



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 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 31 December 2017

	Unaudited 31.12.2017 RM'000	Audited 31.3.2017 RM'000
<u>ASSETS</u>		
Non-current assets		
Property, plant and equipment	7,629	9,621
Intangible assets	131,000	131,000
Goodwill on consolidation	30,905	30,905
Deferred tax assets	11,915	11,915
	181,449	183,441
Current assets		
Inventories	60,939	62,702
Trade receivables	32,213	37,615
Other receivables	6,398	11,001
Tax recoverable	7,219	7,179
Cash and bank balances	10,557	13,571
	117,326	132,068
TOTAL ASSETS	298,775	315,509
 <u>EQUITY AND LIABILITIES</u>		
Share capital	130,431	130,431
Reserves	945	5,733
Shareholders' Equity	131,376	136,164
 Non-Current Liabilities		
Deferred tax liabilities	11	25
	11	25
 Current Liabilities		
Trade payables	22,937	16,665
Other payables	8,449	7,131
Amount owing to ultimate holding	5,310	20,103
Hire purchase payables	-	4
Short term borrowings	130,692	135,417
	167,388	179,320
TOTAL LIABILITIES	167,399	179,345
TOTAL EQUITY AND LIABILITIES	298,775	315,509
 Net assets per share (RM)	 1.66	 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 31 December 2017 (Unaudited)

	3 months ended 31.12.2017	3 months ended 31.12.2016	Year-to-date ended 31.12.2017	Year-to-date ended 31.12.2016
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Revenue	35,547	47,818	114,786	123,534
Cost of sales	<u>(18,385)</u>	<u>(29,363)</u>	<u>(59,704)</u>	<u>(69,314)</u>
Gross profit	17,162	18,455	55,082	54,220
Other operating income	74	826	537	1,517
Selling and distribution expenses	(18,709)	(29,972)	(51,304)	(70,209)
Administrative and other operation expenses	(604)	(711)	(1,800)	(2,220)
Finance costs	(1,974)	(2,176)	(6,024)	(5,617)
Loss before taxation	<u>(4,051)</u>	<u>(13,578)</u>	<u>(3,509)</u>	<u>(22,309)</u>
Taxation	(456)	(36)	(1,279)	(522)
Loss from continuing operations, net of tax	<u>(4,507)</u>	<u>(13,614)</u>	<u>(4,788)</u>	<u>(22,831)</u>
<u>Discontinued Operation</u>				
Loss from discontinued operation, net of tax	-	(1,261)	-	(11,994)
Loss after taxation	<u><u>(4,507)</u></u>	<u><u>(14,875)</u></u>	<u><u>(4,788)</u></u>	<u><u>(34,825)</u></u>

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Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2017 (Unaudited) (cont'd)

	3 months ended 31.12.2017	3 months ended 31.12.2016	Year-to-date ended 31.12.2017	Year-to-date ended 31.12.2016
	RM'000	RM'000	RM'000	RM'000
Loss for the period	(4,507)	(14,875)	(4,788)	(34,825)
Other comprehensive income:				
Available for sale (AFS) Investments fair value movement	-	-	-	-
Total comprehensive expenses	<u>(4,507)</u>	<u>(14,875)</u>	<u>(4,788)</u>	<u>(34,825)</u>
Total comprehensive expenses attributable to:				
Equity holders	<u>(4,507)</u>	<u>(14,875)</u>	<u>(4,788)</u>	<u>(34,825)</u>
	Sen	Sen	Sen	Sen
Loss per share	<u>(5.70)</u>	<u>(18.80)</u>	<u>(6.05)</u>	<u>(44.02)</u>

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Condensed Statements of Changes in Equity
For the period ended 31 December 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	-	-	(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>
At 1.4.2017	130,431	-	5,733	136,164
Loss after taxation/ Total comprehensive expenses	-	-	(4,788)	(4,788)
Transaction with owners - Dividend	-	-	-	-
At as 31.12.2017	<u>130,431</u>	<u>-</u>	<u>945</u>	<u>131,376</u>

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**Condensed Consolidated Statements of Cash Flow
for the period ended 31 December 2017 (Unaudited)**

	9 months ended 31.12.2017 RM'000	9 months ended 31.12.2016 RM'000
Cash flow from operating activities		
Loss before tax from continuing operations	(3,509)	(22,308)
Loss before tax from discontinued operation	-	(11,994)
	<u>(3,509)</u>	<u>(34,302)</u>
Adjustments for:		
Interest income	(162)	(134)
Interest expenses	6,024	7,266
Non-cash items	759	15,742
Operating profit/(loss) before working capital changes	<u>3,112</u>	<u>(11,428)</u>
Net change in current assets	14,288	26,014
Net change in current liabilities	<u>6,787</u>	<u>12,581</u>
Cash generated from operations	24,187	27,167
Interest paid	(6,024)	(7,266)
Tax paid	<u>(528)</u>	<u>(836)</u>
Net cash generated from operating activities	<u>17,635</u>	<u>19,065</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,289)	(762)
Placement of deposit with licensed bank	-	(5,097)
Interest income	162	134
Proceeds from disposal of property, plant and equipment and investment property	-	1,081
Net cash used in investing activities	<u>(1,127)</u>	<u>(4,644)</u>
Cash flow from financing activities		
Repayment to ultimate holding company	(14,794)	(1,729)
Net decrease in bank borrowings and hire obligations	<u>(4,728)</u>	<u>(10,358)</u>
Net cash used in financing activities	<u>(19,522)</u>	<u>(12,087)</u>
Net (decrease)/increase in cash and cash equivalents	(3,014)	2,334
Cash and cash equivalents at beginning of period	13,571	2,866
Cash and cash equivalents at end of period	<u>10,557</u>	<u>5,200</u>

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**Condensed Consolidated Statements of Cash Flow
for the period ended 31 December 2017 (Unaudited) (cont'd)**

<u>Cash and cash equivalents at end of period</u>	9 months ended 31.12.2017 RM'000	9 months ended 31.12.2016 RM'000
<u>Continuing operations</u>		
Cash and bank balance	10,557	16,497
Less : Fixed deposit with licensed bank with maturity more than 3 months	-	(9,212)
	10,557	7,285
<u>Discontinued operation</u>		
Cash and bank balance	-	610
Bank overdraft	-	(2,695)
	10,557	5,200

Note:

<u>Cash flows generated from/(used in) discontinued operation</u>	9 months ended 31.12.2017 RM'000	9 months ended 31.12.2016 RM'000
Net cash generated from operating activities	-	39,391
Net cash generated from investing activities	-	982
Net cash used in financing activities	-	(39,646)
	-	727

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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 current quarter has shown sustainable financial improvement. The pre-tax loss of RM4.1 million compared to pre-tax loss of RM13.6 million for the same period of the preceding year. The Group have not met both the financial covenants as required in IMTN this quarter. One of the ratios will be corrected towards the last quarter with lower indebtedness. The Group had managed to turnaround one of the remaining two divisions. The Group will continue on its existing strategy of monitoring and streamlining to turnaround the other division.

The key audit matters highlighted by independent auditors are the contingent liabilities related to good will 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 31 December 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

On 12/12/2017, 14/12/2017, 8/1/2018, 9/1/2018 and 22/1/2018 respectively, Inter-Pacific Securities Sdn. Bhd. on behalf of the Asia Brands Berhad announced entered into a conditional share subscription agreement with Trackland Sdn. Bhd. for the proposed issuance and allotment of 37,206,586 new ordinary shares in Asia Brands Berhad. The subscription shares represent approximately 31.99% of Asia Brands Berhad's enlarged issued and paid up share capital and are to be issued at an issue price of RM0.741 per subscription share to be satisfied in cash which will raise total gross cash proceeds of approximately RM27.57 million.

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 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 31 December 2017 amounted to RM35.5 million, which was RM12.3 million or 25.7% lower than RM47.8 million for the same quarter last year. The Group recorded a pre-tax loss of RM4.1 million as compared to a pre-tax loss of RM13.6 million for the same period of the preceding year. The same quarter last year includes a one-off bulk sales of Bontton and Diesel casualwear stocks. Despite the lower revenue, the losses were narrowed by the outcome of rentals saved from the closure of non-performing outlets.

Revenue for the 9 months period ended 31 December 2017 amounted to RM114.8 million, which was RM8.7 million or 7.0% lower than RM123.5 million for the corresponding 9 months period last year. For the current 9 months period, the Group recorded a pre-tax loss amounting to RM3.5 million as compared to a pre-tax loss of RM22.3 million for the corresponding 9 months period last year. This is due to the same reason as above.

14. Comparison with preceding quarter's results

The Group recorded a marginal increase in revenue of RM0.4 million for the current quarter ended 31 December 2017 to RM35.5 million as compared to RM35.1 million in the preceding quarter ended 30 September 2017.

The Group recorded a higher pre-tax loss of RM4.1 million for the current quarter ended 31 December 2017 as compared to pre-tax loss of RM2.0 million recorded for the quarter ended 30 September 2017. This is due to impairment of trade receivables amounting to RM0.9 million and net inventory written off amounting to RM1.1 million were taken up in the current quarter.

15. Current year prospects

The Group had successfully streamlined most of the business by channeling management time and energy to turnaround the existing two divisions. Significant focuses were placed on product range re-alignment and competitive pricing.

We expect retail to remain soft this year, however we will execute more sales activities to compensate for any shortfall from expectation. We have also launched several new store concepts and will continue to be selective in location and sensitivity of rental costs.

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 31.12.2017 RM'000	3 months ended 31.12.2016 RM'000	Year-to-date ended 31.12.2017 RM'000	Year-to-date ended 31.12.2016 RM'000
Income tax	(437)	-	(1,269)	(480)
Over/(Under)provision - Prior year	(23)	(4)	(23)	(4)
Deferred tax	4	(32)	13	(38)
Effect on opening deferred tax resulting from a reduction in income tax rate	-	-	-	-
	----- (456) =====	----- (36) =====	----- (1,279) =====	----- (522) =====

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

With reference to note 11, following the announcement of the Share Subscription Agreement dated 12/12/2017, the listing application was submitted on 9/1/2018 where approval was received from Bursa Malaysia on the 22/1/2018 for the shares issuance and allotment. The circular was despatched on 12/2/2018 and the Group will be holding an EGM on 1/3/2018 to seek shareholders' approval.

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 31.12.2017 RM'000
Long term borrowings	
Secured	
Term loan	-
Short term borrowings	
Secured	
Term loan	120,000
Unsecured	
Bankers' acceptances	10,692
Bank overdrafts	-
	10,692
	130,692

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 31 December 2017, into realised and unrealised profits, pursuant to the directive, is as follows:-

	As at 31.12.2017 RM'000
Total retained earnings of the Group	
- Realised	20,521
- Unrealised	11,904
	<hr/> 32,425
Consolidated adjustments	(31,480)
Total retained earnings as per condensed consolidated statement of changes in equity	<hr/> <hr/> 945

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

	3 months ended 31.12.2017 RM'000	3 months ended 31.12.2016 RM'000	Year-to-date ended 31.12.2017 RM'000	Year-to-date ended 31.12.2016 RM'000
Profit/(Loss) for the period is arrived at after crediting:				
Interest income	42	32	162	134
Bad debts recovered	12	-	78	-
Gain on foreign exchange-realised	13	2	34	9
Gain on disposal of property, plant and equipment	-	652	-	662
and after charging:				
Interest expense	1,974	2,234	6,024	7,266
Amortisation and Depreciation	1,069	1,649	3,281	5,508
Inventories written-off	3,966	983	4,068	3,012
Inventories written down to NRV	-	8,629	-	8,629
Bad debts written-off	-	-	64	134
Allowance/(Reversal) of impairment:-				
- Receivable	535	81	(3,712)	(1,518)
- Inventories	(2,864)	-	(2,864)	-
Property, plant and equipment written-off	-	-	-	640

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

By order of the Board
Chua Siew Chuan
Company Secretary
Kuala Lumpur
13 February 2018