



Asia Brands Berhad (22414-V)

(Incorporated in Malaysia)

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Introduction

The Board of Directors of Asia Brands Berhad is pleased to announce the un-audited financial results of the Group for the financial period ended 31 December 2014.

This interim financial report is prepared in accordance with Financial Reporting Standard 134, "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

This interim financial report is intended to provide an update on the last annual audited financial statements, for financial year ended 31 March 2014.

This report comprises the following:

- Condensed consolidated statements of financial position
- Condensed consolidated statements of profit or loss and other comprehensive income
- Condensed statements of changes in equity
- Condensed consolidated statements of cash flow
- Explanatory notes

Asia Brands Berhad (22414-V)
(Incorporated in Malaysia)
Condensed Consolidated Statements of Financial Position
as at 31 December 2014

	Unaudited 31.12.2014 RM'000	Audited 31.3.2014 RM'000
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	26,722	22,501
Intangible assets	138,238	138,238
Goodwill on consolidation	33,284	33,284
Deferred tax assets	76	47
	198,320	194,070
Current assets		
Inventories	185,172	177,924
Trade receivables	70,844	58,011
Other receivables	20,075	17,920
Tax recoverable	2,673	1,923
Cash and bank balances	8,906	10,302
	287,670	266,080
TOTAL ASSETS	485,990	460,150
 <u>EQUITY AND LIABILITIES</u>		
Share capital	79,117	79,117
Share premium	51,313	51,313
Reserves	115,983	112,187
Shareholders' Equity	246,413	242,617
 Non-Current Liabilities		
Long Term Borrowing	83,000	98,750
Hire purchase payables	31	46
Deferred tax liabilities	569	552
	83,600	99,348
 Current Liabilities		
Trade payables	28,590	25,970
Other payables	29,805	9,917
Hire purchase payables	20	20
Short term borrowings	97,562	82,278
	155,977	118,185
TOTAL LIABILITIES	239,577	217,533
 TOTAL EQUITY AND LIABILITIES	 485,990	 460,150
 Net assets per share (RM)	 3.11	 3.07

Asia Brands Berhad (22414-V)
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Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2014 (Unaudited)

	3 months ended 31.12.2014	3 months ended 31.12.2013	Year-to-date ended 31.12.2014	Year-to-date ended 31.12.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	77,736	83,692	249,847	243,799
Cost of sales	<u>(45,095)</u>	<u>(37,803)</u>	<u>(129,660)</u>	<u>(117,870)</u>
Gross profit	32,641	45,889	120,187	125,929
Other operating income	271	356	7,273	8,912
Selling and distribution expenses	(31,168)	(30,091)	(94,219)	(87,757)
Administrative and other operation expenses	(2,044)	(1,978)	(13,011)	(6,239)
Finance costs	<u>(2,463)</u>	<u>(2,101)</u>	<u>(7,006)</u>	<u>(7,112)</u>
Profit / (Loss) before taxation	(2,763)	12,075	13,224	33,733
Taxation	<u>(1,090)</u>	<u>(5,269)</u>	<u>(5,472)</u>	<u>(10,610)</u>
Profit / (Loss) after taxation	<u><u>(3,853)</u></u>	<u><u>6,806</u></u>	<u><u>7,752</u></u>	<u><u>23,123</u></u>

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Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2014 (Unaudited) (cont'd)

	3 months ended 31.12.2014	3 months ended 31.12.2013	Year-to-date ended 31.12.2014	Year-to-date ended 31.12.2013
	RM'000	RM'000	RM'000	RM'000
Profit / (Loss) for the period	(3,853)	6,806	7,752	23,123
Other comprehensive income:				
Available for sale (AFS) Investments fair value movement	-	-	-	-
Total comprehensive income	<u>(3,853)</u>	<u>6,806</u>	<u>7,752</u>	<u>23,123</u>
Total comprehensive income attributable to:				
Equity holders	<u>(3,853)</u>	<u>6,806</u>	<u>7,752</u>	<u>23,123</u>
	Sen	Sen	Sen	Sen
Earnings / (loss) per share	<u>(4.87)</u>	<u>8.83</u>	<u>9.80</u>	<u>30.01</u>

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Condensed Statements of Changes in Equity
For the period ended 31 December 2014 (Unaudited)

	← Non-distributable →		Distributable	
	Share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
At 1.4.2013	71,925	35,494	84,342	191,761
Issuance of ordinary share capital	7,192	16,543	-	23,735
Share issuance expenses	-	(724)	-	(724)
Total comprehensive income	-	-	23,123	23,123
Transaction with owners - Dividend	-	-	(2,967)	(2,967)
At as 31.12.2013	<u>79,117</u>	<u>51,313</u>	<u>104,498</u>	<u>234,928</u>
At 1.4.2014	79,117	51,313	112,187	242,617
Total comprehensive income	-	-	7,752	7,752
Transaction with owners - Dividend	-	-	(3,956)	(3,956)
At as 31.12.2014	<u>79,117</u>	<u>51,313</u>	<u>115,983</u>	<u>246,413</u>

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**Condensed Consolidated Statements of Cash Flow
for the period ended 31 December 2014 (Unaudited)**

	9 months ended 31.12.2014 RM'000	9 months ended 31.12.2013 RM'000
Cash flow from operating activities		
Profit before tax	13,224	33,733
Adjustments for:		
Interest expenses	7,006	7,112
Non-cash items	6,091	(3,119)
	<hr/>	<hr/>
Operating profit before working capital changes	26,321	37,726
Net change in current assets	(22,266)	(35,098)
Net change in current liabilities	22,609	12,114
	<hr/>	<hr/>
Cash generated from operations	26,664	14,742
Interest paid	(2,792)	(2,017)
Tax paid	(6,332)	(8,465)
	<hr/>	<hr/>
Net cash generated from operating activities	17,540	4,260
Cash flow from investing activities		
Purchase of property, plant and equipment	(10,437)	(8,484)
Acquisition of subsidiary	-	632
Net cash inflow from disposal of subsidiary	4	-
(Advance to)/Repayment from related parties	-	223
Interest income	149	507
Proceeds from disposal of property, plant and equipment and investment property	-	12,227
	<hr/>	<hr/>
Net cash (used in) / generated from investing activities	(10,284)	5,105
	<hr/>	<hr/>

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**Condensed Consolidated Statements of Cash Flow
for the period ended 31 December 2014 (Unaudited) (cont'd)**

	9 months ended 31.12.2014 RM'000	9 months ended 31.12.2013 RM'000
Cash flow from financing activities		
Net proceeds from issuance of ordinary shares	-	23,011
(Repayment to)/Advance from related companies on subsidiaries acquired	-	(391)
Net increase/(decrease) in bank borrowings and hire purchase obligations	(5,363)	(47,330)
Interest paid	(4,214)	(5,095)
Dividends paid	(3,956)	(2,967)
Net cash used in financing activities	(13,533)	(32,772)
Net decrease in cash and cash equivalents	(6,277)	(23,407)
Cash and cash equivalents at beginning of period	6,863	40,538
Cash and cash equivalents at end of period	586	17,131
<u>Cash and cash equivalents at end of period</u>	9 months ended 31.12.2014 RM'000	9 months ended 31.12.2013 RM'000
Cash and bank balance	8,907	17,131
Bank overdraft	(8,321)	-
	586	17,131

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Explanatory Notes

Explanatory notes pursuant to MFRS 134 , “Interim Financial Reporting”

1. Basis of preparation

This interim financial report is prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual financial statements for the financial year ended 31 March 2014, except for the adoption of the following new MFRS, Amendments to MFRSs and Interpretation with effect from 1 April 2014 where applicable:-

MFRS 9 (2009) Financial Instruments)
MFRS 9 (2010) Financial Instruments) To be
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)) announced) by MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures))
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

The adoption of the new MFRS, Amendments to MFRSs and Interpretation does not have significant impact on the interim financial report of the Group.

2. Audit qualification in respect of the audit report of the Group and Company for the preceding financial statements and current status of the matter(s) giving rise to the qualification

The audit report in respect of the financial statements of the Group and the Company for the financial year ended 31 March 2014 was not qualified.

3. Explanatory comments about the seasonality or cyclicity of interim operations

The Group's products cater to the consumer market and business is influenced by the state of the Malaysian economy, consumer confidence and the seasonality of promotional sales and festive seasons.

4. The nature and amount of items affecting assets, liabilities, equity, net income, or cash flow that are unusual because of their nature, size or incidence

Save for the information disclosed in this interim financial report, there are no other unusual items affecting assets, liabilities, equity, net income or cash flow.

5. The nature and amount of material changes in estimates of amounts reported in prior interim periods of the current financial year or material changes in estimates of amounts reported in prior financial year

There was no material changes in estimates of amounts reported in prior financial year.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

The Group did not issue, cancel, repurchase, resell or repay any debt or equity securities during the reporting quarter.

7. The amount of dividends paid (aggregate or per share)

A single tier tax exempt final dividend of 5% amounted to RM3,955,860.70 was paid on 17 October 2014 for financial year ended 31 March 2014 (31 March 2013 : 5% less income tax amounted to RM2,966,895.64).

8. Segmental reporting for business segment, being the Group's basis of segment reporting

Segmental reporting is not presented as we are operating in a single business segment.

9. Status of valuation of property, plant and equipment

There was no valuation of property, plant and equipment carried out during the current financial quarter.

10. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current interim period.

11. Effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiary companies and long-term investments, restructurings, and discontinuing operations

On 1/4/2014, the Company disposed of its wholly-owned subsidiary, B.U.M. Holdings (M) Sdn. Bhd., comprising 1,000,000 ordinary shares of RM1 each to another wholly-owned subsidiary, Anaku Sdn. Bhd. for a total consideration of RM1,000,000.

On 23/5/2014, the Company entered into a Sale and Purchase Agreement to dispose of the entire equity interest in Cocomax Sdn. Bhd., comprising 2,550,000 ordinary shares of RM1 each for a total consideration of RM8,000. The transaction was completed on 13 June 2014 and consequently, Cocomax Sdn. Bhd. ceased to be a wholly-owned subsidiary of the Company. There is no material impact on the financial statements of the Group upon the disposal of Cocomax Sdn. Bhd.

On 2/9/2014, Mickey Junior Sdn. Bhd., a wholly-owned subsidiary of the Company had disposed of its wholly-owned subsidiary, AIMB Cottonshop Sdn. Bhd., comprising 2 ordinary shares of RM1 each to another wholly-owned subsidiary, Audrey Sdn. Bhd. for a total consideration of RM2.

12. Changes in contingent liabilities or contingent assets since the last annual balance sheet date

The Company's contingent liabilities in respect of corporate guarantees granted to subsidiaries for banking and financing facilities as at 31 December 2014 amounted to RM 96,160,000 (31 March 2014 : RM101,160,000).

Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements of Bursa Malaysia

13. Review of performance of the Company and principal subsidiaries, setting-out material factors affecting earnings and/or revenue of the Company and Group for the financial year-to-date

Performance review for the quarter

Revenue

The current quarter revenue period ended 31 December 2014 amounted to RM77.7 million, which was RM6.0 million or 7.2% lower than RM83.7 million for the same quarter last year.

The lower revenue compared with the same quarter last year is due to weak consumer sentiment resulting from bad weather especially the floods in the East Coast which contributed to the poor performance.

Pre-tax Profit

For the current quarter, the Group recorded a pre-tax loss of RM2.8 million, as compared to a pre-tax profit of RM12.1 million for the same period of the preceding year.

High promotional costs were incurred during the year end festive sales but our efforts did not bring about the desired revenue as mentioned above resulting in the Group recording an unexpected loss during the period.

Performance review for the financial year to date

Revenue

Revenue for the 9 months period ended 31 December 2014 amounted to RM249.8 million, which was RM6 million or 2.5% higher than RM243.8 million for the corresponding 9 months period last year.

The Group's higher revenue compared with corresponding 9 months period last year was due to strong performance in the first quarter. However, due to underperformance of the current quarter results, we did not perform as expected for the financial year to date.

Pre-tax Profit

For the current 9 months period, the Group recorded a pre-tax profit amounting of RM13.2 million, which was RM20.5 million or 60.8% lower, compared to RM33.7 million for the corresponding 9 months period last year.

The Group's lower pre-tax profit compared with the corresponding 9 months period last year was due to higher expenses incurred as a result of aggressive promotional activities. In an effort to pare down inventories, heavier price discounts were given which resulted in a drop of 3.1% in gross margin. Last year was aided by a one-off gain on disposal of property, plant and equipment amounting of RM6.6mil.

14. Comparison with preceding quarter's results

The Group recorded a decrease in revenue of RM14.6 million for the current quarter ended 31 December 2014 to RM77.7 million as compared to RM92.3 million in the preceding quarter ended 30 September 2014.

The Group recorded a pre-tax loss of RM2.8 million for the current quarter ended 31 December 2014 as compared to the pre-tax profit of RM5.9 million recorded for the quarter ended 30 September 2014.

The Group recorded a lower earnings for the current quarter due to weak consumer sentiment resulting from bad weather especially the floods in the East Coast.

15. Current year prospects

Competition is expected to get more intense with the expected slowing down of consumer spending. Commodity export prices are falling, especially crude oil, while the ringgit exchange rate depreciated against the US dollar in recent times. Foreign investors are reallocating their portfolio towards dollar-denominated assets, shifting out of commodity-based contracts, while local firms are adjusting to a higher interest rate environment.

We will continue to cut down on our inventories, as carrying costs are expected to rise with anticipated higher interest rate environment. Apart from these economic conditions, heavy rains and severe flooding also occurred in late December 2014.

In the run up to implementation of GST in April 2015 the management will continue with aggressive promotional activities to protect its market share in the impending soft retail environment.

16. Status of profit forecast or profit guarantee

This is not applicable to the Group.

17. Details of tax charge and an explanation of the variance between the effective and statutory tax rate for the current quarter and financial year-to-date

The tax charge comprised:

	3 months ended 31.12.2014 RM'000	3 months ended 31.12.2013 RM'000	Year-to-date ended 31.12.2014 RM'000	Year-to-date ended 31.12.2013 RM'000
Income tax	(152)	(3,672)	(4,989)	(8,947)
Over/(Under)provision - Prior year	(496)	(1,139)	(496)	(1,139)
Deferred tax	(442)	(458)	13	(524)
	----- (1,090) =====	----- (5,269) =====	----- (5,472) =====	----- (10,610) =====

The Group's effective tax rate is higher than the statutory tax rate of 25%, mainly due to non-deductibility of the term loan interest and underprovision for taxation in last financial year.

18. Details of purchase or disposal of unquoted securities other than securities in existing subsidiary companies and associated companies

The Group did not purchase or dispose any unquoted securities during the current reporting period.

19. Status of corporate proposals announced but not completed, which is not earlier than 7 days from the date of this report

The Group has no pending corporate proposals.

20. Group borrowings and debt securities as at the end of the reporting period

Details of borrowings and debt securities as at the end of the reporting period are as follows:

	As at 31.12.2014 RM'000
Long term borrowings	
Secured	
Term loan	<u>83,000</u>
Short term borrowings	
Secured	
Term loan	21,000
Unsecured	
Bankers' acceptances	68,241
Bank overdrafts	8,321
	<u>76,562</u>
	<u>97,562</u>

The Group does not have any borrowings that are denominated in foreign currency.

21. Summary of off-balance sheet financial instruments, which is not earlier than 7 days from the date of this report

The Group has not entered into any arrangements involving financial instruments.

22. Changes in material litigation (including status of any pending material litigation) since the last annual balance sheet date, which is not earlier than 7 days from the date of this report

The Group does not have any material litigation.

23. Dividends

The Directors did not declare any dividend for the current reporting quarter.

24. Basis and methods of calculating earnings / (loss) per share

The basic earnings / (loss) per share is calculated by dividing the net profit attributable to shareholder by the weighted average number of ordinary shares in issue of 79,117,214 (2013 : 77,051,034) during the period.

25. Disclosure of realised and unrealised profit

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing requirements. The directive required all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. The breakdown of the retained profits of the group as at 31 December 2014, into realised and unrealised profits, pursuant to the directive, is as follows:-

	As at 31.12.2014 RM'000
Total retained earnings of the Group	
- Realised	178,493
- Unrealised	<u>(493)</u>
	178,000
Consolidated adjustments	(62,017)
Total retained earnings as per condensed consolidated statement of changes in equity	<u><u>115,983</u></u>

26. Profit/(Loss) for the Period/Year

	3 months ended 31.12.2014 RM'000	3 months ended 31.12.2013 RM'000	Year-to-date ended 31.12.2014 RM'000	Year-to-date ended 31.12.2013 RM'000
Profit/(Loss) for the period is arrived at after crediting:				
Interest income	43	90	149	507
Gain on foreign exchange-realised	5	1	14	4
Gain on disposal of property, plant and equipment	-	563	-	7,184
Gain on disposal of subsidiary	-	-	6,483	-
Negative goodwill	-	-	-	1,172
and after charging:				
Interest expense	2,463	2,101	7,006	7,112
Amortisation and Depreciation	2,156	1,997	6,213	5,902
Inventories written-off	44	33	88	196
Bad debts written-off	17	13	6,544	22
Allowance/(Reversal) of impairment:-				
- Property, plant and equipment	-	-	-	-
- Receivable	(85)	(225)	(125)	(949)
- Deposit	-	-	-	-
- Inventories	-	-	-	-
Loss on foreign exchange-unrealised	-	-	-	1
Loss on disposal of property, plant and equipment	-	-	-	466
Property, plant and equipment written-off	3	102	3	107

There were no gain or loss on derivatives or exceptional items for current quarter and financial period to-date 31 December 2014 (31 March 2014: N/A)

By order of the Board

Chua Siew Chuan
Company Secretary
Kuala Lumpur
28 February 2015