



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 unaudited financial results of the Group for the financial period ended 31 December 2016.

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 2016.

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 2016

| | Unaudited 31.12.2016 RM'000 | Audited 31.3.2016 RM'000 |
|---|--|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 13,375 | 19,180 |
| Intangible assets | 138,238 | 138,238 |
| Goodwill on consolidation | 30,905 | 30,905 |
| Deferred tax assets | - | - |
| | 182,518 | 188,323 |
| Current assets | | |
| Inventories | 105,502 | 136,266 |
| Trade receivables | 46,142 | 50,752 |
| Other receivables | 15,208 | 16,107 |
| Tax recoverable | 8,361 | 7,842 |
| Cash and bank balances | 17,108 | 9,882 |
| | 192,321 | 220,849 |
| TOTAL ASSETS | 374,839 | 409,172 |
| EQUITY AND LIABILITIES | | |
| Share capital | 79,117 | 79,117 |
| Share premium | 51,313 | 51,313 |
| Reserves | 29,402 | 64,227 |
| Shareholders' Equity | 159,832 | 194,657 |
| Non-Current Liabilities | | |
| Hire purchase payables | - | 4 |
| Deferred tax liabilities | 64 | 26 |
| | 64 | 30 |
| Current Liabilities | | |
| Trade payables | 25,237 | 17,383 |
| Other payables | 14,108 | 9,214 |
| Amount owing to ultimate holding | 17,236 | 18,965 |
| Hire purchase payables | 9 | 22 |
| Short term borrowings | 158,353 | 168,901 |
| | 214,943 | 214,485 |
| TOTAL LIABILITIES | 215,007 | 214,515 |
| TOTAL EQUITY AND LIABILITIES | 374,839 | 409,172 |
| Net assets per share (RM) | 2.02 | 2.46 |

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 2016 (Unaudited)

| | 3 months ended 31.12.2016 | 3 months ended 31.12.2015 | Year-to-date ended 31.12.2016 | Year-to-date ended 31.12.2015 |
|---|--|--|--|--|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 59,645 | 56,785 | 158,931 | 183,972 |
| Cost of sales | <u>(39,765)</u> | <u>(30,886)</u> | <u>(98,430)</u> | <u>(103,503)</u> |
| Gross profit | 19,880 | 25,919 | 60,501 | 80,469 |
| Other operating income | 827 | 3,407 | 1,530 | 4,040 |
| Selling and distribution expenses | (32,568) | (30,667) | (86,270) | (89,949) |
| Administrative and other operation expenses | (744) | (1,900) | (2,798) | (6,548) |
| Finance costs | (2,234) | (2,995) | (7,266) | (8,073) |
| Loss before taxation | <u>(14,839)</u> | <u>(6,236)</u> | <u>(34,303)</u> | <u>(20,061)</u> |
| Taxation | (36) | 629 | (522) | 4,575 |
| Loss after taxation | <u><u>(14,875)</u></u> | <u><u>(5,607)</u></u> | <u><u>(34,825)</u></u> | <u><u>(15,486)</u></u> |

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 2016 (Unaudited) (cont'd)

| | 3 months ended 31.12.2016 | 3 months ended 31.12.2015 | Year-to-date ended 31.12.2016 | Year-to-date ended 31.12.2015 |
|--|---------------------------------|---------------------------------|-------------------------------------|-------------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss for the period | (14,875) | (5,607) | (34,825) | (15,486) |
| Other comprehensive income: | | | | |
| Available for sale (AFS) Investments fair value movement | - | - | - | - |
| Total comprehensive expenses | (14,875) | (5,607) | (34,825) | (15,486) |
| Total comprehensive expenses attributable to: | | | | |
| Equity holders | (14,875) | (5,607) | (34,825) | (15,486) |
| | Sen | Sen | Sen | Sen |
| Loss per share | (18.80) | (7.09) | (44.02) | (19.57) |

Asia Brands Berhad (22414-V)
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Condensed Statements of Changes in Equity
For the period ended 31 December 2016 (Unaudited)

| | ← Non-distributable → | | Distributable | |
|---|----------------------------|----------------------------|-------------------------------|-----------------|
| | Share Capital RM'000 | Share premium RM'000 | Retained profits RM'000 | Total RM'000 |
| At 1.4.2015 | 79,117 | 51,313 | 109,845 | 240,275 |
| Loss after taxation/ Total comprehensive expenses | - | - | (15,486) | (15,486) |
| Transaction with owners - Dividend | - | - | (396) | (396) |
| At as 31.12.2015 | <u>79,117</u> | <u>51,313</u> | <u>93,963</u> | <u>224,393</u> |
| At 1.4.2016 | 79,117 | 51,313 | 64,227 | 194,657 |
| Loss after taxation/ Total comprehensive expenses | - | - | (34,825) | (34,825) |
| Transaction with owners - Dividend | - | - | - | - |
| At as 31.12.2016 | <u>79,117</u> | <u>51,313</u> | <u>29,402</u> | <u>159,832</u> |

Asia Brands Berhad (22414-V)
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**Condensed Consolidated Statements of Cash Flow
for the period ended 31 December 2016 (Unaudited)**

| | 9 months ended 31.12.2016 RM'000 | 9 months ended 31.12.2015 RM'000 |
|---|---|---|
| Cash flow from operating activities | | |
| Loss before tax | (34,303) | (20,061) |
| Adjustments for: | | |
| Interest expenses | 7,266 | 8,073 |
| Non-cash items | 15,609 | 8,908 |
| | <hr/> | <hr/> |
| Operating loss before working capital changes | (11,428) | (3,080) |
| Net change in current assets | 26,014 | 25,088 |
| Net change in current liabilities | 12,581 | (8,893) |
| | <hr/> | <hr/> |
| Cash generated from operations | 27,167 | 13,115 |
| Interest paid | (7,266) | (8,073) |
| Tax paid | (836) | (1,320) |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 19,065 | 3,722 |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (762) | (2,633) |
| Placement of deposit with licensed bank | (5,097) | - |
| Net cash outflow for acquisition of subsidiary | - | 339 |
| Interest income | 134 | 126 |
| Proceeds from disposal of property, plant and equipment and investment property | 1,081 | 2 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (4,644) | (2,166) |

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**Condensed Consolidated Statements of Cash Flow
for the period ended 31 December 2016 (Unaudited) (cont'd)**

| | 9 months ended 31.12.2016 RM'000 | 9 months ended 31.12.2015 RM'000 |
|--|---|---|
| Cash flow from financing activities | | |
| Repayment to ultimate holding company | (1,729) | (32,553) |
| Net (decrease)/increase in bank borrowings and hire purchase obligations | (10,358) | 21,501 |
| Dividend paid | - | (396) |
| Net cash used in financing activities | <u>(12,087)</u> | <u>(11,448)</u> |
| Net increase/(decrease) in cash and cash equivalents | 2,334 | (9,892) |
| Cash and cash equivalents at beginning of period | 2,866 | 21,606 |
| Cash and cash equivalents at end of period | <u><u>5,200</u></u> | <u><u>11,714</u></u> |
| | | |
| <u>Cash and cash equivalents at end of period</u> | 9 months ended 31.12.2016 RM'000 | 9 months ended 31.12.2015 RM'000 |
| Cash and bank balance | 17,106 | 13,783 |
| Bank overdraft | <u>(2,694)</u> | <u>(2,069)</u> |
| | 14,412 | 11,714 |
| Less : Fixed deposit with licensed bank with maturity more than 3 months | <u>(9,212)</u> | - |
| | <u><u>5,200</u></u> | <u><u>11,714</u></u> |

Asia Brands Berhad (22414-V)
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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.

Effective from 1 April 2016, the Group has adopted the following new accounting standards and interpretation (including the consequential amendments, if any):-

MFRSs and IC Interpretation (Including The Consequential Amendments)

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions

Annual Improvements to MFRSs 2010 – 2012 Cycle

Annual Improvements to MFRSs 2011 – 2013 Cycle

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

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

| MFRSs and IC Interpretation (Including The Consequential Amendments) | Effective Date |
|--|-------------------------------|
| MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| MFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 16 Leases | 1 January 2019 |
| Amendments to MFRS 10 and MFRS 128 (2011):Sales or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred until further notice |
| Amendments to MFRS 11:Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011):Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| Amendments to MFRS 15:Effective Date of MFRS 15 | 1 January 2018 |
| Amendments to MFRS 15:Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’ | 1 January 2018 |
| Amendments to MFRS 101:Presentation of Financial Statements – Disclosure Initiative | 1 January 2016 |
| Amendments to MFRS 107:Disclosure Initiative | 1 January 2017 |
| Amendments to MFRS 112:Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| Amendments to MFRS 116 and MFRS 138:Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141:Agriculture – Bearer Plants | 1 January 2016 |
| Amendments to MFRS 127 (2011):Equity Method in Separate Financial Statements | 1 January 2016 |
| Annual Improvements to MFRSs 2012 – 2014 Cycle | 1 January 2016 |

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 2016 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)

There were no dividends paid by the Company during the quarter ended 31 December 2016. However, the Company paid a single tier tax exempt final dividend of 0.5% amounted to RM 395,585.92 to shareholders for financial year ended 31 March 2015 on 13 October 2015.

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 1/9/2016, the Asia Brands Berhad acquired 1,000,000 ordinary shares of RM1.00 each fully paid-up in the capital of General Prestasi Sdn. Bhd. from Anakku Sdn. Bhd., a wholly-owned subsidiary of the Company, for a total consideration of RM2.00. As a result, GPSB ceased to become a wholly-owned subsidiary of Anakku Sdn. Bhd. and became a wholly-owned subsidiary of the Company.

On 15/9/2016, the Group announced entered into a non binding term sheet with Trackland Sdn. Bhd. ("Trackland") in relation to the proposed disposal of 100% equity interest in B.U.M. Marketing (Malaysia) Sdn. Bhd. by the Company for a consideration as set out in Section 2.2 of Term Sheet which can be viewed in the Bursa Malaysia website. On 4/10/2016 and 18/11/2016, the Group announced receipt payment of RM5.0 million from Trackland as per Term Sheet and Share Sales Agreement respectively. The preliminary losses expected from the sale of inventory in relation to the disposal is estimated to be RM24 million.

On 1/10/2016, the Group disposed of the 100% owned direct subsidiaries of Bontton Sdn. Bhd. to Diesel Enterprise Sdn. Bhd. for a total consideration of RM2.00 which was announced on 4/10/2016. Further announcements pertaining to the disposal can be viewed in the Bursa Malaysia website on 5/10/2016 and 11/10/2016.

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 2016 amounted to RM242,660,000 (31 March 2016 : RM267,660,000).

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

The current quarter revenue period ended 31 December 2016 amounted to RM59.6 million, which was RM2.9 million or 5.1% higher than RM56.7 million for the same quarter last year. However, the Group recorded a pre-tax loss of RM14.8 million as compared to a pre-tax loss of RM6.2 million for the same period of the preceding year of which RM8.6 million was due to mark down of inventory for bulk sales.

Revenue for the 9 months period ended 31 December 2016 amounted to RM158.9 million, which was RM23.8 million or 13.0% lower than RM182.7 million for the corresponding 9 months period last year. Consequently, for the current 9 months period, the Group recorded a pre-tax loss amounting of RM34.3 million as compared to a pre-tax loss of RM20.1 million for the corresponding 9 months period last year.

The lower revenue and losses incurred for the 9 months period was due to bulk sale of mark-downed inventory by RM8.6 million and the continuing closure of non-productive and non-performing outlets and counters.

14. Comparison with preceding quarter's results

The Group recorded an increase in revenue of RM15.5 million for the current quarter ended 31 December 2016 to RM59.6 million as compared to RM44.1 million in the preceding quarter ended 30 September 2016.

The Group recorded a pre-tax loss of RM14.8 million for the current quarter ended 31 December 2016 as compared to pre-tax loss of RM12.9 million recorded for the quarter ended 30 September 2016.

The spike in revenue for the quarter was due to year-end warehouse clearance activity. The result of non-productive outlet closure had resulted in continued losses for the current quarter.

15. Current year prospects

The Groups business faces stiff competition throughout the financial year. The weakened local currency together with the increase of minimum wage results in higher operating cost for the Group. Profit margin for the Group continues to be affected due to price competition amongst market players. Weakened sentiments continue to plague the retail industry.

The Group will continue to adopt appropriate action plan to improve Group Profit.

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 31.12.2016 RM'000 | 3 months ended 31.12.2015 RM'000 | Year-to-date ended 31.12.2016 RM'000 | Year-to-date ended 31.12.2015 RM'000 |
|---|---|---|---|---|
| Income tax | - | (220) | (480) | (220) |
| Over/(Under)provision - Prior year | (4) | (77) | (4) | (79) |
| Deferred tax | (32) | 926 | (38) | 4,866 |
| Effect on opening deferred tax resulting from a reduction in income tax rate | - | - | - | 8 |
| | ----- (36) ===== | ----- 629 ===== | ----- (522) ===== | ----- 4,575 ===== |

The current year tax was provided due to non-deductible expenses from the profit making subsidiaries.

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 31.12.2016 RM'000 |
|------------------------------|--|
| Long term borrowings | |
| Secured | |
| Term loan | - |
| Short term borrowings | |
| Secured | |
| Term loan | 130,000 |
| Unsecured | |
| Bankers' acceptances | 25,658 |
| Bank overdrafts | 2,695 |
| | 28,353 |
| | 158,353 |

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 (2016 : 79,117,214) 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 2016, into realised and unrealised profits, pursuant to the directive, is as follows:-

| | As at 31.12.2016 RM'000 |
|--|--|
| Total retained earnings of the Group | |
| - Realised | 78,396 |
| - Unrealised | <u>(64)</u> |
| | 78,332 |
| Consolidated adjustments | (48,930) |
| Total retained earnings as per condensed consolidated statement of changes in equity | <u><u>29,402</u></u> |

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

| | 3 months ended 31.12.2016 RM'000 | 3 months ended 31.12.2015 RM'000 | Year-to-date ended 31.12.2016 RM'000 | Year-to-date ended 31.12.2015 RM'000 |
|--|---|---|---|---|
| Profit/(Loss) for the period is arrived at after crediting: | | | | |
| Interest income | 32 | 28 | 134 | 126 |
| Gain on foreign exchange-realised | 2 | - | 9 | - |
| Gain on disposal of property, plant and equipment | 652 | - | 662 | 1 |
| and after charging: | | | | |
| Interest expense | 2,234 | 2,995 | 7,266 | 8,073 |
| Amortisation and Depreciation | 1,649 | 2,235 | 5,508 | 6,791 |
| Inventories written-off | 983 | 34 | 3,012 | 192 |
| Inventories written down to NRV | 8,629 | - | 8,629 | - |
| Bad debts written-off | - | - | 134 | - |
| Allowance/(Reversal) of impairment:- | | | | |
| - Receivable | 81 | 636 | (1,518) | 1,995 |
| Property, plant and equipment written-off | - | - | 640 | 56 |

There were no gain nor loss on derivatives or exceptional items for current quarter and financial period to-date 31 December 2016 (31 March 2016: N/A)

27. Comparative figures

The following comparative figures have been reclassified to conform with the presentation of the current financial year:-

| | As Restated RM'000 | As Previously Reported RM'000 |
|--|-----------------------|-------------------------------------|
| Statement of Comprehensive Income (Extract):- | | |
| Revenue | 183,972 | 182,692 |
| Other operating income | 4,040 | 5,320 |

By order of the Board
Chua Siew Chuan
Company Secretary
Kuala Lumpur
24 February 2017