

FIAMMA HOLDINGS BERHAD

Quarterly Report on consolidated results for the second quarter ended 30 June 2024

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(The figures have not been audited)

	NOTE	INDIVIDUAL QUARTER (Q2)		CUMULATIVE QUARTER (6 MONTHS)	
		CURRENT YEAR QUARTER 30 JUN 2024 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUN 2023 RM'000	CURRENT YEAR TO DATE 30 JUN 2024 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUN 2023 RM'000
Revenue		92,175	-	187,774	-
Cost of sales		(66,659)	-	(136,057)	-
Gross profit		25,516	-	51,717	-
Change in fair value of other investments		2,616	-	(9,743)	-
Gain on sales of other investments		5,381	-	14,796	-
Operating expenses		(16,771)	-	(34,471)	-
Finance costs		(1,914)	-	(3,779)	-
Other operating income		826	-	1,907	-
Profit before tax		15,654	-	20,427	-
Tax expense	B5	(3,481)	-	(6,697)	-
Profit for the period		12,173	-	13,730	-
Other comprehensive income					
Foreign exchange translation difference		(159)	-	(59)	-
Total comprehensive income		12,014	-	13,671	-
Profit for the period attributable to:					
Owners of the Company		11,451	-	12,516	-
Non-controlling Interest		722	-	1,214	-
Profit for the period		12,173	-	13,730	-
Total comprehensive income for the period attributable to:					
Owners of the Company		11,340	-	12,475	-
Non-controlling Interest		674	-	1,196	-
Total comprehensive income		12,014	-	13,671	-
Basic earnings per share (sen)	B11	2.16	-	2.36	-
Diluted earnings per share (sen)	B11	2.16	-	2.36	-

Notes:

The financial year end has been changed from 30 September to 31 December. The previous audited financial statements were for the period of fifteen (15) months from 1 October 2022 to 31 December 2023, and thereafter, the financial year end shall be 31 December for each subsequent year. As such, there will be no comparative financial information available for the preceding year corresponding periods.

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 fifteen-month period ended 31 December 2023.

FIAMMA HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

(The figures have not been audited)

	NOTE	AS AT 30 JUN 2024 RM'000	AS AT 31 DEC 2023 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		117,823	117,255
Right-of-use assets		122	140
Investment properties		79,291	79,291
Inventories		155,554	135,072
Deferred tax assets		4,466	4,703
		<u>357,256</u>	<u>336,461</u>
Current assets			
Inventories		293,228	307,451
Contract assets		6,698	2,966
Contract costs		2,037	-
Trade and other receivables		101,333	87,814
Prepayments		2,624	655
Short-term investments - quoted shares		73,688	75,587
Current tax assets		1,214	1,312
Cash and cash equivalents		95,438	104,635
		<u>576,260</u>	<u>580,420</u>
TOTAL ASSETS		<u>933,516</u>	<u>916,881</u>
EQUITY			
Share capital		286,848	286,848
Treasury shares		-	-
Reserves and retained earnings		397,758	385,283
Total equity attributable to owners of the Company		<u>684,606</u>	<u>672,131</u>
Non-controlling interest		<u>20,325</u>	<u>21,229</u>
TOTAL EQUITY		<u>704,931</u>	<u>693,360</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	B7	10,119	16,066
Trade payables		5,398	5,396
Lease liabilities		107	120
Deferred tax liabilities		5,891	5,969
		<u>21,515</u>	<u>27,551</u>
Current liabilities			
Loans and borrowings	B7	143,127	109,645
Trade and other payables		41,546	64,192
Contract liabilities		19,092	20,275
Lease liabilities		30	31
Provision for warranties		450	425
Current tax liabilities		2,825	1,402
		<u>207,070</u>	<u>195,970</u>
TOTAL LIABILITIES		<u>228,585</u>	<u>223,521</u>
TOTAL EQUITY AND LIABILITIES		<u>933,516</u>	<u>916,881</u>
Net assets per share (RM)		<u>1.2912</u>	<u>1.2676</u>

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 fifteen-month period ended 31 December 2023.

FIAMMA HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 JUNE 2024
(The figures have not been audited)

	----- Non-distributable -----				Distributable		NON-CONTROLLING INTEREST	TOTAL EQUITY
	SHARE CAPITAL	TRANSLATION RESERVE	SHARE OPTION RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2024	286,848	3,119	34	11,538	370,592	672,131	21,229	693,360
Total comprehensive income for the financial period								
- Foreign exchange translation reserve	-	(41)	-	-	-	(41)	(18)	(59)
- Profit for the financial period	-	-	-	-	12,516	12,516	1,214	13,730
Total comprehensive income for the financial period	-	(41)	-	-	12,516	12,475	1,196	13,671
Dividends paid by subsidiaries to non-controlling interest	-	-	-	-	-	-	(2,100)	(2,100)
At 30 June 2024	286,848	3,078	34	11,538	383,108	684,606	20,325	704,931

The financial year end has been changed from 30 September to 31 December. The previous audited financial statements were for the period of fifteen (15) months from 1 October 2022 to 31 December 2023, and thereafter, the financial year end shall be 31 December for each subsequent year. As such, there will be no comparative financial information available for the preceding year corresponding periods.

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 fifteen-month period ended 31 December 2023.

FIAMMA HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 30 JUNE 2024
(The figures have not been audited)

	6 MONTHS ENDED 30 JUN 2024 RM'000	6 MONTHS ENDED 30 JUN 2023 RM'000
Cash flows from operating activities		
Profit before tax	20,427	-
Adjustments	(841)	-
Operating profit before changes in working capital	19,586	-
Changes in working capital:		
Contract assets	(3,732)	-
Contract liabilities	(1,183)	-
Inventories	(22,871)	-
Prepayments	(1,969)	-
Trade and other payables	(6,076)	-
Trade and other receivables	(13,609)	-
Cash used in operations	(31,891)	-
Provision for warranties utilised	(200)	-
Tax paid net of refund	(5,016)	-
Net cash used in operating activities	(37,107)	-
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,901)	-
Investment in quoted shares	(56,509)	-
Proceeds from sales of quoted shares	63,461	-
Interest received	1,057	-
Dividend received	20	-
Net cash from investing activities	6,128	-
Cash flows from financing activities		
Drawdown of borrowings - net	27,535	-
Interest paid	(3,608)	-
Interest paid in relation to lease liabilities	(2)	-
Payment of lease liabilities	(14)	-
Net cash from financing activities	21,811	-
Net decrease in cash and cash equivalents	(9,168)	-
Cash and cash equivalents at beginning of financial period	104,635	-
Effect of exchange rate fluctuation on cash held	(29)	-
Cash and cash equivalents at end of financial period	95,438	-

The financial year end has been changed from 30 September to 31 December. The previous audited financial statements were for the period of fifteen (15) months from 1 October 2022 to 31 December 2023, and thereafter, the financial year end shall be 31 December for each subsequent year. As such, there will be no comparative financial information available for the preceding year corresponding periods.

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 fifteen-month period ended 31 December 2023.

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 quarter ended 30 June 2024

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 31 December 2023 and for the financial period from 1 October 2022 to 31 December 2023.

A1. Accounting Policies

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and the requirements of Companies Act 2016 in Malaysia. The following are 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 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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 amendments, where applicable from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

The initial application of the abovementioned 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 period ended 31 December 2023 were not subject to any qualification and did not include any adverse comments made under Section 266 (3) of the Companies Act 2016.

A3. Change of financial year end

As announced on 20 March 2023, the Group changed its financial year end from 30 September to 31 December. Due to the change, the Unaudited Condensed Consolidated Statement of Comprehensive Income, Unaudited Condensed Consolidated Statement of Changes in Equity and Unaudited Condensed Consolidated Statement of Cash Flows for the financial period ended 30 June 2024 are not comparable with the individual and cumulative quarter previously reported.

Notes to the Interim Financial Statements

A4. Seasonality or Cyclicity of Interim Operations

The business of the Group was not subject to material seasonal or cyclical fluctuations.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

A6. 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 period ended 31 December 2023.

A7. Debt and Equity Securities

There were no issuance, cancellation, resale and repayments of debt and equity securities for the current financial quarter ended 30 June 2024.

A8. Dividend Paid

No dividend was paid during the current quarter.

A9. Operating Segment Information

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 2024				
External revenue	158,278	27,341	2,155	187,774
Inter/Intra segment revenue	11,825	-	6,079	17,904
Total reportable revenue	170,103	27,341	8,234	205,678
Segment profit/(loss)	18,508	(1,039)	11,238	28,707
Segment assets	452,863	473,489	678,042	1,604,394
Elimination of inter-segment transactions or balances				(670,878)
				933,516
Segment liabilities	(125,738)	(249,579)	(203,602)	(578,919)
Elimination of inter-segment transactions or balances				350,334
				(228,585)

Notes to the Interim Financial Statements

A9. Operating Segment Information (continued)

Reconciliation of profit

	30 Jun 2024
	RM'000
Total profit for reportable segments	28,707
Elimination of inter-segment expenses	(4,525)
Depreciation	(1,314)
Interest expense	(3,498)
Interest income	1,057
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	20,427
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A10. Events Subsequent to the end of the Financial Period

There were no material events as at 23 August 2024, 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.

A11. Changes in Composition of the Group

There were no changes 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	
	30 Jun 2024 RM'000	30 Jun 2023 RM'000
Revenue	187,774	-
Profit before tax	20,427	-

For the six months ended 30 June 2024, the Group recorded a revenue of RM187.77 million and a Profit before tax (“PBT”) of RM20.43 million.

The Group’s revenue is derived primarily from trading and services segment, which contributed 84.3% of the Group’s revenue. This segment recorded a revenue of RM158.28 million and a PBT of RM19.17 million in the current financial period.

The property development segment contributed 14.6% of the Group’s revenue. For the six months ended 30 June 2024, this segment recorded a revenue of RM27.34 million and a Loss before tax (“LBT”) of RM5.47 million.

The investment holding and property investment segment contributed 1.1% of the Group’s revenue in the current financial period. This segment recorded a revenue of RM2.15 million and a PBT of RM6.73 million in the current financial period. The PBT was mainly attributable to the net gain on the sales of other investments of RM14.80 million, which was partially offset by the reversal of previously recognised fair value gain of RM9.74 million upon disposal of other investments.

B2. Comparison with Preceding Quarter’s Results

	3 months ended	
	30 Jun 2024 RM'000	31 Mar 2024 RM'000
Revenue	92,175	95,599
Profit before tax	15,654	4,773

The Group recorded a lower revenue of RM92.18 million in the current quarter ended 30 June 2024, compared with RM95.60 million in the previous quarter ended 31 March 2024. However, the Group recorded a higher PBT of RM15.65 million, compared with RM4.77 million in the previous quarter ended 31 March 2024. The higher PBT is mainly attributable to the net gain on the sales of other investments in current quarter amounting to RM5.38 million, along with the net fair value gain of RM2.62 million recognised for other investments.

Notes to the Interim Financial Statements

B3. Prospects

The electrical home appliance market in Malaysia has been experiencing a series of shifts influenced by global economic and geopolitical factors, particularly ocean freight and raw material costs, compounded by the depreciation of the Ringgit Malaysia against major currencies. These changes are reshaping the industry's supply chain, production costs, and overall market dynamics.

The 2% increase in sales and service tax (SST), along with its extended scope covering repair and maintenance, warehouse management and logistics services, coupled with the diesel subsidy rationalisation, may lead to a potential rise in business operating costs. This, in turn, could contribute to an increased cost of living, potentially diminishing purchasing power of the population.

Despite these challenges, opportunities for growth and adaptation abound in the market. Strategies such as product differentiation, innovation, energy-efficient solutions, and leveraging digital technologies offer avenues for advancement. The Group is strategically focusing on these areas to navigate current challenges and position itself for future growth and success.

With the outlook outlined above and in light of stiff competition, the Directors expect the performance for the financial year 2024 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. Fiamma intends to expand the product range to include the latest trends, lifestyle enhancement, cutting-edge smart connectivity and Internet of Things (IoT) solutions, which could enable the Group to embark on new business ventures synergising with the Group's existing business to capture emerging market opportunities.

For the property development segment, the completed and unsold residential and commercial developments will contribute to the Group's revenue for the financial year 2024. The proposed residential developments in Jalan Yap Kwan Seng, Kuala Lumpur and Johor Bahru are expected to further augment the Group's income stream upon their launch and sale.

B4. Profit Forecast or Profit Guarantee

Not applicable.

Notes to the Interim Financial Statements

B5. Tax Expense

Tax expense comprises the following:

	6 months ended 30 Jun 2024 RM'000
Current tax expense	6,219
Deferred tax expense	160
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	6,379
Under-provision in prior period	318
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	6,697
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Profit before tax	20,427
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Tax at Malaysian tax rate of 24%	4,902
Non-taxable income	(3,551)
Non-deductible expenses and other tax effects	5,028
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Tax expense	6,379
Under-provision in prior period	318
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Tax expense	6,697
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B6. Status of Corporate Proposal

(a) Proposed Joint Ventures with Related Party

On 29 February 2024, the Company and its wholly-owned subsidiaries, Dawn Land Sdn. Bhd. (formerly known as Fiamma Land Sdn. Bhd.) (“DLSB”) and Aricia Sdn. Bhd. (formerly known as Fiamma Properties Sdn. Bhd.) (“ASB”), entered into Shareholders Agreements (“SHA”) with BKG Development Sdn. Bhd. (“BKGD”), a wholly-owned subsidiary of Chin Hin Group Property Berhad (“CHGP”), respectively.

Pursuant to the SHA, BKGD shall subscribe for 1,166,667 new ordinary shares in DLSB and 5,833,334 new ordinary shares in ASB, representing 70% of the enlarged issued ordinary shares of DLSB and ASB, respectively, for subscription considerations of RM1,166,667 and RM5,833,334, respectively, to be satisfied via cash.

Following BKGD’s subscription of shares in DLSB and ASB, the Company’s equity interest in DLSB and ASB will reduce to 30%. As compensations for the dilution of the Company’s equity interests in DLSB and ASB, the Company had on even date entered into Subscription Agreements with BKGD to subscribe for 12,000,000 Redeemable Preference Shares (“RPS”) in BKGD for a nominal subscription price of RM2.00.

BKGD shall redeem the RPS via two tranches as specified below: -

- (i) First tranche: to redeem 50% of the RPS at any time within 60 months from the receipt of subscription consideration of RM2.00 from the Company at a redemption price of RM6.0 million; and
- (ii) Second tranche: to redeem 50% of RPS at any time within 12 months from the date of the first redemption at a redemption price of RM6.0 million.

Notes to the Interim Financial Statements

B6. Status of Corporate Proposal (continued)

(a) Proposed Joint Ventures with Related Party (continued)

In addition, BKGD retains the discretion to redeem the RPS earlier than the specified timelines.

The SHA regulates the rights and obligations of the Company (30%) and BKGD (70%) as shareholders of DLSB and ASB in the joint ventures for the development of freehold lands owned by DLSB and ASB (“Proposed Joint Ventures”).

Pursuant to Paragraph 10.08 of the Bursa Malaysia Securities Berhad’s Listing Requirements, the Proposed Joint Ventures are deemed as related party transactions due to the interests of Datuk Seri Chiau Beng Teik, JP, Chiau Haw Choon and Shelly Chiau Yee Wern in Fiamma Group of Companies and CHGP Group of Companies.

Upon completion of the Shares Subscription, BKGD shall hold 70% of the ordinary shares of DLSB and ASB, respectively, while the Company shall hold the remaining 30%. Arising from the above, the Company is effectively diluting 70% of its equity interest in DLSB and ASB, respectively to BKGD. The Shares Subscription of DLSB and ASB is expected to be completed by second half of 2024, respectively.

On 26 July 2024, FHB, BKGD, and DLSB, as well as FHB, BKGD, and ASB, mutually agreed to extend the period for fulfilling certain conditions precedent outlined in the SHA by an additional three months, up to 28 October 2024.

(b) Proposed Private Placement

On 13 May 2024, the Company proposed to undertake a private placement of up to 10% of its issued ordinary shares (“Fiamma Shares”) (excluding treasury shares), involving issuance of up to a maximum of 53,064,000 new Fiamma Shares (“Placement Shares”).

The issue price shall be at a discount of not more than 10% from the five (5)-day volume weighted average market price of Fiamma Shares immediately preceding the price fixing date(s).

The Placement Shares are expected to raise gross proceeds of approximately RM56.2 million based on the illustrative issue price of RM1.06 per Placement Share, from which RM30.0 million (53.3%) will be earmarked for expansion of trading and services segment and RM15.0 million (26.7%) in the capital expenditure mainly for office renovation to support the digitalisation of the existing workspace. As for the rest of the proceeds, RM9.7 million (17.3%) will be used for general working capital purposes when the need arises and RM1.5 million (2.7%) for expenses related to the Proposed Private Placement.

Bursa Securities has, vide its letter dated 17 July 2024, approved the listing and quotation of up to 53,064,000 new Fiamma Shares to be issued pursuant to the Proposed Private Placement, subject to the fulfilment of the conditions imposed therein.

Saved as disclosed above, the Group has not announced any other 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 2024 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-current			
<i>Repayable after 12 months</i>			
Term loan	10,119	-	10,119
Current			
<i>Repayable within 12 months</i>			
Term loan	12,133	-	12,133
Revolving credit	94,000	-	94,000
Bills payable	-	36,994	36,994
Sub-total	106,133	36,994	143,127
Total	116,252	36,994	153,246

B8. Derivatives

The details of the Group's foreign currency forward contracts as at 30 June 2024 are as follows:

	Notional amount RM'000	Fair value RM'000	Difference RM'000
Foreign currency forward contracts			
US Dollar	259	260	1
Chinese Yuan Renminbi	2,591	2,601	10
	2,850	2,861	11

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 RM11,000 has been recognised in the financial statements.

B9. Changes in Material Litigation

There was no impending material litigation as at 23 August 2024, being the date not earlier than 7 days from the date of this announcement.

B10. Dividend

No dividend was recommended for the current quarter under review.

Notes to the Interim 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 Jun 2024 RM'000	6 months ended 30 Jun 2024 RM'000
Profit for the financial period attributable to owners of the Company	11,451	12,516
	'000	'000
Weighted average number of ordinary shares at 30 June 2024	530,227	530,227
Basic earnings per share (sen)	2.16	2.36
Diluted earnings per share		
	'000	'000
Weighted average number of ordinary shares at 30 June 2024 (basic)	530,227	530,227
Effects of share options	218	213
Weighted average number of ordinary shares at 30 June 2024 (diluted)	530,445	530,440
Diluted earnings per share (sen)	2.16	2.36

B12. Profit before tax

	6 months ended 30 Jun 2024 RM'000
Profit before tax is arrived at after charging:	
Allowance for impairment loss for trade receivables – net	90
Change in fair value of other investments	9,743
Depreciation	1,314
Interest expense	3,498
Inventories written down and written off, net	172
Loss on foreign exchange – realised and unrealised	126
Written off of property, plant and equipment	7
	15,950
and after crediting:	
Gain on derivative financial instrument – realised and unrealised	20
Gain on foreign exchange – realised and unrealised	174
Gain on sales of other investments	14,796
Interest income	1,057
	17,097

Notes to the Interim Financial Statements

B13. Capital Commitments

There was no capital commitment as at 30 June 2024.

This announcement is dated 30 August 2024.