



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 30 June 2017.

This interim financial statements is prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, "Interim Financial Reporting" issued by Malaysian Accounting Standards Boards ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

This interim financial statements is intended to provide an update on the last annual audited financial statements, for financial year ended 31 March 2017.

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 30 June 2017

	Unaudited 30.6.2017 RM'000	Audited 31.3.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,745	9,621
Intangible assets	131,000	131,000
Goodwill on consolidation	30,905	30,905
Deferred tax assets	11,915	11,915
	182,565	183,441
Current assets		
Inventories	69,025	62,702
Trade receivables	45,094	37,615
Other receivables	8,035	11,001
Tax recoverable	7,239	7,179
Cash and bank balances	10,759	13,571
	140,152	132,068
TOTAL ASSETS	322,717	315,509
 EQUITY AND LIABILITIES		
Share capital	130,431	130,431
Share premium	-	-
Reserves	7,553	5,733
Shareholders' Equity	137,984	136,164
 Non-Current Liabilities		
Hire purchase payables	-	-
Deferred tax liabilities	20	25
	20	25
 Current Liabilities		
Trade payables	25,188	16,665
Other payables	8,794	7,131
Amount owing to ultimate holding	14,971	20,103
Hire purchase payables	-	4
Short term borrowings	135,760	135,417
	184,713	179,320
TOTAL LIABILITIES	184,733	179,345
 TOTAL EQUITY AND LIABILITIES	322,717	315,509
 Net assets per share (RM)	1.74	1.72

Asia Brands Berhad (22414-V)
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Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2017 (Unaudited)

	3 months ended 30.6.2017	3 months ended 30.6.2016	Year-to-date ended 30.6.2017	Year-to-date ended 30.6.2016
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Revenue	44,179	41,156	44,179	41,156
Cost of sales	(23,317)	(21,682)	(23,317)	(21,682)
Gross profit	20,862	19,474	20,862	19,474
Other operating income	147	216	147	216
Selling and distribution expenses	(15,762)	(20,291)	(15,762)	(20,291)
Administrative and other operation expenses	(707)	(636)	(707)	(636)
Finance costs	(2,012)	(1,639)	(2,012)	(1,639)
Profit/(Loss) before taxation	2,528	(2,876)	2,528	(2,876)
Taxation	(708)	(152)	(708)	(152)
Profit/(Loss) from continuing operations, net of tax	1,820	(3,028)	1,820	(3,028)
<u>Discontinued Operation</u>				
Loss from discontinued operation, net of tax	-	(3,695)	-	(3,695)
Profit / (Loss) after taxation	1,820	(6,723)	1,820	(6,723)

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Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2017 (Unaudited) (cont'd)

	3 months ended 30.6.2017	3 months ended 30.6.2016	Year-to-date ended 30.6.2017	Year-to-date ended 30.6.2016
	RM'000	RM'000	RM'000	RM'000
Profit / (Loss) for the period	1,820	(6,723)	1,820	(6,723)
Other comprehensive income:				
Available for sale (AFS) Investments fair value movement	-	-	-	-
Total comprehensive income / (expenses)	<u>1,820</u>	<u>(6,723)</u>	<u>1,820</u>	<u>(6,723)</u>
Total comprehensive income / (expenses) attributable to:				
Equity holders	<u>1,820</u>	<u>(6,723)</u>	<u>1,820</u>	<u>(6,723)</u>
	Sen	Sen	Sen	Sen
Earnings / (Loss) per share	<u>2.30</u>	<u>(8.50)</u>	<u>2.30</u>	<u>(8.50)</u>

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Condensed Statements of Changes in Equity
For the period ended 30 June 2017 (Unaudited)

	← Non-distributable →		Distributable	
	Share Capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
At 1.4.2016	79,117	51,313	64,227	194,657
Loss after taxation/ Total comprehensive expenses	-	-	(6,723)	(6,723)
Transaction with owners - Dividend	-	-	-	-
At as 30.6.2016	<u>79,117</u>	<u>51,313</u>	<u>57,504</u>	<u>187,934</u>
At 1.4.2017	130,431	-	5,733	136,164
Profit after taxation/ Total comprehensive income	-	-	1,820	1,820
Transaction with owners - Dividend	-	-	-	-
At as 30.6.2017	<u>130,431</u>	<u>-</u>	<u>7,553</u>	<u>137,984</u>

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**Condensed Consolidated Statements of Cash Flow
for the period ended 30 June 2017 (Unaudited)**

	3 months ended 30.6.2017 RM'000	3 months ended 30.6.2016 RM'000
Cash flow from operating activities		
Profit/(Loss) before tax from continuing operations	2,528	(2,876)
Loss before tax from discontinued operation	-	(3,695)
	<u>2,528</u>	<u>(6,571)</u>
Adjustments for:		
Interest expenses	2,012	2,447
Non-cash items	(1,437)	1,813
Operating profit/(loss) before working capital changes	<u>3,103</u>	<u>(2,311)</u>
Net change in current assets	(8,325)	(2,431)
Net change in current liabilities	9,594	17,034
Cash generated from operations	<u>4,372</u>	<u>12,292</u>
Interest paid	(2,012)	(2,447)
Tax paid	(180)	(405)
Net cash generated from operating activities	<u>2,180</u>	<u>9,440</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(243)	(317)
Interest income	44	10
Net cash used in investing activities	<u>(199)</u>	<u>(307)</u>
Cash flow from financing activities		
(Repayment to)/Advances from ultimate holding company	(5,132)	2,000
Net increase/(decrease) in bank borrowings and hire obligations	339	(11,952)
Net cash used in financing activities	<u>(4,793)</u>	<u>(9,952)</u>
Net decrease in cash and cash equivalents	<u>(2,812)</u>	<u>(819)</u>
Cash and cash equivalents at beginning of period	13,571	2,866
Cash and cash equivalents at end of period	<u>10,759</u>	<u>2,047</u>

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**Condensed Consolidated Statements of Cash Flow
for the period ended 30 June 2017 (Unaudited) (cont'd)**

<u>Cash and cash equivalents at end of period</u>	3 months ended 30.6.2017 RM'000	3 months ended 30.6.2016 RM'000
Cash and bank balance	10,759	9,079
Bank overdraft	-	(2,917)
	10,759	6,162
Less : Fixed deposit with licensed bank with maturity more than 3 months	-	(4,115)
	10,759	2,047

Note:

<u>Cash flows generated from/(used in) discontinued operation</u>	3 months ended 30.6.2017 RM'000	3 months ended 30.6.2016 RM'000
Net cash generated from operating activities	-	5,861
Net cash used in investing activities	-	(55)
Net cash used in financing activities	-	(5,872)
	-	(66)

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Explanatory Notes

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

1. Basis of Preparation

The unaudited interim financial statements is prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134, “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 March 2017.

The accounting policies, method of computation and basis of consolidation applied in the unaudited interim financial statements are consistent with those used in the preparation of the last annual audited financial statements, for the financial year ended 31 March 2017 except for the changes arising from the adoption of the following amendments to MFRS issued by MASB that are effective for the Group’s financial year beginning on 1 April 2017.

- Amendments to MFRS 12 *Disclosure of Interests in Other Entities*
- Amendments to MFRS 107 *Statement of Cash Flows - Disclosure Initiative*
- Amendments to MFRS 112 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

Adoption of above amendments to MFRSs did not have any significant impact on the financial statements 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 auditors have expressed unqualified opinion of the financial statement for the financial year ended 31 March 2017. However the auditors draw attention to the material uncertainty related to going concern due to the Group had a net current liabilities which from reclassification on Islamic Medium Term Notes (“IMTN”) to current liabilities as a results of non-compliance with financial covenants as required in IMTN.

The financial performance from current quarter has shown improvement. The pre-tax profit recorded the current quarter is RM2.5 million compared to pre-tax loss of RM2.9 million for the same period in the preceding year. Out of the two financial covenants that were breached for the financial year ended 31 March 2017, we have met one of the covenants in the current quarter. The Group will still be monitoring and streamlining the Group’s business to turnaround the remaining two divisions.

The key audit matters highlighted by independent auditors are the contingent liabilities related to goodwill and intangible assets, inventories valuation and provision which there were no material changes as compared to the financial year ended 31 March 2017.

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 30 June 2017.

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

There were no changes to the composition of the Group during the financial period ended 30 June 2017.

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 30 June 2017 amounted to RM219,500,000 (31 March 2017 : RM219,500,000).

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 30 June 2017 amounted to RM44.2 million, which was RM3.0 million or 7.3% higher than RM41.2 million for the same quarter last year. Consequently, the Group recorded a pre-tax profit of RM2.5 million as compared to a pre-tax loss of RM2.9 million for the same period of the preceding year.

The higher revenue was due to sales activity in conjunction with the Hari Raya festive period which falls in the current quarter as compared to the same quarter in the last financial year. The pre-tax profit achieved in the current quarter was the outcome of rental savings due to the initiative to close down non-performing outlets throughout last financial year.

14. Comparison with preceding quarter's results

The Group recorded an increase in revenue of RM2.2 million for the current quarter ended 30 June 2017 to RM44.2 million as compared to RM42.0 million from continuing operations in the preceding quarter ended 31 March 2017 excluding discontinued operation of RM8.3 million.

The Group recorded a pre-tax profit of RM2.5 million for the current quarter ended 30 June 2017 as compared to pre-tax loss from continuing operations of RM28.0 million recorded for the quarter ended 31 March 2017 excluding discontinued operation of RM7.2 million.

The higher revenue for the current quarter was due to Hari Raya festive sales activity. The pre-tax profit achieved in the current quarter was due to the reversal of impairment which was general provisions for debtors aging above 180 days of RM2.2 million. Such provisions are no longer required in the current quarter.

15. Current year prospects

The Group had successfully streamlined most of the business by disposing off loss-making division and re-channeling management time and energy to turnaround the remaining two divisions.

We expect rental rates to remain soft this year, which may translate to opportunity for the Group to secure tenancy at good retail locations. Another initiative which we have put in place is to negotiate for temporary lease or 'pop-up' stores in order to take advantage of retail oversupply and the availability of space in malls.

E-commerce is a relevant distribution platform going forward. With that in mind, we will commit more resource to grow this channel in this coming year. We will continue to look into export market for expansion.

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 30.6.2017 RM'000	3 months ended 30.6.2016 RM'000	Year-to-date ended 30.6.2017 RM'000	Year-to-date ended 30.6.2016 RM'000
Income tax	(713)	(155)	(713)	(155)
Over/(Under)provision - Prior year	-	-	-	-
Deferred tax	5	3	5	3
Effect on opening deferred tax resulting from a reduction in income tax rate	-	-	-	-
	----- (708) =====	----- (152) =====	----- (708) =====	----- (152) =====

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 30.6.2017 RM'000
Long term borrowings	
Secured	
Term loan	-
Short term borrowings	
Secured	
Term loan	120,000
Unsecured	
Bankers' acceptances	15,760
Bank overdrafts	-
	15,760
	135,760

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 loss attributable to shareholder by the weighted average number of ordinary shares in issue of 79,117,214 (2017 : 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 30 June 2017, into realised and unrealised profits, pursuant to the directive, is as follows:-

	As at 30.6.2017 RM'000
Total retained earnings of the Group	
- Realised	25,700
- Unrealised	11,895
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	37,595
Consolidated adjustments	(30,042)
Total retained earnings as per condensed consolidated statement of changes in equity	<hr/> <hr/>
	7,553

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

	3 months ended 30.6.2017 RM'000	3 months ended 30.6.2016 RM'000	Year-to-date ended 30.6.2017 RM'000	Year-to-date ended 30.6.2016 RM'000
Profit/(Loss) for the period is arrived at after crediting:				
Interest income	44	10	44	10
Bad debts recovered	30	-	30	-
and after charging:				
Interest expense	2,012	2,447	2,012	2,447
Amortisation and Depreciation	1,119	1,991	1,119	1,991
Inventories written-off	20	81	20	81
Bad debts written-off	64	2	64	2
Allowance/(Reversal) of impairment:- - Receivable	(2,565)	(251)	(2,565)	(251)

There were no gain nor loss on derivatives or exceptional items for current quarter and financial period to-date 30 June 2017 (31 March 2017: N/A)

By order of the Board
Chua Siew Chuan
Company Secretary
Kuala Lumpur
25 August 2017