Fiamma Holdings Berhad ((Registration No: 198201008992 (88716-W)) ("Fiamma" or "the Company")
Notes to the interim financial statements for the financial quarter ended 31 March 2020

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

The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 2019.

A1. Accounting Policies

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 2019, save for the adoption of the following new and amended MFRSs and Issues Committee ("IC") Interpretations for the financial year commencing 1 October 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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*

A1. Accounting Policies (continued)

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*

The Group plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable from the annual period beginning on 1 October 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 or after 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.

MFRS 16, Leases

The Group adopted MFRS 16 *Leases* on 1 October 2019. MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The initial application of MFRS 16 did not have a material impact on its consolidated financial statements.

A2. Report of the Auditors to the Members of Fiamma

The report of the auditors to the members of Fiamma and its subsidiaries on the financial statements for the financial year ended 30 September 2019 were not subject to any qualification and did not include any adverse comments made under Section 266 (3) of the Companies Act 2016.

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 Group's business was partly affected by the implementation of the Movement Control Order by the Government on 18 March 2020 to contain the spread of COVID-19.

Other than the above, 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 2020.

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 2019.

A6. Debt and Equity Securities

The owners of the Company, by a special resolution passed at the Annual General Meeting held on 26 February 2020, approved the Company's plan to repurchase its own shares.

During the current financial quarter, the Company repurchased 1,301,100 of its issued share capital from the open market, at an average price of RM0.418 per share including transaction cost. The total consideration paid was RM543,366. During the current financial period, the Company repurchased 2,271,900 of its issued share capital from the open market at an average price of RM0.453 per share including transaction cost. The total consideration paid was RM1,029,955. 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 March 2020, the Company held 19,663,100 of its own shares, representing 3.86% of the total number of issued shares of the Company. These shares were being held and retained as treasury shares.

There were no other issuance, cancellation, resale and repayments of debt and equity securities for the current financial quarter ended 31 March 2020.

A7. Dividend Paid

No dividend was paid during the current quarter.

A8. 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, medical devices and healthcare products
Property development	Property development
Investment holding and property investment	Long term investment in unquoted shares and property investment

.

A8. 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 March 2020				
External revenue	119,725	59,255	2,834	181,814
Inter segment revenue	11,602	-	983	12,585
Total reportable revenue	131,327	59,255	3,817	194,399
Segment profit	13,944	23,755	2,710	40,409
Segment assets	366,566	464,673	477,795	1,309,034
Segment assets				1,309,034
Elimination of inter-segment transactions or balances				(496,841)
				812,193
Segment liabilities	(89,536)	(254,182)	(167,065)	(510,783)
Segment liabilities				(510,783)
Elimination of inter-segment transactions or balances				233,010
				(277,773)

Reconciliation of profit

	31 Mar 2020 RM'000
Total profit for reportable segments	40,409
Elimination of inter-segment profits	(6,123)
Depreciation	(1,650)
Interest expense	(4,988)
Interest income	1,086
	28,734

A9. Events Subsequent to the end of the Financial Period

Subsequent to the financial quarter end, the Company repurchased 1,496,200 of its issued share capital from the open market at an average price of RM0.463 per share including transaction costs. The total consideration paid was RM692,213.

Other than the above, there were no other material events as at 12 May 2020, 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.

A10. Changes in Composition of the Group

There was no change 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.

A11. Contingent Liabilities

Contingent liabilities of the Company are as follows:

	As at 31 Mar 2020 RM'000	**As at 30 Sept 2019 RM'000**
Guarantees to financial institutions for facilities granted to subsidiaries	91,036	153,953
	======	======

B. Compliance with Bursa Securities Listing Requirements.

B1. Review of the Performance of the Group

	6 months ended	
	31 Mar 2020 RM'000	**31 Mar 2019 RM'000**
Revenue	181,814	159,790
Profit before tax	28,734	20,143

The Group recorded a higher revenue of RM181.81 million in the current financial period compared with RM159.79 million in the preceding financial year corresponding period. This was mainly due to higher contribution from property development segment arising from the disposal of land. Consequently, the Group recorded a higher profit before tax ("PBT") of RM28.73 million in the current financial period compared with RM20.14 million in the preceding financial year corresponding period.

The Group's revenue is derived primarily from the trading and services segment which contributed 65.8% of the Group's revenue in the current financial period. The segment recorded a lower revenue of RM119.72 million in the current financial period compared with RM133.39 million in the preceding financial year corresponding period. Consequently, this segment recorded a lower PBT of RM13.80 million in the current financial period compared with RM18.60 million in the preceding financial year corresponding period.

The property development segment contributed 32.6% of the Group's revenue in the current financial period. The segment recorded revenue of RM59.26 million in the current financial period compared with RM23.62 million in the preceding financial year corresponding period. The higher revenue was attributable to the disposal of land amounting to RM39.21 million. Consequently, this segment recorded a higher PBT of RM14.23 million in the current financial period compared with PBT of RM0.63 million in the preceding financial year corresponding period.

The investment holding and property investment segment contributed 1.6% of the Group's revenue in the current financial period. The segment recorded a revenue of RM2.83 million and PBT of RM0.70 million in the current financial period compared with RM2.78 million and PBT of RM0.92 million respectively in the preceding financial year corresponding 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 Mar 2020 RM'000	**31 Dec 2019 RM'000**
Revenue	106,815	74,999
Profit before tax	19,891	8,843

The Group recorded a higher revenue of RM106.82 million in the current quarter ended 31 March 2020 compared with RM75.00 million in the previous quarter ended 31 December 2019. The increase in revenue was mainly due to higher contribution from the property development segment arising from the disposal of land (see Note B1). Consequently, the Group recorded a higher PBT of RM19.89 million compared with RM8.84 million in the previous quarter ended 31 December 2019.

B3. Prospects

The 2019 Novel Coronavirus ("COVID-19") has officially been designated a pandemic by the World Health Organization (WHO). It has gone global and spread to all corners of the globe with cases in over 150 countries and caused an unprecedented human and health crisis. In view of the COVID-19 pandemic, the Government of Malaysia has implemented Movement Control Order ("MCO") from 18 March 2020 to contain the spread of COVID-19 through social distancing.

Developments in the Malaysian Economy

The Malaysian economy registered a lower growth of 0.7% (4Q 2019: 3.6%) in the first quarter of 2020, and this was the lowest growth since 3Q 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the MCO in Malaysia.

Following two months of steady expansion, economic activity experienced a sharp downshift in March as a result of MCO (18 – 31 March). The MCO also led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail sub-sectors, and a temporary halt in ongoing investments.

The IMF projects global growth in 2020 to be -3.0%, the weakest since the Great Depression. A recovery in 2021 is expected, conditional on the gradual dissipation of the COVID-19 pandemic in the second half of 2020, as well as its successful containment by end-2020.

Malaysia's economic prospects for 2020 is being severely affected by the COVID-19 pandemic. Strict measures to contain the spread of the pandemic, both globally and domestically, will weigh considerably on both external demand and domestic growth.

Under the Conditional MCO that was effective 4 May 2020, most sectors of the economy were allowed to operate, albeit in a controlled and prudent setting and by observing stringent Standard Operating Procedures (SOPs). Notwithstanding the lifting of movement restrictions, international travel restrictions and social distancing measures are expected to continue for the remainder of the year.

However, economic activity is expected to gradually pick up in 2H 2020, following the lifting of the MCO, support from fiscal, monetary and financial measures and progress in transport-related projects by the public sector. The Malaysian economy is expected to register a positive recovery in 2021, in line with the projected improvement in global growth.

The economic stimulus measures implemented by the Government will provide sizeable assistance to households and businesses. This is further augmented by the Bank's broad array of measures, including reductions in the OPR and SRR, deferment of loan and financing repayments for a period of six months for individual and SME borrowers, daily market operations to ensure ample liquidity and enhancements to existing financing facilities under BNM's Fund for SMEs.

B3. Prospects (continued)

The growth outlook is subject to significant downside risks. This arises mainly from the uncertainties surrounding the spread of COVID-19 and the duration of containment measures globally. This uncertainty may also result in delays in household spending and business investments. In addition, the risks of commodity supply shocks remain.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2020, Bank Negara Malaysia)

With the above outlook, the Directors expect the performance for the financial year 2020 to be challenging. The Directors are currently unable to ascertain the financial impact of the COVID-19 pandemic to the Group. 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 supply chain system and 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 serviced apartments (East Parc @ Menjalara) in Bandar Menjalara, Kuala Lumpur and the residential developments in Batu Pahat, Johor, the completed and unsold residential and commercial developments as well as the newly launched residential development and Rumah Mampu Milik Johor (RMMJ) projects in Kota Tinggi, Johor, will contribute to the Group's revenue in the financial year 2020 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. Tax Expense

Tax expense comprises the following:

	6 months ended 31 Mar 2020 RM'000
Current tax expense	9,274
Deferred tax expense	(1,651)
	7,623
Prior year tax expense	(46)
	7,577

	RM'000
Profit before tax	28,734
Tax at Malaysian tax rate of 24%	6,896
Non-deductible expenses and other tax effects	727
Tax expense	7,623
Prior year tax expense	(46)
Tax expense	7,577

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 2020 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
Repayable after 12 months			
Term loan	65,799	-	65,799
Current			
Repayable within 12 months			
Term loan	27,855	-	27,855
Revolving credit	74,000	-	74,000
Bills payable	-	18,382	18,382
Sub-total	101,855	18,382	120,237
Total	167,654	18,382	186,036

B8. Changes in Material Litigation

There was no impending material litigation as at 12 May 2020, 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 Mar 2020 RM'000	6 months ended 31 Mar 2020 RM'000
Profit for the financial period attributable to owners of the Company	14,134	19,902
	'000	**'000**
Issued ordinary shares at 1 October 2019	510,027	510,027
Treasury shares	(19,663)	(19,663)
Weighted average number of ordinary shares at 31 March 2020	490,364	490,364
Basic earnings per share (sen)	2.88	4.06

Diluted earnings per share

	'000	'000
Weighted average number of ordinary shares at 31 March 2020 (basic)	490,364	490,364
Effects of share options	-*	-*
Weighted average number of ordinary shares at 31 March 2020 (diluted)	490,364	490,364
Diluted earnings per share (sen)	2.88	4.06

* At 31 March 2020, the effect on the earnings per share in respect of potential ordinary shares from the exercise of share options is anti-dilutive and therefore excluded from the calculation of diluted earnings per share.

B11. Profit before tax

	6 months ended 31 Mar 2020 RM'000
Profit before tax is arrived at after charging:	
Depreciation and amortisation	1,650
Interest expense	4,988
Allowance for impairment loss for trade receivables	1,400
Inventories written down and written off, net	443
Property, plant and equipment written off	3
Loss on foreign exchange – realised and unrealised	103
Loss on derivative financial instruments – realised and unrealised	97
and after crediting:	
Interest income	1,086
Bad debt recovery	3
Reversal of allowance for impairment loss for trade receivables	274
Gain on disposal of property, plant and equipment	1
Gain on foreign exchange – realised and unrealised	124
Gain on derivative financial instruments – realised and unrealised	48

B12. Capital Commitments

There was no capital commitment as at 31 March 2020.

This announcement is dated 19 May 2020.