



**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 2018.

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 2018.

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 2018**

	Unaudited 30.6.2018 RM'000	Unaudited 30.6.2017 RM'000	Audited 31.3.2018 RM'000
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	7,098	8,745	7,351
Intangible assets	131,000	131,000	131,000
Goodwill on consolidation	26,705	30,905	26,705
Deferred tax assets	11,915	11,915	11,915
	<u>176,718</u>	<u>182,565</u>	<u>176,971</u>
<b>Current assets</b>			
Inventories	56,955	69,025	46,072
Trade receivables	24,566	45,094	23,570
Other receivables	6,227	8,035	5,873
Tax recoverable	7,269	7,239	7,253
Cash and bank balances	9,392	10,759	8,621
	<u>104,409</u>	<u>140,152</u>	<u>91,389</u>
<b>TOTAL ASSETS</b>	<b><u>281,127</u></b>	<b><u>322,717</u></b>	<b><u>268,360</u></b>
<b><u>EQUITY AND LIABILITIES</u></b>			
Share capital	158,001	130,431	130,431
Reserves	(12,010)	7,553	(13,463)
<b>Shareholders' Equity</b>	<u>145,991</u>	<u>137,984</u>	<u>144,538</u>
<b>Non-Current Liabilities</b>			
Hire purchase payables	234	-	243
Deferred tax liabilities	5	20	7
	<u>239</u>	<u>20</u>	<u>250</u>
<b>Current Liabilities</b>			
Trade payables	26,397	25,188	13,798
Other payables	7,436	8,794	6,087
Amount owing to ultimate holding	-	14,971	1,200
Hire purchase payables	35	-	35
Short term borrowings	101,029	135,760	102,452
	<u>134,897</u>	<u>184,713</u>	<u>123,572</u>
<b>TOTAL LIABILITIES</b>	<b><u>135,136</u></b>	<b><u>184,733</u></b>	<b><u>123,822</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>281,127</u></b>	<b><u>322,717</u></b>	<b><u>268,360</u></b>
Net assets per share (RM)	<u>1.26</u>	<u>1.74</u>	<u>1.24</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 30 June 2018 (Unaudited)**

	<b>3 months ended 30.6.2018</b>	<b>3 months ended 30.6.2017</b>	<b>Year-to-date ended 30.6.2018</b>	<b>Year-to-date ended 30.6.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	39,713	44,179	39,713	44,179
Cost of sales	<u>(20,287)</u>	<u>(23,317)</u>	<u>(20,287)</u>	<u>(23,317)</u>
Gross profit	19,426	20,862	19,426	20,862
Other operating income	180	147	180	147
Selling and distribution expenses	(15,083)	(15,762)	(15,083)	(15,762)
Administrative and other operation expenses	(888)	(707)	(888)	(707)
Finance costs	<u>(1,603)</u>	<u>(2,012)</u>	<u>(1,603)</u>	<u>(2,012)</u>
Profit before taxation	2,032	2,528	2,032	2,528
Taxation	<u>(579)</u>	<u>(708)</u>	<u>(579)</u>	<u>(708)</u>
Profit after taxation	<u><u>1,453</u></u>	<u><u>1,820</u></u>	<u><u>1,453</u></u>	<u><u>1,820</u></u>

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**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2018 (Unaudited) (cont'd)**

	<b>3 months ended 30.6.2018</b>	<b>3 months ended 30.6.2017</b>	<b>Year-to-date ended 30.6.2018</b>	<b>Year-to-date ended 30.6.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the period	1,453	1,820	1,453	1,820
<b>Other comprehensive income:</b>				
Available for sale (AFS) Investments fair value movement	-	-	-	-
<b>Total comprehensive income</b>	<u>1,453</u>	<u>1,820</u>	<u>1,453</u>	<u>1,820</u>
<b>Total comprehensive income attributable to:</b>				
<b>Equity holders</b>	<u>1,453</u>	<u>1,820</u>	<u>1,453</u>	<u>1,820</u>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings per share	<u>1.25</u>	<u>2.30</u>	<u>1.25</u>	<u>2.30</u>

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**Condensed Statements of Changes in Equity**  
**For the period ended 30 June 2018 (Unaudited)**

	Non- distributable	Distributable	
	Share Capital RM'000	Retained profits/ (Accumulated losses) RM'000	Total RM'000
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>7,553</u>	<u>137,984</u>
At 1.4.2018	158,001	(13,463)	144,538
Profit after taxation/ Total comprehensive income	-	1,453	1,453
Transaction with owners - Dividend	-	-	-
At as 30.6.2018	<u>158,001</u>	<u>(12,010)</u>	<u>145,991</u>

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**Condensed Consolidated Statements of Cash Flow  
for the period ended 30 June 2018 (Unaudited)**

	<b>3 months ended 30.6.2018 RM'000</b>	<b>3 months ended 30.6.2017 RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before tax	2,032	2,528
Adjustments for:		
Interest income	(25)	(44)
Interest expenses	1,603	2,012
Non-cash items	417	(1,393)
Operating profit before working capital changes	4,027	3,103
Net change in current assets	(11,974)	(8,325)
Net change in current liabilities	13,545	9,594
Cash generated from operations	5,598	4,372
Interest paid	(1,603)	(2,012)
Tax paid	(196)	(180)
Net cash generated from operating activities	3,799	2,180
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(422)	(243)
Interest income	25	44
Net cash used in investing activities	(397)	(199)
<b>Cash flow from financing activities</b>		
Repayment to ultimate holding company	(1,200)	(5,132)
Net (decrease)/increase in bank borrowings and hire obligations	(1,431)	339
Net cash used in financing activities	(2,631)	(4,793)
<b>Net increase/(decrease) in cash and cash equivalents</b>	771	(2,812)
<b>Cash and cash equivalents at beginning of period</b>	8,621	13,571
<b>Cash and cash equivalents at end of period</b>	9,392	10,759
	<b>3 months ended 30.6.2018 RM'000</b>	<b>3 months ended 30.6.2017 RM'000</b>
<b>Cash and cash equivalents at end of period</b>	9,392	10,759

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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 2018.

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 2018 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 2018.

Adoption of new and amended standards

- Amendments to MFRS 107 Disclosure Initiative
- Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRSs 2014 – 2016 Cycle Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the 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 2018. However the auditors draw attention to the material uncertainty related to going concern due to the Group's net current liabilities which arises from reclassification on Islamic Medium Term Notes ("IMTN") to current liabilities as a result of non-compliance with financial covenants as required in IMTN.

To address the matter above, Asia Brands Berhad will be undertaking a proposed right issue and private placement exercise ("Corporate Proposals"). Details of the Corporate Proposals can be found in ABB's announcements dated 2 July 2018 and 9 July 2018. Upon the completion of this corporate exercise, the uncertainties relating to the going concern will be addressed.

Based on the recent financial performance of the Group, Asia Brands Berhad had managed to improve the net cash generated from operating activities.

**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 June 2018.

**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 2/7/2018, 9/7/2018 and 26/7/2018, the Company proposes to undertake the proposed renounceable rights issue of up to 116,323,800 new ordinary shares of Asia Brands Berhad ("ABB") ("ABB Share(s)") ("Rights Share(s)") at an issue price of RM0.35 per Rights Share on the basis of one (1) Rights Share for every one (1) existing ABB share held by entitled shareholders of ABB on an entitlement date to be determined and announced later ("Proposed Rights Issue") and proposed private placement of up to 46,529,520 ABB Shares representing up to 20% of the enlarged issued ABB Shares upon completion and assuming full subscription of the Proposed Rights Issue ("Proposed Private Placement").

**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 2018 amounted to RM108,000,000 (31 March 2018 : RM108,000,000).

**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 2018 amounted to RM39.7 million, which was RM4.5 million or 10.2% lower than RM44.2 million for the same quarter last year. The Group recorded a lower pre-tax profit of RM2.0 million as compared to a pre-tax profit of RM2.5 million for the same period of the preceding year. The lower revenue and pre-tax profit were due to the closure of non-performing outlets.

**14. Comparison with preceding quarter's results**

The Group recorded an increase in revenue of RM3.9 million for the current quarter ended 30 June 2018 to RM39.7 million as compared to RM35.8 million in the preceding quarter ended 31 March 2018.

The Group recorded a pre-tax profit of RM2.0 million for the current quarter ended 30 June 2018 as compared to pre-tax loss of RM14.5 million recorded for the quarter ended 31 March 2018. This is mainly due to impairments of RM13.5 million that was taken up in the preceding quarter.

**15. Current year prospects**

We managed to streamline the business and reduce operating losses at the end of last financial year. Action plans to close down non-performing outlets and replacing them with new and cost efficient retail formats in improving profitability and margins will be continued. With a stronger balance sheet the group looks forward to capture market opportunities and increase its market share this financial year.

Moving forward, we are hopeful that the overall economic outlook would improve and with the abolishment of GST, consumer spending would improve.

**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:

	<b>3 months ended 30.6.2018 RM'000</b>	<b>3 months ended 30.6.2017 RM'000</b>	<b>Year-to-date ended 30.6.2018 RM'000</b>	<b>Year-to-date ended 30.6.2017 RM'000</b>
Income tax	(581)	(713)	(581)	(713)
Over/(Under)provision - Prior year	-	-	-	-
Deferred tax	2	5	2	5
Effect on opening deferred tax resulting from a reduction in income tax rate	-	-	-	-
	----- (579) =====	----- (708) =====	----- (579) =====	----- (708) =====

**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 proposed renounceable rights issue and private placement dated 27/7/2018, the listing application was submitted on 26/7/2018 where approval is still pending.

## 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:

	<b>As at 30.6.2018</b>
	<b>RM'000</b>
<b>Long term borrowing</b>	
<b>Secured</b>	
Term loan	-
<b>Short term borrowings</b>	
<b>Secured</b>	
Term loan	90,000
<b>Unsecured</b>	
Bankers' acceptances	11,029
Bank overdrafts	-
	11,029
	101,029

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 116,323,800 (2018 : 80,952,059) during the period.

## 25. Profit for the Period/Year

	3 months ended 30.6.2018 RM'000	3 months ended 30.6.2017 RM'000	Year-to-date ended 30.6.2018 RM'000	Year-to-date ended 30.6.2017 RM'000
<b>Profit for the period is arrived at after crediting:</b>				
Interest income	25	44	25	44
Bad debts recovered	-	30	-	30
<b>and after charging:</b>				
Interest expense	1,603	2,012	1,603	2,012
Amortisation and Depreciation	675	1,119	675	1,119
Inventories (written-back)/written-off	(23)	20	(23)	20
Bad debts written-off	88	64	88	64
Allowance/(Reversal) of impairment:- - Receivable	(323)	(2,565)	(323)	(2,565)

There were no gain nor loss on derivatives or exceptional items for current quarter and financial period to-date 30 June 2018 (31 March 2018: N/A)

By order of the Board  
Chua Siew Chuan  
Company Secretary  
Kuala Lumpur  
28 August 2018