

## Notes to the Interim Financial Statements

**Fiamma Holdings Berhad ((Registration No: 198201008992 (88716-W)) (“Fiamma” or “the Company”))**

**Notes to the interim financial statements for the financial quarter ended 30 September 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 2020.

#### **AI. Accounting Policies**

The financial statements of the Group has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia. The following are accounting standards, interpretations and amendments of the MFRSs 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 2021***

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments Recognition and Measurement*, MFRS 7, *Financial Instruments Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

##### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

## Notes to the Interim Financial Statements

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

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 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 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 October 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022; and
- from the annual period beginning on 1 October 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group.

The initial application of the abovementioned accounting standards, interpretations and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group.

### **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 2020 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 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 Government of Malaysia has since March 2020 imposed the Movement Control Order (“MCO”) followed by the Conditional MCO and Recovery MCO in efforts to curb and contain the spread of the Coronavirus Disease 2019 (“Covid-19”). These and the recent resurgence of Covid-19 cases and targeted containment measures in most states have caused disruptions to business activities nationwide and has affected the Group’s operations.

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 December 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 2020.

### **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 237,100 of its issued shares from the open market, at an average price of RM0.500 per share including transaction cost. The total consideration paid was RM118,591. 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 2020, the Company held 21,624,400 of its own shares, representing 4.24% 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 December 2020.

### **A7. *Dividend Paid***

No dividend was paid during the current quarter.

## Notes to the Interim Financial Statements

### **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

## Notes to the Interim Financial Statements

### 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
<b>For the financial period ended 31 December 2020</b>				
External revenue	92,273	5,809	1,394	99,476
Inter segment revenue	6,607	-	470	7,077
Total reportable revenue	98,880	5,809	1,864	106,553
Segment profit	16,605	(657)	1,344	17,292
Segment assets	423,553	410,757	469,286	1,303,596
Segment assets				1,303,596
Elimination of inter-segment transactions or balances				(475,774)
				827,822
Segment liabilities	(130,854)	(244,094)	(141,029)	(515,977)
Segment liabilities				(515,977)
Elimination of inter-segment transactions or balances				233,261
				(282,716)
<i>Reconciliation of profit</i>				
				<b>31 Dec 2020</b>
				<b>RM'000</b>
Total profit for reportable segments				17,292
Elimination of inter-segment profits				(71)
Depreciation				(677)
Interest expense				(1,668)
Interest income				468
				15,344

## Notes to the Interim Financial Statements

### **A9. Events Subsequent to the end of the Financial Period**

There were no material events as at 17 February 2021, 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:

	<b>As at 31 Dec 2020 RM'000</b>	<b>As at 30 Sept 2020 RM'000</b>
Guarantees to financial institutions for facilities granted to subsidiaries	91,424 =====	131,069 =====

## Notes to the Interim Financial Statements

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

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

	<b>3 months ended</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	99,476	74,999
Profit before tax	15,344	8,843

The Group recorded a higher revenue of RM99.48 million and profit before tax (“PBT”) of RM15.34 million in the current financial period compared with RM75.00 million and RM8.84 million, respectively, in the preceding financial year corresponding period. The increase was mainly contributed by trading and services segment.

The Group’s revenue is derived primarily from the trading and services segment which contributed 92.8% of the Group’s revenue in the current financial period. The segment recorded a higher revenue of RM92.27 million in the current financial period compared with RM62.32 million in the preceding financial year corresponding period. Consequently, this segment recorded a higher PBT of RM16.58 million in the current financial period compared with RM8.67 million in the preceding financial year corresponding period.

The property development segment contributed 5.8% of the Group’s revenue in the current financial period. The segment recorded revenue of RM5.81 million in the current financial period compared with RM11.23 million in the preceding financial year corresponding period. Consequently, this segment recorded a higher loss before tax (“LBT”) of RM2.22 million in the current financial period compared with LBT of RM0.05 million in the preceding financial year corresponding period.

The investment holding and property investment segment contributed 1.4% of the Group’s revenue in the current financial period. The segment recorded a revenue of RM1.39 million compared with RM1.44 million in the preceding financial year corresponding period. The segment, however, recorded a higher PBT of RM0.98 million in the current financial period compared with PBT of RM0.22 million in the preceding financial year corresponding period. This was mainly attributable to lower interest expenses incurred.

## Notes to the Interim Financial Statements

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

	<b>3 months ended</b>	
	<b>31 Dec 2020</b>	<b>30 Sept 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	99,476	122,582
Profit before tax	15,344	19,704

The Group recorded a lower revenue of RM99.48 million in the current quarter ended 31 December 2020 compared with RM122.58 million in the previous quarter ended 30 Sept 2020. Consequently, the Group recorded a lower PBT of RM15.34 million compared with RM19.70 million in the previous quarter ended 30 Sept 2020. The lower revenue and PBT in the current quarter were mainly due to lower contribution from both trading and services segment and property development segment.



## Notes to the Interim Financial Statements

### **B3. Prospects**

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter (3Q 2020: -2.6%), largely attributable to the imposition of the Conditional Movement Control Order (CMCO) on a number of states since mid-October. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was slightly lower at -1.5% during the quarter (3Q 2020: -1.4%). This was mainly due to lower inflation for rental and communication services respectively as well as the larger annual decline in retail fuel prices. These were partly offset by higher inflation in other categories, in particular, transport services and food.

At the January World Economic Outlook update, the IMF revised its projection of global growth in 2020 to -3.5% (October projection: -4.4%). This upward revision was primarily due to better-than-expected growth outturns in the third quarter of 2020 across both advanced and emerging market economies.

For 2021, the IMF projects the global economy to grow by 5.5% (October projection: 5.2%). The outlook is underpinned by the ‘vaccine-virus race’, that is, the interplay between the ongoing rollout of mass inoculation against Covid-19 and the resurgence in cases. The vaccine is expected to facilitate the eventual resumption of economic activity.

For Malaysia, the momentum in economic recovery was affected by the resurgence in Covid-19 cases and the introduction of targeted containment measures in several states in the fourth quarter.

For 2021, while near-term growth will be affected by the re-introduction of stricter containment measures, the impact, however, will be less severe than that experienced in 2020. The growth trajectory is projected to improve from the second quarter onwards. The improvement will be driven by the recovery in global demand, turnaround in public and private sector expenditure amid continued support from policy measures including PENJANA, KITA PRIHATIN, 2021 Budget and PERMAI, and higher production from existing and new facilities in the manufacturing and mining sectors. The vaccine rollout from February onwards is also expected to lift sentiments.

The balance of risks remains tilted to the downside, stemming mainly from ongoing uncertainties surrounding the dynamics of the pandemic and potential challenges that might affect the rollout of vaccines both globally and domestically.

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

## Notes to the Interim Financial Statements

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

With the above outlook, the Directors expect the performance for the financial year 2021 to be challenging, as the recent resurgence of Covid-19 cases could affect the momentum of recovery. 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. The extension to the existing warehouse facility will be able to cater for future business expansion.

For the property development segment, the on-going residential developments in Batu Pahat and Kota Tinggi and Rumah Mampu Milik Johor (RMMJ) projects in Kota Tinggi, Johor, as well as the completed and unsold residential and commercial developments, will contribute to the Group's revenue in the financial year 2021 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.

## Notes to the Interim Financial Statements

### **B4. Profit Forecast or Profit Guarantee**

Not applicable.

### **B5. Tax Expense**

Tax expense comprises the following:

	<b>3 months ended 31 Dec 2020 RM'000</b>
Current tax expense	4,207
Deferred tax expense	(228)
	<u>3,979</u>
Prior year tax expense	(64)
	<u>3,915</u>
	<u><u>3,915</u></u>
	<b>RM'000</b>
Profit before tax	15,344
	<u>15,344</u>
Tax at Malaysian tax rate of 24%	3,682
Non-deductible expenses and other tax effects	297
	<u>3,979</u>
Tax expense	3,979
Prior year tax expense	(64)
	<u>3,915</u>
Tax expense	<u><u>3,915</u></u>

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

The Group has not announced any corporate proposals, which have not been completed at the date of this announcement.

## Notes to the Interim Financial Statements

### **B7. Group Borrowings and Debt Securities**

The Group's borrowings as at 31 December 2020 are as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b>Non-current</b>			
<b><i>Repayable after 12 months</i></b>			
Term loan	54,324	-	54,324
	=====	=====	=====
<b>Current</b>			
<b><i>Repayable within 12 months</i></b>			
Term loan	15,154	-	15,154
Revolving credit	62,000	-	62,000
Bills payable	-	42,947	42,947
	-----	-----	-----
Sub-total	77,154	42,947	120,101
	=====	=====	=====
Total	131,478	42,947	174,425
	=====	=====	=====

### **B8. Derivatives**

The details of the Group's foreign currency forward contracts as at 31 December 2020 are as follows:

	<b>Notional amount RM'000</b>	<b>Fair value RM'000</b>	<b>Difference RM'000</b>
<b>Foreign currency forward contracts</b>			
US Dollar	4,335	4,312	(23)
Chinese Yuan Renminbi	438	436	(2)
	-----	-----	-----
	4,773	4,748	(25)
	=====	=====	=====

The above instruments were 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 MFRS 139, the difference between the notional value and fair value of the contracts amounting to RM25,000 has been recognised in the financial statements.

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

There was no impending material litigation as at 17 February 2021, being the date not earlier than 7 days from the date of this announcement.

## Notes to the Interim Financial Statements

### **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, is as follows:

	<b>3 months ended 31 Dec 2020 RM'000</b>
Profit for the financial period attributable to owners of the Company	10,410
	<b>'000</b>
Issued ordinary shares at 1 October 2020	510,026
Treasury shares	(21,624)
Weighted average number of ordinary shares at 31 December 2020	488,402
Basic earnings per share (sen)	2.13
	<b>'000</b>
Weighted average number of ordinary shares at 31 December 2020 (basic)	488,402
Effects of share options	-*
Weighted average number of ordinary shares at 31 December 2020 (diluted)	488,402
Diluted earnings per share (sen)	2.13

\* At 31 December 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.

## Notes to the Interim Financial Statements

### **B12. Profit before tax**

	<b>3 months ended 31 Dec 2020 RM'000</b>
Profit before tax is arrived at after charging:	
Depreciation and amortisation	677
Interest expense	1,668
Inventories written down and written off, net	43
Loss on foreign exchange – realised and unrealised	72
Loss on derivative financial instruments – realised and unrealised	16
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and after crediting:	
Interest income	468
Reversal of allowance for impairment loss for trade receivables - net	157
Gain on foreign exchange – realised and unrealised	116
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### **B13. Capital Commitments**

There was no capital commitment as at 31 December 2020.

This announcement is dated 24 February 2021.