

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

Notes to the interim financial statements for the financial quarter ended 30 June 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*

Other than the ongoing challenges and uncertainties due to Covid-19 pandemic, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

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 and current financial period, a total of 1,050,000 and 4,785,000 new ordinary shares, respectively, 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 30 June 2021, the Company held 21,624,400 of its own shares, representing 4.20% 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 30 June 2021.

A7. *Dividend Paid*

During the current quarter, the Company paid a final single-tier dividend of 1.75 sen per ordinary share in respect of the financial year ended 30 September 2020 on 5 April 2021.

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 30 June 2021				
External revenue	251,113	21,594	3,507	276,214
Inter segment revenue	18,627	6,622	1,424	26,673
Total reportable revenue	269,740	28,216	4,931	302,887
Segment profit	44,824	2,202	3,135	50,161
Segment assets	432,952	394,584	476,393	1,303,929
Segment assets				1,303,929
Elimination of inter-segment transactions or balances				(492,338)
				811,591
Segment liabilities	(118,469)	(229,194)	(153,138)	(500,801)
Segment liabilities				(500,801)
Elimination of inter-segment transactions or balances				250,319
				(250,482)
<i>Reconciliation of profit</i>				
				30 June 2021
				RM'000
Total profit for reportable segments				50,161
Elimination of inter-segment profits				(41)
Depreciation				(2,053)
Interest expense				(4,554)
Interest income				1,250
				44,763

Notes to the Interim Financial Statements

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

There were no material events as at 18 August 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

	9 months ended	
	30 June 2021 RM'000	30 June 2020 RM'000
Revenue	276,214	256,009
Profit before tax	44,763	35,664

The Group recorded a higher revenue of RM276.21 million and a higher profit before tax ("PBT") of RM44.76 million in the current financial period compared with RM256.01 million and RM35.66 million, respectively, in the preceding financial year corresponding period. The increase was mainly due to higher contribution from the trading and services segment.

The Group's revenue is derived primarily from the trading and services segment which contributed 90.9% of the Group's revenue in the current financial period. The segment recorded a higher revenue of RM251.11 million in the current financial period compared with RM185.72 million in the preceding financial year corresponding period. Consequently, this segment recorded a higher PBT of RM44.91 million in the current financial period compared with RM21.78 million in the preceding financial year corresponding period.

The property development segment contributed 7.8% of the Group's revenue in the current financial period. The segment recorded revenue of RM21.59 million and loss before tax of RM2.21 million in the current financial period compared with revenue of RM66.44 million and PBT of RM13.08 million in the preceding financial year corresponding period. The higher revenue and PBT recorded in the preceding financial year corresponding period was mainly due to the sale 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 RM3.51 million compared with RM3.85 million in the preceding financial year corresponding period. The segment, however, recorded a higher PBT of RM2.06 million in the current financial period compared with PBT of RM0.80 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	
	30 June 2021	31 Mar 2021
	RM'000	RM'000
Revenue	83,473	93,265
Profit before tax	12,975	16,444

The Group recorded a lower revenue of RM83.47 million in the current quarter ended 30 June 2021 compared with RM93.26 million in the previous quarter ended 31 March 2021. The lower revenue in the current quarter was mainly due to the imposition of nationwide lockdown from 1 June 2021 as a result of the worsening of the ongoing Covid-19 pandemic. Consequently, the Group recorded a lower PBT of RM12.98 million compared with RM16.44 million in the previous quarter ended 31 March 2021.

B3. Prospects

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (FMCO). For the second quarter as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.

In their July World Economic Outlook, the IMF kept its projection of global growth in 2021 unchanged, compared to the April World Economic Outlook, at 6.0%. While the overall global growth outlook remained unchanged, there were offsetting revisions between advanced economies (AEs), which were revised upwards, and emerging market economies (EMEs) which were revised downwards. This reflects pandemic developments especially with regards to vaccination rates, differences in the extent of policy support and availability of policy space.

The balance of risk remains tilted to the downside, with Covid-19 related risks remaining the key source of downside risk. The key risk concerns the spread of new variants of concern that could lead to the resumption of containment measures to preserve healthcare capacity, amid lower effectiveness of vaccines against newer variants.

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of Covid-19 cases has necessitated the re-imposition of nationwide containment measures, which would weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation.

Against this backdrop, for 2021, the Malaysian economy is projected to expand within the range of 3.0 – 4.0%, although the pace of recovery will be uneven across sectors. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spillovers from continued improvement in external demand.

The balance of risks remains tilted to the downside, arising mainly from pandemic-related factors, such as delay in the easing of containment measures or imposition of tighter containment measures, and a weaker-than-expected global growth recovery.

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

Notes to the Interim Financial Statements

B3. Prospects (continued)

The imposition of FMCO since June 2021 whereby only essential services and e-commerce were allowed to operate has caused disruption to the Group's business. Although some of the states subsequently moved to different phases of National Recovery Plan ("NRP"), Klang Valley being the key economic centre remained under Phase 1 of NRP. With effect from 16 August 2021, more economic sectors and all non-essential industries, including electrical, home and kitchen appliances industry, were allowed to operate in all phases of NRP subject to the compliance of the Standard Operating Procedures.

With the above outlook, the Directors expect the performance for the remaining financial year 2021 to be challenging. Nevertheless, the Group will continue to remain focused on 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:

	9 months ended 30 June 2021 RM'000
Current tax expense	11,659
Deferred tax expense	32
	<u>11,691</u>
Over provision in prior year	(74)
	<u>11,617</u>
	<u><u>RM'000</u></u>
Profit before tax	44,763
	<u>10,743</u>
Tax at Malaysian tax rate of 24%	948
Non-deductible expenses and other tax effects	<u>11,691</u>
Tax expense	(74)
Over provision in prior year	<u>11,617</u>
Tax expense	<u><u>11,617</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 30 June 2021 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
Repayable after 12 months			
Term loan	45,352	-	45,352
	=====	=====	=====
Current			
Repayable within 12 months			
Term loan	16,587	-	16,587
Revolving credit	59,000	-	59,000
Bills payable	-	39,613	39,613
Sub-total	75,587	39,613	115,200
	=====	=====	=====
Total	120,939	39,613	160,552
	=====	=====	=====

B8. Derivatives

The details of the Group's foreign currency forward contracts as at 30 June 2021 are as follows:

	Notional amount RM'000	Fair value RM'000	Difference RM'000
Foreign currency forward contracts			
Chinese Yuan Renminbi	998	999	1
	=====	=====	=====

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 RM1,000 has been recognised in the financial statements.

B9. Changes in Material Litigation

There was no impending material litigation as at 18 August 2021, being the date not earlier than 7 days from the date of this announcement.

Notes to the Interim Financial Statements

B10. Dividend

The Directors declared a first interim single-tier dividend of 1.0 sen per ordinary share for the financial year ending 30 September 2021, to be paid on 28 September 2021. The entitlement date for the dividend payment is 10 September 2021.

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 30 June 2021 RM'000	9 months ended 30 June 2021 RM'000
Profit for the financial period attributable to owners of the Company	8,939	30,574
	'000	'000
Weighted average number of ordinary shares at 30 June 2021	492,697	490,383
Basic earnings per share (sen)	1.81	6.23
	'000	'000
Weighted average number of ordinary shares at 30 June 2021 (basic)	492,697	490,383
Effects of share options	15,860	16,113
Weighted average number of ordinary shares at 30 June 2021 (diluted)	508,557	506,496
Diluted earnings per share (sen)	1.76	6.04

Notes to the Interim Financial Statements

B12. Profit before tax

	9 months ended 30 June 2021 RM'000
Profit before tax is arrived at after charging:	
Depreciation and amortisation	2,053
Interest expense	4,554
Inventories written down and written off, net	446
Loss on foreign exchange – realised and unrealised	154
	<hr/> <hr/>
and after crediting:	
Interest income	1,250
Reversal of allowance for impairment loss for trade receivables - net	227
Gain on foreign exchange – realised and unrealised	238
Gain on derivative financial instruments – realised and unrealised	12
	<hr/> <hr/>

B13. Capital Commitments

There was no capital commitment as at 30 June 2021.

This announcement is dated 25 August 2021.