>
Basic earnings per share (sen)	0.85	1.55
	<u>          </u>	<u>          </u>

**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>	<b>'000</b>
Weighted average number of ordinary shares (basic) as at 31 March 2017	515,433	515,408
Effect of exercising of warrants	84	85
Effect of share options	28,470	28,470
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares (diluted) as at 31 March 2017	543,987	543,963
	<u>          </u>	<u>          </u>
Diluted earnings per share (sen)	0.81	1.47
	<u>          </u>	<u>          </u>

Notes to the Interim Financial Statements

**B12. Profit before taxation**

	<b>6 months ended 31 March 2017 RM'000</b>
Profit before taxation is arrived at after charging:	
Depreciation and amortisation	2,617
Interest expense	1,870
Loss on foreign exchange -- realised and unrealised	138
Stocks written down and written off	361
and after crediting:	<u>          </u>
Gain on foreign exchange -- realised and unrealised	108
Interest income	941
	<u>          </u>

**B13. Capital Commitments**

	<b>As at 31 March 2017 RM'000</b>	<b>As at 30 Sept 2016 RM'000</b>
<b>Property, plant and equipment</b>		
Contracted but not provided for	-	171
	<u>          </u>	<u>          </u>

**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 March 2017 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	5,661	4,550
	<u>          </u>	<u>          </u>

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 March 2017 RM'000</b>	<b>As at 30 Sept 2016 RM'000</b>
<b>Total retained earnings</b>		
- Realised	193,894	182,396
- Unrealised	46,266	46,431
	<hr/>	<hr/>
	240,160	228,827
Less: Consolidation adjustments	(93,756)	(90,417)
	<hr/>	<hr/>
Total retained earnings	146,404	138,410
	<hr/> <hr/>	<hr/> <hr/>

This announcement is dated 24 May 2017.