

FIAMMA HOLDINGS BERHAD

Quarterly Report on consolidated results for the third quarter ended 30 September 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(The figures have not been audited)

| | NOTE | INDIVIDUAL QUARTER (Q4) | | CUMULATIVE QUARTER (12 MONTHS) | |
|--|------|-------------------------|-----------------------|--------------------------------|----------------------|
| | | CURRENT YEAR | PRECEDING YEAR | CURRENT YEAR | PRECEDING YEAR |
| | | QUARTER | CORRESPONDING QUARTER | TO DATE | CORRESPONDING PERIOD |
| | | 30 SEPT 2021 | 30 SEPT 2020 | 30 SEPT 2021 | 30 SEPT 2020 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 61,808 | 122,582 | 338,022 | 378,591 |
| Cost of sales | | (39,958) | (84,654) | (229,738) | (259,328) |
| Gross profit | | 21,850 | 37,928 | 108,284 | 119,263 |
| Operating expenses | | (12,669) | (13,224) | (52,204) | (54,972) |
| Change in fair value of investment properties | | (175) | (4,124) | (175) | (4,124) |
| Finance costs | | (1,369) | (2,171) | (6,257) | (9,573) |
| Other operating income | | 1,213 | 1,295 | 3,965 | 4,774 |
| Profit before tax | | 8,850 | 19,704 | 53,613 | 55,368 |
| Tax expense | B5 | (4,450) | (7,412) | (16,067) | (17,238) |
| Profit for the period | | 4,400 | 12,292 | 37,546 | 38,130 |
| Other comprehensive income | | | | | |
| Foreign exchange translation difference | | (76) | (269) | 201 | 5 |
| Total comprehensive income | | 4,324 | 12,023 | 37,747 | 38,135 |
| Profit for the period attributable to: | | | | | |
| Owners of the Company | | 3,927 | 11,048 | 34,501 | 35,196 |
| Non-controlling Interest | | 473 | 1,244 | 3,045 | 2,934 |
| Profit for the period | | 4,400 | 12,292 | 37,546 | 38,130 |
| Total comprehensive income for the period attributable to: | | | | | |
| Owners of the Company | | 3,872 | 10,857 | 34,645 | 35,202 |
| Non-controlling Interest | | 452 | 1,166 | 3,102 | 2,933 |
| Total comprehensive income | | 4,324 | 12,023 | 37,747 | 38,135 |
| Basic earnings per share (sen) | B11 | 0.80 | 2.26 | 7.03 | 7.20 |
| Diluted earnings per share (sen) | B11 | 0.77 | 2.26 | 6.83 | 7.20 |

This Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes attached to the interim financial statements and the audited financial statements for the financial year ended 30 September 2020.

FIAMMA HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021
(The figures have not been audited)

| | NOTE | AS AT 30 SEPT 2021 RM'000 | AS AT 30 SEPT 2020 RM'000 |
|---|------|---------------------------------|---------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 102,167 | 98,901 |
| Right-of-use assets | | 72 | 219 |
| Investment properties | | 76,906 | 73,215 |
| Inventories | | 129,474 | 132,227 |
| Deferred tax assets | | 5,343 | 5,492 |
| | | <u>313,962</u> | <u>310,054</u> |
| Current assets | | | |
| Inventories | | 277,854 | 290,173 |
| Contract assets | | 3,418 | 1,273 |
| Contract costs | | 1,230 | 877 |
| Trade and other receivables | | 70,975 | 118,986 |
| Prepayments | | 847 | 1,153 |
| Current tax assets | | 1,343 | 356 |
| Cash and cash equivalents | | 104,450 | 114,027 |
| | | <u>460,117</u> | <u>526,845</u> |
| TOTAL ASSETS | | <u>774,079</u> | <u>836,899</u> |
| EQUITY | | | |
| Share capital | | 268,408 | 265,030 |
| Treasury shares | | (11,023) | (10,904) |
| Reserves and retained earnings | | 274,999 | 254,312 |
| Total equity attributable to owners of the Company | | <u>532,384</u> | <u>508,438</u> |
| Non-controlling interest | | <u>27,075</u> | <u>25,299</u> |
| TOTAL EQUITY | | <u>559,459</u> | <u>533,737</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Loans and borrowings | B7 | 42,788 | 58,111 |
| Trade payables | | 5,613 | 6,358 |
| Lease liabilities | | 48 | 73 |
| Deferred tax liabilities | | 2,879 | 2,881 |
| | | <u>51,328</u> | <u>67,423</u> |
| Current liabilities | | | |
| Loans and borrowings | B7 | 87,751 | 127,958 |
| Trade and other payables | | 55,454 | 80,326 |
| Contract liabilities | | 17,488 | 19,623 |
| Lease liabilities | | 26 | 150 |
| Provision for warranties | | 485 | 435 |
| Current tax liabilities | | 2,088 | 7,247 |
| | | <u>163,292</u> | <u>235,739</u> |
| TOTAL LIABILITIES | | <u>214,620</u> | <u>303,162</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>774,079</u> | <u>836,899</u> |
| Net assets per share (RM) | | <u>1.0784</u> | <u>1.0405</u> |

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes attached to the interim financial statements and the audited financial statements for the financial year ended 30 September 2020.

FIAMMA HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2021
(The figures have not been audited)

| NOTE | <----- Non-distributable -----> | | | | Distributable | | NON-CONTROLLING INTEREST RM'000 | TOTAL EQUITY RM'000 |
|---|---------------------------------|------------------------|----------------------------|-----------------------------|--------------------------|----------------|---------------------------------|---------------------|
| | SHARE CAPITAL RM'000 | TREASURY SHARES RM'000 | TRANSLATION RESERVE RM'000 | SHARE OPTION RESERVE RM'000 | RETAINED EARNINGS RM'000 | TOTAL RM'000 | | |
| At 1 October 2020 | 265,030 | (10,904) | 1,661 | 2,373 | 250,278 | 508,438 | 25,299 | 533,737 |
| Total comprehensive income for the financial period | | | | | | | | |
| - Foreign exchange translation reserve | - | - | 144 | - | - | 144 | 57 | 201 |
| - Profit for the financial period | - | - | - | - | 34,501 | 34,501 | 3,045 | 37,546 |
| Total comprehensive income for the financial year | - | - | 144 | - | 34,501 | 34,645 | 3,102 | 37,747 |
| <i>Contribution by and (distributions to) owners of the Company</i> | | | | | | | | |
| - Dividends to owners of the Company | - | - | - | - | (13,545) | (13,545) | - | (13,545) |
| - Issuance of ordinary shares pursuant to ESOS | A6 | 2,965 | - | - | - | 2,965 | - | 2,965 |
| - Transfer from share option reserve | | 413 | - | (1,117) | 704 | - | - | - |
| - Own shares acquired | A6 | - | (119) | - | - | (119) | - | (119) |
| Total transactions with owners of the Company | | 3,378 | (119) | - | (1,117) | (12,841) | - | (10,699) |
| Dividends paid by subsidiaries to non-controlling interest | | - | - | - | - | - | (1,326) | (1,326) |
| At 30 September 2021 | | 268,408 | (11,023) | 1,805 | 1,256 | 271,938 | 27,075 | 559,459 |

This Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes attached to the interim financial statements and the audited financial statements for the financial year ended 30 September 2020.

FIAMMA HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2020

(The figures have not been audited)

| NOTE | < ----- Non-distributable ----- > | | | | Distributable | | NON- CONTROLLING INTEREST RM'000 | TOTAL EQUITY RM'000 |
|---|-----------------------------------|------------------------------|----------------------------------|--------------------------------------|--------------------------------|-----------------|---|---------------------------|
| | SHARE CAPITAL RM'000 | TREASURY SHARES RM'000 | TRANSLATION RESERVE RM'000 | SHARE OPTION RESERVE RM'000 | RETAINED EARNINGS RM'000 | TOTAL RM'000 | | |
| | At 1 October 2019 | 265,030 | (9,073) | 1,655 | 2,090 | 229,799 | | |
| Total comprehensive income for the financial period | | | | | | | | |
| - Foreign exchange translation reserve | - | - | 6 | - | - | 6 | (1) | 5 |
| - Profit for the financial period | - | - | - | - | 35,196 | 35,196 | 2,934 | 38,130 |
| Total comprehensive income for the financial year | - | - | 6 | - | 35,196 | 35,202 | 2,933 | 38,135 |
| <i>Contribution by and (distributions to) owners of the Company</i> | | | | | | | | |
| - Dividends to owners of the Company | - | - | - | - | (14,717) | (14,717) | - | (14,717) |
| - Own shares acquired | - | (1,831) | - | - | - | (1,831) | - | (1,831) |
| - Share-based payment transactions | - | - | - | 283 | - | 283 | - | 283 |
| Total transactions with owners of the Company | - | (1,831) | - | 283 | (14,717) | (16,265) | - | (16,265) |
| Dividends paid by subsidiaries to non-controlling interest | - | - | - | - | - | - | (2,137) | (2,137) |
| At 30 September 2020 | 265,030 | (10,904) | 1,661 | 2,373 | 250,278 | 508,438 | 25,299 | 533,737 |

This Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes attached to the interim financial statements and the audited financial statements for the financial year ended 30 September 2020.

FIAMMA HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2021

(The figures have not been audited)

| | 12 MONTHS ENDED 30 SEPT 2021 RM'000 | 12 MONTHS ENDED 30 SEPT 2020 RM'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 53,613 | 55,368 |
| Adjustments | 10,231 | 18,680 |
| Operating profit before changes in working capital | 63,844 | 74,048 |
| Changes in working capital: | | |
| Contract assets | (2,145) | 17,191 |
| Contract liabilities | (2,135) | 3,065 |
| Contract costs | (347) | 3,072 |
| Inventories | 5,173 | (1,087) |
| Prepayments | 306 | (142) |
| Trade and other payables | (25,604) | 4,519 |
| Trade and other receivables | 48,248 | (24,291) |
| Cash generated from operations | 87,340 | 76,375 |
| Provision for warranties utilised | (313) | (261) |
| Tax paid net of refund | (22,066) | (13,233) |
| Net cash from operating activities | 64,961 | 62,881 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (3,070) | (3,480) |
| Acquisition of investment properties | (90) | - |
| Interest received | 2,033 | 2,120 |
| Proceeds from disposal of property, plant and equipment | - | 1 |
| Net cash used in investing activities | (1,127) | (1,359) |
| Cash flows from financing activities | | |
| Dividends paid to non-controlling interest | (1,326) | (2,137) |
| Dividends paid to owners of the Company | (13,545) | (14,717) |
| (Repayment)/Drawdown of borrowings - net | (55,530) | 15,782 |
| Interest paid | (5,854) | (9,113) |
| Interest paid in relation to lease liabilities | (6) | (9) |
| Payment of lease liabilities | (156) | (114) |
| Proceeds from issuance of ordinary shares pursuant to ESOS | 2,965 | - |
| Purchase of treasury shares | (119) | (1,831) |
| Net cash used in financing activities | (73,571) | (12,139) |
| Net (decrease)/increase in cash and cash equivalents | (9,737) | 49,383 |
| Cash and cash equivalents at beginning of financial year | 114,027 | 64,658 |
| Effect of exchange rate fluctuation on cash held | 160 | (14) |
| Cash and cash equivalents at end of financial year | 104,450 | 114,027 |

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes attached to the interim financial statements and the audited financial statements for the financial year ended 30 September 2020.

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 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 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

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*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 and 1 April 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 year 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 year, a total of 510,000 and 5,295,000 new ordinary shares, respectively, were issued pursuant to the exercise of Employees' Share Option Scheme ("ESOS") at an option price of RM0.56 per ordinary share.
- (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 financial year, 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 September 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 September 2021.

A7. *Dividend Paid*

During the current quarter, the Company paid a first interim single-tier dividend of 1.00 sen per ordinary share in respect of the financial year ended 30 September 2021 on 28 September 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 September 2021 | | | | |
| External revenue | 311,475 | 22,072 | 4,475 | 338,022 |
| Inter segment revenue | 23,518 | 6,622 | 17,495 | 47,635 |
| Total reportable revenue | 334,993 | 28,694 | 21,970 | 385,657 |
| Segment profit | 57,023 | 1,490 | 19,143 | 77,656 |
| Segment assets | 402,850 | 388,283 | 435,517 | 1,226,650 |
| Segment assets | | | | 1,226,650 |
| Elimination of inter-segment transactions or balances | | | | (452,571) |
| | | | | 774,079 |
| Segment liabilities | (98,418) | (225,484) | (100,719) | (424,621) |
| Segment liabilities | | | | (424,621) |
| Elimination of inter-segment transactions or balances | | | | 210,001 |
| | | | | (214,620) |
| <i>Reconciliation of profit</i> | | | | |
| | | | | 30 Sept 2021 |
| | | | | RM'000 |
| Total profit for reportable segments | | | | 77,656 |
| Elimination of inter-segment profits | | | | (17,367) |
| Depreciation | | | | (2,851) |
| Interest expense | | | | (5,858) |
| Interest income | | | | 2,033 |
| | | | | 53,613 |

Notes to the Interim Financial Statements

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

Subsequent to the quarter end, a total of 70,000 new ordinary shares were issued pursuant to the exercise of ESOS at an option price of RM0.56 per ordinary share.

There were no other material events as at 18 November 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

| | 12 months ended | |
|-------------------|------------------------|------------------------|
| | 30 Sept 2021 RM'000 | 30 Sept 2020 RM'000 |
| Revenue | 338,022 | 378,591 |
| Profit before tax | 53,613 | 55,368 |

The Group recorded a lower revenue of RM338.02 million and a lower profit before tax ("PBT") of RM53.61 million in the current financial year compared with RM378.59 million and RM55.37 million, respectively, in the preceding financial year. Higher revenue and PBT in the preceding financial year was mainly due the sale of land amounted to RM39.21 million with a pre-tax gain of RM15.77 million.

The Group's revenue is derived primarily from the trading and services segment which contributed 92.2% of the Group's revenue in the current financial year. The segment recorded a higher revenue of RM311.48 million in the current financial year compared with RM280.38 million in the preceding financial year. Consequently, this segment recorded a higher PBT of RM55.59 million in the current financial year compared with RM41.00 million in the preceding financial year.

The property development segment contributed 6.5% of the Group's revenue in the current financial year. The segment recorded revenue of RM22.07 million and loss before tax ("LBT") of RM4.61 million in the current financial year compared with revenue of RM92.85 million and PBT of RM17.12 million in the preceding financial year. Higher revenue and PBT recorded in the preceding financial year was mainly due to the sale of land amounted 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 year. The segment recorded a revenue of RM4.47 million compared with RM5.36 million in the preceding financial year. The decrease in revenue was mainly due to lower occupancy rate upon the expiry of the lease tenure and lower rental rate. The segment, however, recorded PBT of RM2.63 million in the current financial year compared with LBT of RM2.75 million in the preceding financial year. LBT in previous financial year was mainly attributable to decrease in fair value of RM4.12 million for investment properties held.

Notes to the Interim Financial Statements

B2. Comparison with Preceding Quarter's Results

| | 3 months ended | |
|-------------------|-----------------------|---------------------|
| | 30 Sept 2021 | 30 June 2021 |
| | RM'000 | RM'000 |
| Revenue | 61,808 | 83,473 |
| Profit before tax | 8,850 | 12,975 |

The Group recorded a lower revenue of RM61.81 million in the current quarter ended 30 September 2021 compared with RM83.47 million in the previous quarter ended 30 June 2021. Consequently, the Group recorded a lower PBT of RM8.85 million compared with RM12.98 million in the previous quarter ended 30 June 2021. The Group's current quarter's performance was affected by the nationwide lockdown which commenced from 1 June 2021, as a result of the worsening of the ongoing Covid-19 pandemic. The Group resumed normal business activities only from 16 August 2021 when more economic sectors and all non-essential industries, including electrical, home and kitchen appliances industry, were allowed to operate in all phases of National Recovery Plan (NRP) subject to the compliance of the Standard Operating Procedures. This has contributed directly to the lower revenue and PBT recorded for the current quarter.

Notes to the Interim Financial Statements

B3. Prospects

The Malaysian economy experienced renewed demand and supply shocks arising from strict containment measures under the National Recovery Plan (NRP) 1 during the third quarter of 2021. As a result, the economy contracted by 4.5% (2Q 2021: +16.1%). On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 3.6% (2Q 2021: -1.9%).

In their October World Economic Outlook (WEO) publication, the IMF revised its projection of global growth marginally downwards from 6.0% to 5.9% for 2021, compared to their July WEO. This reflected weaker prospects in advanced economies, due partly to resurgences in Covid-19 cases which dampened domestic demand as well as ongoing supply disruptions in the manufacturing sector. The growth outlook for several emerging market economies (“EMEs”) were revised upwards, reflecting improving demand conditions and commodity exporters benefitting from a rebound in demand and higher prices.

The balance of risks remains tilted to the downside. Covid-19 is a key source of downside risks. Other risks include more severe and persistent global supply disruptions leading to higher price pressures and faster-than-expected policy normalisation. In contrast, upside risks to growth could come from faster vaccination progress in EMEs.

For 2021, the Malaysian economy remains on track to achieve the projected growth range of 3.0% - 4.0%. The recent gradual relaxations for reopening of more economic sectors, along with higher adaptability of firms to the new operating environment and continued policy support, partly mitigated the impact of nationwide containment measures in the third quarter. Furthermore, the successful rollout of the vaccination programme, which has resulted in improved health outcomes, has enabled a phased and safe reopening of economic sectors and allow the economy to continue its recovery path.

Going into 2022, the positive growth momentum is expected to improve. The economy would benefit from expansion in global demand, higher private sector expenditure in line with the resumption of economic activity and continued policy support.

The balance of risks remains tilted to the downside due to external and domestic factors. These include a weaker-than-expected global growth, a worsening in supply chain disruptions, and the re-imposition of containment measures due to the impact of new Covid-19 variants of concern.

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

Notes to the Interim Financial Statements

B3. Prospects (continued)

With the above outlook, the Directors expect the performance for the coming financial year 2022 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.

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 2022 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:

| | 12 months ended 30 Sept 2021 RM'000 |
|---|--|
| Current tax expense | 14,954 |
| Deferred tax expense | 124 |
| | <hr/> |
| | 15,078 |
| Under provision in prior year | 989 |
| | <hr/> |
| | 16,067 |
| | <hr/> <hr/> |
| | RM'000 |
| Profit before tax | 53,613 |
| | <hr/> <hr/> |
| Tax at Malaysian tax rate of 24% | 12,867 |
| Non-deductible expenses and other tax effects | 2,211 |
| | <hr/> |
| Tax expense | 15,078 |
| Under provision in prior year | 989 |
| | <hr/> |
| Tax expense | 16,067 |
| | <hr/> <hr/> |

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 September 2021 are as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|-----------------------------------|---------------------------|-----------------------------|-------------------------|
| Non-current | | | |
| Repayable after 12 months | | | |
| Term loan | 42,788 | - | 42,788 |
| | ===== | ===== | ===== |
| Current | | | |
| Repayable within 12 months | | | |
| Term loan | 15,371 | - | 15,371 |
| Revolving credit | 47,000 | - | 47,000 |
| Bills payable | - | 25,380 | 25,380 |
| Sub-total | 62,371 | 25,380 | 85,751 |
| | ===== | ===== | ===== |
| Total | 105,159 | 25,380 | 130,539 |
| | ===== | ===== | ===== |

B8. Derivatives

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

| | Notional amount RM'000 | Fair value RM'000 | Difference RM'000 |
|---|---------------------------------------|----------------------------------|------------------------------|
| Foreign currency forward contracts | | | |
| Chinese Yuan Renminbi | 617 | 618 | 1 |
| US Dollar | 1,371 | 1,383 | 12 |
| | ----- | ----- | ----- |
| | 1,988 | 2,001 | 13 |
| | ===== | ===== | ===== |

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 RM13,000 has been recognised in the financial statements.

Notes to the Interim Financial Statements

B9. Changes in Material Litigation

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

B10. Dividend

The Directors recommend a final single tier dividend of 2.20 sen per ordinary share in respect of the financial year ended 30 September 2021, which is subject to the approval of the owners of the Company at the forthcoming Annual General Meeting. The proposed dividend has not been included in the financial statements.

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 Sept 2021 RM'000 | 12 months ended 30 Sept 2021 RM'000 |
|---|---|--|
| Profit for the financial period attributable to owners of the Company | 3,927 | 34,501 |
| | '000 | '000 |
| Weighted average number of ordinary shares at 30 September 2021 | 493,256 | 491,107 |
| Basic earnings per share (sen) | 0.80 | 7.03 |
| | '000 | '000 |
| Weighted average number of ordinary shares at 30 September 2021 (basic) | 493,256 | 491,107 |
| Effects of share options | 13,547 | 14,352 |
| Weighted average number of ordinary shares at 30 September 2021 (diluted) | 506,803 | 505,459 |
| Diluted earnings per share (sen) | 0.77 | 6.83 |

Notes to the Interim Financial Statements

B12. Profit before tax

| | 12 months ended 30 Sept 2021 RM'000 |
|---|--|
| Profit before tax is arrived at after charging: | |
| Depreciation and amortisation | 2,851 |
| Interest expense | 5,858 |
| Inventories written down and written off, net | 3,329 |
| Loss on foreign exchange – realised and unrealised | 186 |
| | <hr/> <hr/> |
| and after crediting: | |
| Interest income | 2,033 |
| Reversal of allowance for impairment loss for trade receivables - net | 237 |
| Gain on foreign exchange – realised and unrealised | 260 |
| Gain on derivative financial instruments – realised and unrealised | 22 |
| | <hr/> <hr/> |

B13. Capital Commitments

There was no capital commitment as at 30 September 2021.

This announcement is dated 25 November 2021.