

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 2021

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 have 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 March 2021.

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

- (a) During the current financial quarter, a total of 3,735,000 new ordinary shares were issued pursuant to the exercise of Employees’ Share Option Scheme (“ESOS”).
- (b) The owners of the Company, by a special resolution passed at the Annual General Meeting held on 24 February 2021, approved the Company’s plan to repurchase its own shares.

During the current financial period, 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 March 2021, 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 March 2021.

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
For the financial period ended 31 March 2021				
External revenue	178,195	11,952	2,594	192,741
Inter segment revenue	13,416	6,622	947	20,985
Total reportable revenue	191,611	18,574	3,541	213,726
Segment profit	32,658	455	2,386	35,499
Segment assets	426,638	409,756	482,878	1,319,272
Segment assets				1,319,272
Elimination of inter-segment transactions or balances				(494,362)
				824,910
Segment liabilities	(121,527)	(243,736)	(151,925)	(517,188)
Segment liabilities				(517,188)
Elimination of inter-segment transactions or balances				251,850
				(265,338)
<i>Reconciliation of profit</i>				
				31 Mar 2021
				RM'000
Total profit for reportable segments				35,499
Elimination of inter-segment profits				(57)
Depreciation				(1,362)
Interest expense				(3,157)
Interest income				865
				31,788

Notes to the Interim Financial Statements

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

There were no material events as at 12 May 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.

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 Mar 2021 RM'000	31 Mar 2020 RM'000
Revenue	192,741	181,814
Profit before tax	31,788	28,734

The Group recorded a higher revenue of RM192.74 million and a higher profit before tax ("PBT") of RM31.79 million in the current financial period compared with RM181.81 million and RM28.73 million, respectively, in the preceding financial year corresponding period. The increase was mainly due to higher contribution from trading and services segment.

The Group's revenue is derived primarily from the trading and services segment which contributed 92.5% of the Group's revenue in the current financial period. The segment recorded a higher revenue of RM178.20 million in the current financial period compared with RM119.72 million in the preceding financial year corresponding period. Consequently, this segment recorded a higher PBT of RM32.62 million in the current financial period compared with RM13.80 million in the preceding financial year corresponding period.

The property development segment contributed 6.2% of the Group's revenue in the current financial period. The segment recorded revenue of RM11.95 million and loss before tax ("LBT") of RM2.53 million in the current financial period compared with revenue of RM59.26 million and PBT of RM14.23 million in the preceding financial year corresponding period. The higher revenue and PBT in the preceding financial year corresponding period was mainly due to the disposal of land amounting to RM39.21 million with a pre-tax gain of RM15.77 million.

The investment holding and property investment segment contributed 1.3% of the Group's revenue in the current financial period. The segment recorded a revenue of RM2.59 million compared with RM2.83 million in the preceding financial year corresponding period. The segment, however, recorded a higher PBT of RM1.69 million in the current financial period compared with PBT of RM0.70 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

	3 months ended	
	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Revenue	93,265	99,476
Profit before tax	16,444	15,344

The Group recorded a lower revenue of RM93.26 million in the current quarter ended 31 March 2021 compared with RM99.48 million in the previous quarter ended 31 December 2020. The lower revenue in the current quarter were mainly due to lower contribution from trading and services segment. However, the Group recorded a higher PBT of RM16.44 million compared with RM15.34 million in the previous quarter ended 31 December 2020 due to lower operating expenses incurred.

B3. Prospects

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for electrical and electronics (E&E) products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order (MCO 2.0) and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

At the April World Economic Outlook, the IMF revised its projection of global growth in 2021 from 5.5% to 6.0%. This upward revision was driven by larger fiscal measures in several major economies and continued progress in the vaccination rollout, which will facilitate the easing of containment measures especially in the second half of the year.

The balance of risk remains tilted to the downside, with concerns over the pandemic remaining a key downside risk. This includes a resurgence in Covid-19 cases globally, a lower effectiveness of vaccines amid mutations in virus strains, and a slower-than-expected rollout of vaccines.

Despite the recent re-imposition of containment measures, the impact on growth would be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. The roll-out of the domestic Covid-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors.

The balance of risks remains tilted to the downside, arising mainly from ongoing uncertainties in developments related to the pandemic, and continued challenges that affect the roll-out of vaccines both globally and domestically.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2021, Bank Negara Malaysia)

Notes to the Interim Financial Statements

B3. Prospects (continued)

The recent re-imposition of nationwide pandemic containment measures dubbed MCO 3.0 in May 2021 will affect economic activity in the short term. However, the impact on growth is expected to be less severe than that experienced in 2020 when the government imposed the first nationwide MCO, as almost all economic sectors are now allowed to operate.

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:

	6 months ended 31 Mar 2021 RM'000
Current tax expense	8,265
Deferred tax expense	(19)
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	8,246
Over provision in prior year	(64)
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	8,182
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	RM'000
Profit before tax	31,788
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Tax at Malaysian tax rate of 24%	7,629
Non-deductible expenses and other tax effects	617
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Tax expense	8,246
Over provision in prior year	(64)
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Tax expense	8,182
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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 March 2021 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
Repayable after 12 months			
Term loan	48,797	-	48,797
	=====	=====	=====
Current			
Repayable within 12 months			
Term loan	16,915	-	16,915
Revolving credit	59,000	-	59,000
Bills payable	-	36,940	36,940
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Sub-total	75,915	36,940	112,855
	=====	=====	=====
Total	124,712	36,940	161,652
	=====	=====	=====

B8. Derivatives

The details of the Group's foreign currency forward contracts as at 31 March 2021 are as follows:

	Notional amount RM'000	Fair value RM'000	Difference RM'000
Foreign currency forward contracts			
US Dollar	229	236	7
Chinese Yuan Renminbi	149	149	-
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	378	385	7
	=====	=====	=====

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 RM7,000 has been recognised in the financial statements.

B9. Changes in Material Litigation

There was no impending material litigation as at 12 May 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:

	3 months ended 31 Mar 2021 RM'000	6 months ended 31 Mar 2021 RM'000
Profit for the financial period attributable to owners of the Company	11,225	21,635
	'000	'000
Weighted average number of ordinary shares at 31 March 2021	490,068	489,226
Basic earnings per share (sen)	2.29	4.42
	'000	'000
Weighted average number of ordinary shares at 31 March 2021 (basic)	490,068	489,226
Effects of share options	16,974	17,223
Weighted average number of ordinary shares at 31 March 2021 (diluted)	507,042	506,449
Diluted earnings per share (sen)	2.21	4.27

Notes to the Interim Financial Statements

B12. Profit before tax

	6 months ended 31 Mar 2021 RM'000
Profit before tax is arrived at after charging:	
Depreciation and amortisation	1,362
Interest expense	3,157
Inventories written down and written off, net	271
Loss on foreign exchange – realised and unrealised	91
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and after crediting:	
Interest income	865
Reversal of allowance for impairment loss for trade receivables - net	152
Gain on foreign exchange – realised and unrealised	158
Gain on derivative financial instruments – realised and unrealised	16
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B13. Capital Commitments

There was no capital commitment as at 31 March 2021.

This announcement is dated 19 May 2021.