**Fiamma Holdings Berhad (Company No: 88716-W) ("Fiamma" or "the Company")
Notes to the interim financial statements for the financial quarter ended 31 December 2018.**

A. Compliance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting

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 MFRS 134, *Interim Financial Reporting.* The interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group as at and for the financial year ended 30 September 2018.

A1. First Time Adoption of MFRS Framework

The Group prepared its financial statements in accordance with Financial Reporting Standards ("FRSs") up to financial year ended 30 September 2018.

These are the Group's unaudited interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The comparative information in these interim financial statements have been restated to give effect to the transition to MFRSs and they are provided in Note A2.

A2. Accounting Policies

Except as described below, the accounting policies applied by the Group in these unaudited interim financial statements are the same as those applied by the Group in its annual financial statements as at and for the year ended 30 September 2018.

<u>MFRS 9 Financial Instruments</u>
MFRS 9 introduces an "expected credit loss" model on impairment. The expected credit loss model (ECL) requires impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss model only requires recognition of credit losses incurred as at the reporting date.

<u>MFRS 15 Revenue from Contracts with Customers</u>
The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. MFRS 15 established a five-step model to account for revenue arising from contracts with customers and it requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. MFRS 15 also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted MFRS 15 using the modified retrospective method, i.e. apply MFRS 15 to only contracts that have not been completed at the date of initial application.

A2. Accounting Policies (continued)

The following are accounting standards, interpretations and amendments of the MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty Over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

A2. Accounting Policies (continued)

The Group plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2019 for those accounting standard, interpretation and amendments that are effective for annual periods beginning on or after 1 January 2019; and

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

The Group is currently assessing the financial impact that may arise from the adoption of the abovementioned accounting standards, interpretations and amendments.

A2. Accounting Policies (continued)

Condensed Consolidated Statement of Comprehensive Income
For the 3 months ended 31 December 2017

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Revenue	73,411	599	74,010
Cost of sales	(48,762)	(518)	(49,280)
Gross profit	24,649	81	24,730
Operating expenses	(13,299)	69	(13,230)
Other operating income	819	-	819
Profit from operations	12,169	150	12,319
Finance costs	(1,493)	(227)	(1,720)
Depreciation and amortisation	(1,236)	-	(1,236)
Profit before taxation	9,440	(77)	9,363
Taxation	(2,176)	77	(2,099)
Profit for the period	7,264	-	7,264
Other comprehensive income			
Foreign exchange translation difference	(433)	-	(433)
Total comprehensive income	6,831	-	6,831
Profit for the period attributable to:			
Owners of the Company	6,525	25	6,550
Non-controlling Interest	739	(25)	714
Profit for the period	7,264	-	7,264
Total comprehensive income for the period attributable to:			
Owners of the Company	6,200	25	6,225
Non-controlling Interest	631	(25)	606
Total comprehensive income	6,831	-	6,831
Basic earnings per share (sen)	1.28		1.29
Diluted earnings per share (sen)	1.22		1.23

A2. Accounting Policies (continued)

Condensed Consolidated Statement of Financial Position
As at 30 September 2018

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	100,641	-	100,641
Investment properties	76,419	-	76,419
Inventories - land held for property development	27,815	123,680	151,495
Deferred tax assets	2,591	2,527	5,118
	207,466	126,207	333,673
Current assets			
Property development costs	221,093	(221,093)	-
Inventories	147,822	82,723	230,545
Contract assets	-	2,661	2,661
Contract costs	-	10,693	10,693
Trade and other receivables	102,246	-	102,246
Prepayments	980	-	980
Tax recoverable	2,849	-	2,849
Cash and cash equivalents	102,645	-	102,645
	577,635	(125,016)	452,619
TOTAL ASSETS	**785,101**	**1,191**	**786,292**
EQUITY			
Share capital	265,028	-	265,028
Treasury shares	(13,620)	-	(13,620)
Reserves and retained earnings	216,545	(2,204)	214,341
Total equity attributable to owners of the Company	467,953	(2,204)	465,749
Non-controlling interest	22,847	(80)	22,767
TOTAL EQUITY	**490,800**	**(2,284)**	**488,516**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	62,101	-	62,101
Other payables	7,536	-	7,536
Deferred tax liabilities	5,802	-	5,802
	75,439	-	75,439
Current liabilities			
Loans and borrowings	118,506	-	118,506
Trade and other payables	97,183	(2,684)	94,499
Contract liabilities	-	6,159	6,159
Provision for warranties	570	-	570
Taxation	2,603	-	2,603
	218,862	3,475	222,337
TOTAL LIABILITIES	**294,301**	**3,475**	**297,776**
TOTAL EQUITY AND LIABILITIES	**785,101**	**1,191**	**786,292**
Net assets per share (RM)	**0.93**		**0.92**

A2. Accounting Policies (continued)

Condensed Consolidated Statement of Cash Flows
For the 3 months ended 31 December 2017

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Cash flows from operating activities			
Profit before taxation	9,440	(77)	9,363
Adjustments	3,025	227	3,252
Operating profit before changes in working capital	12,465	150	12,615
Changes in working capital:			
Inventories	2,875	(326)	2,549
Prepayments	(226)	-	(226)
Contract assets	-	6,736	6,736
Contract costs	-	(467)	(467)
Property development costs	(11,253)	11,253	-
Trade and other receivables	5,507	(7,343)	(1,836)
Trade and other payables	8,154	-	8,154
Cash and bank balance held under Housing Development Account	584	-	584
Cash generated from operations	18,106	10,003	28,109
Provision for warranties utilised	(213)	-	(213)
Tax paid net of refund	(1,720)	-	(1,720)
Net cash generated from operating activities	16,173	10,003	26,176
Cash flows from investing activities			
Additions of: -			
- property, plant and equipment	(227)		(227)
- inventories - land held for property development	-	(9,776)	(9,776)
Interest received	468	-	468
Net cash generated from / (used in) investing activities	241	(9,776)	(9,535)
Cash flows from financing activities			
Repayment of borrowings - net	(1,422)	-	(1,422)
Interest paid	(1,345)	(227)	(1,572)
Purchase of own shares	(145)	-	(145)
Net cash used in financing activities	(2,912)	(227)	(3,139)
Net increase in cash and cash equivalents	13,502	-	13,502
Cash and cash equivalents at beginning of period	60,242	-	60,242
Effect of exchange rate fluctuation on cash held	(220)	-	(220)
Cash and cash equivalents at end of period	73,524	-	73,524
Cash and cash equivalents			
Cash and bank balance and deposits placed with licensed banks	81,503		81,503
Bank overdraft	(5,576)		(5,576)
Cash and bank balances held under Housing Development Account	(2,403)		(2,403)
	73,524		73,524

A3. 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 2018 were not subject to any qualification and did not include any adverse comments made under Section 266 (3) of the Companies Act 2016.

A4. Seasonality or Cyclicality of Interim Operations

The business of the Group was not subject to material seasonal or cyclical fluctuations.

A5. 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 2018.

A6. 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 2018.

A7. Debt and Equity Securities

The owners of the Company, by a special resolution passed at the Annual General Meeting held on 26 February 2018, approved the Company's plan to repurchase its own shares.

During the current financial quarter, the Company repurchased 1,239,000 of its issued share capital from the open market, at an average price of RM0.49 per share including transaction cost. The total consideration paid was RM609,563. The shares repurchased are held as treasury shares in accordance with Section 127 of the Companies Act 2016. The repurchase transactions were financed by internally generated funds.

As at 31 December 2018, the Company held 26,363,000 of its own shares, representing 4.97% of the total paid-up share capital of the Company. These shares were being held and retained as treasury shares.

During the current financial quarter, 4,197 new ordinary shares were issued pursuant to the exercise of warrants at a unit price of RM0.50. Unexercised warrants of 603,516 had expired on 26 November 2018 and were delisted from Bursa Securities on 27 November 2018.

There were no other issuance, cancellation, resale and repayments of debt and equity securities for the current financial quarter ended 31 December 2018.

A8. Dividend Paid

No dividend was paid during the current quarter.

A9. Operating Segment Information

The Group has three (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:

Trading and services	Distribution and servicing of electrical home appliances, sanitaryware, kitchen and wardrobe system and built-in furniture, other household products, bathroom accessories, home furniture, medical devices and healthcare products
Property development	Property development
Investment holding and property investment	Long term investment in unquoted shares and property investment

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A9. Operating Segment Information (continued)

The reportable segment information for the Group is as follows:

	Trading & Services RM'000	Property Development RM'000	Investment Holding & Property Investment RM'000	Total RM'000
For the financial period ended 31 December 2018				
External revenue	66,768	12,008	1,371	80,147
Inter segment revenue	5,586	-	500	6,086
Total reportable revenue	72,354	12,008	1,871	86,233
Segment profit	10,655	2,777	1,095	14,527
Segment assets	367,662	384,269	427,809	1,179,740
Segment assets				1,179,740
Other non-reportable segments				8,429
Elimination of inter-segment transactions or balances				(410,695)
				777,474
Segment liabilities	(103,110)	(241,396)	(128,864)	(473,370)
Segment liabilities				(473,370)
Other non-reportable segments				(8,794)
Elimination of inter-segment transactions or balances				201,130
				(281,034)

Reconciliation of profit

	31 Dec 2018 RM'000
Total profit for reportable segments	14,527
Elimination of inter-segment profits	(1,152)
Depreciation	(1,147)
Interest expense	(1,780)
Interest income	657
	11,105

A10. Events Subsequent to the end of the Financial Period

Subsequent to the financial quarter end, the Company repurchased 293,600 of its issued share capital from the open market at an average price of RM0.49 per share including transaction costs. The total consideration paid was RM143,225.

Other than the above, there were no other material events as at 19 February 2019, 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

Ebac Kitchen Sdn. Bhd., a 99.99%-owned subsidiary of Fiamma Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, commenced members' voluntary liquidation on 18 October 2016 pursuant to Section 272(5) of the Companies Act, 1965 and was dissolved on 29 October 2018.

Other than 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 Company are as follows:

	As at 31 Dec 2018 RM'000	**As at 30 Sept 2018 RM'000**
Guarantees to financial institutions for facilities granted to subsidiaries	123,084	154,607
	======	======

B. Compliance with Bursa Securities Listing Requirements.

B1. Review of the Performance of the Group

	3 months ended	
	31 Dec 2018 RM'000	**31 Dec 2017 RM'000 Restated**
Revenue	80,147	74,010
Profit before taxation	11,105	9,363

The Group recorded a higher revenue of RM80.15 million in the current financial period compared with RM74.01 million in the preceding year financial period. This was mainly due to higher contribution from property development segment. Consequently, the Group recorded a higher profit before taxation ("PBT") of RM11.11 million in the current financial period compared with RM9.36 million in the preceding year financial period.

The Group's revenue is derived primarily from the trading and services segment which contributed 83.3% of the Group's revenue in the current financial period. The segment recorded revenue of RM66.77 million in the current financial period compared with RM66.72 million in the preceding year financial period. Consequently, this segment's PBT has gone up from RM9.37 million in the preceding year financial period to RM9.96 million in the current financial period.

The property development segment contributed 15.0% of the Group's revenue in the current financial period. The segment recorded a higher revenue of RM12.00 million in the current financial period compared with RM5.89 million in the preceding year financial period. Consequently, this segment recorded PBT of RM0.38 million in the current financial period compared with loss before taxation of RM0.76 million in the preceding year financial period.

The investment holding and property investment segment contributed 1.7% of the Group's revenue in the current financial period. The segment recorded a revenue of RM1.37 million and PBT of RM0.76 million in the current financial period compared with RM1.40 million and RM0.75 million respectively in the preceding year financial period. The revenue is derived mainly from letting of investment properties at Wisma Fiamma in Bandar Menjalara and Menara Centara in Jalan Tuanku Abdul Rahman, both in Kuala Lumpur.

B2. Comparison with Preceding Quarter's Results

	3 months ended	
	31 Dec 2018 RM'000	**30 Sept 2018 RM'000 Restated**
Revenue	80,147	106,871
Profit before taxation	11,105	15,465

The Group recorded a lower revenue of RM80.15 million in the current quarter ended 31 December 2018 compared with RM106.87 million in the previous quarter ended 30 September 2018. The drop in revenue was due to lower contribution from both the trading and services segment and property development segment. Consequently, the Group recorded a lower PBT of RM11.11 million compared with RM15.47 million in the previous quarter ended 30 September 2018.

B3. *Prospects*

The Malaysian economy grew by 4.7% in the fourth quarter of 2018 (3Q 2018: 4.4%), supported by continued expansion in domestic demand and a positive growth in net exports. Private sector expenditure remained the main driver of domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (3Q 2018: 1.6%). For 2018 as a whole, the economy expanded by 4.7% (2017: 5.9%).

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), declined to 0.3% in the fourth quarter of 2018 (3Q 2018: 0.5%). For 2018 as a whole, headline inflation averaged at 1.0% (2017: 3.7%), its lowest level since 2009. The decline in headline inflation was due mainly to transport inflation turning negative (4Q 2018: -1.2%; 3Q 2018: 3.0%). The combined outcome of the zerorisation of the Goods and Services Tax (GST) and the implementation of the Sales and Services Tax (SST) continued to exert an overall downward impact to headline inflation during the quarter.

Core inflation, excluding the impact of consumption tax policy changes, edged up to 1.6% (3Q 2018: 1.4%).

The Malaysian economy is expected to remain on a steady growth path with domestic demand as the key driver of growth. Headline inflation is expected to average moderately higher in 2019. Risks to growth remain tilted to the downside. These stem mainly from further escalation of trade tensions and tightening of global financial conditions.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2018, Bank Negara Malaysia)

With the above outlook, the Directors expect the performance for the current financial year to remain challenging. Nevertheless, the Group will continue to 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, kitchen and wardrobe system and built-in furniture, medical devices and healthcare products and source for new products and business opportunities that are in synergy with the Group’s products and activities.

For the property development segment, the on-going development of service apartments (East Parc @ Menjalara) in Bandar Menjalara, Kuala Lumpur and the residential developments in Batu Pahat, Johor, as well as the completed residential and commercial developments in Kota Tinggi, Johor, will contribute to the Group’s revenue in the financial year 2019 and the coming financial years. The proposed residential developments in Jalan Yap Kwan Seng and 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 31 Dec 2018 RM'000
Current tax expense	3,004
Deferred tax expense	(280)
	2,724
Prior year tax expense	-
	2,724

	RM'000
Profit before taxation	11,105
Tax at Malaysian tax rate of 24%	2,665
Non-deductible expenses and other tax effects	59
Tax expense	2,724
Prior year tax expense	-
Tax expense	2,724

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 2018 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
Repayable after 12 months			
Term loan	58,404	-	58,404
Current			
Repayable within 12 months			
Term loan	17,876	-	17,876
Revolving credit	61,000	-	61,000
Bills payable	-	25,878	25,878
Bank overdraft	7,926	-	7,926
Sub-total	86,802	25,878	112,680
Total	145,206	25,878	171,084

B8. Changes in Material Litigation

There was no impending material litigation as at 19 February 2019, being the date not earlier than 7 days from the date of this announcement.

B9. Dividend

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

B10. 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, is as follows:

	3 months ended 31 Dec 2018 RM'000
Profit for the financial period attributable to owners of the Company	7,427

	'000
Issued ordinary shares at 1 October	530,027
Treasury shares	(26,363)
Effects of exercise of warrants	3
Weighted average number of ordinary shares at 31 December 2018	503,667
Basic earnings per share (sen)	1.47

Diluted earnings per share

	'000
Weighted average number of ordinary shares at 31 December 2018 (basic)	503,667
Effects of share options	-*
Weighted average number of ordinary shares at 31 December 2018 (diluted)	503,667
Diluted earnings per share (sen)	1.47

* At 31 December 2018, the effect on the earnings per share in respect of potential ordinary shares from share options is anti-dilutive and therefore excluded from the calculation of diluted earnings per share.

B11. Profit before taxation

	3 months ended 31 Dec 2018 RM'000
Profit before taxation is arrived at after charging:	
Depreciation and amortisation	1,147
Interest expense	1,780
Allowance for impairment loss for trade receivables	74
Inventories written down and written off, net	614
Property, plant and equipment written off	4
Loss on foreign exchange – realised and unrealised	35
Loss on derivative financial instruments - realised	27
and after crediting:	
Interest income	657
Bad debt recovery	83
Reversal of allowance for impairment loss for trade receivables	18
Gain on disposal of property, plant and equipment	2
Gain on foreign exchange – realised and unrealised	58
Gain on derivative financial instruments - realised	15

B12. Capital Commitments

There was no capital commitment as at 31 December 2018.

B13. 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 Dec 2018 RM'000	**As at 30 Sept 2018 RM'000**
Corporate guarantees to financial institutions for trade facilities granted to non-wholly owned subsidiaries	-	590

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

This announcement is dated 26 February 2019.