



Asia Brands Berhad (197501000740 (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 March 2020.

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 2019.

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 (197501000740 (22414-V))
(Incorporated in Malaysia)
Condensed Consolidated Statements of Financial Position
as at 31 March 2020

	Unaudited 31.3.2020 RM'000	Audited 31.3.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	12,242	8,667
Right of use assets	10,355	-
Intangible assets	131,000	131,000
Goodwill on consolidation	26,705	26,705
Deferred tax assets	11,915	11,915
	<u>192,217</u>	<u>178,287</u>
Current assets		
Inventories	68,096	60,024
Trade receivables	18,057	21,767
Other receivables	5,467	5,955
Tax recoverable	177	3,254
Cash and bank balances	7,124	4,925
	<u>98,921</u>	<u>95,925</u>
TOTAL ASSETS	<u>291,138</u>	<u>274,212</u>
EQUITY AND LIABILITIES		
Share capital	198,279	198,279
Reserves	(273)	(8,786)
Shareholders' Equity	<u>198,006</u>	<u>189,493</u>
Non-Current Liabilities		
Hire purchase payables	404	207
Lease liabilities	6,073	-
Deferred tax liabilities	-	-
Borrowing	30,000	-
	<u>36,477</u>	<u>207</u>
Current Liabilities		
Trade payables	17,407	13,174
Other payables	8,204	6,384
Amount owing to related party	1500	-
Hire purchase payables	97	37
Lease liabilities	4,534	-
Short term borrowing	24,913	64,917
	<u>56,655</u>	<u>84,512</u>
TOTAL LIABILITIES	<u>93,132</u>	<u>84,719</u>
TOTAL EQUITY AND LIABILITIES	<u>291,138</u>	<u>274,212</u>
Net assets per share (RM)	<u>0.85</u>	<u>0.81</u>

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Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 31 March 2020 (Unaudited)

	3 months ended 31.3.2020	3 months ended 31.3.2019	Year-to-date ended 31.3.2020	Year-to-date ended 31.3.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	37,840	45,665	187,614	175,605
Cost of sales	<u>(16,977)</u>	<u>(21,183)</u>	<u>(84,883)</u>	<u>(79,856)</u>
Gross profit	20,863	24,482	102,731	95,749
Other operating income	117	760	969	1,170
Selling and distribution expenses	(20,026)	(21,114)	(86,375)	(80,464)
Administrative and other operation expenses	(981)	(703)	(3,149)	(2,949)
Finance costs	(972)	(1,378)	(4,718)	(6,315)
Profit/(Loss) before taxation	<u>(999)</u>	<u>2,047</u>	<u>9,458</u>	<u>7,191</u>
Taxation	(6)	(469)	(945)	(1,855)
Profit/(Loss) after taxation	<u><u>(1,005)</u></u>	<u><u>1,578</u></u>	<u><u>8,513</u></u>	<u><u>5,336</u></u>

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Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 31 March 2020 (Unaudited) (cont'd)

	3 months ended 31.3.2030	3 months ended 31.3.2019	Year-to-date ended 31.3.2020	Year-to-date ended 31.3.2019
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the period	(1,005)	1,578	8,513	5,336
Other comprehensive income:				
Available for sale (AFS) Investments fair value movement	-	-	-	-
Total comprehensive income/(expenses)	<u>(1,005)</u>	<u>1,578</u>	<u>8,513</u>	<u>5,336</u>
Total comprehensive income/ (expenses) attributable to:				
Equity holders	<u>(1,005)</u>	<u>1,578</u>	<u>8,513</u>	<u>5,336</u>
	Sen	Sen	Sen	Sen
Earnings/(Loss) per share	<u>(0.43)</u>	<u>1.11</u>	<u>3.66</u>	<u>3.75</u>

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**Condensed Statements of Changes in Equity
For the period ended 31 March 2020 (Unaudited)**

	Non- distributable	Distributable	
	Share Capital	Retained profits/ (Accumulated losses)	Total
	RM'000	RM'000	RM'000
At 1.4.2018	158,001	(13,463)	144,538
Effect on adopting MFRS 9	-	(659)	(659)
Issuance of ordinary share capital	40,713	-	40,713
Share issuance expenses	(435)	-	(435)
Profit after taxation/ Total comprehensive income	-	5,336	5,336
Transaction with owners - Dividend	-	-	-
At as 31.3.2019	<u>198,279</u>	<u>(8,786)</u>	<u>189,493</u>
At 1.4.2019	198,279	(8,786)	189,493
Profit after taxation/ Total comprehensive income	-	8,513	8,513
Transaction with owners - Dividend	-	-	-
At as 31.3.2020	<u>198,279</u>	<u>(273)</u>	<u>198,006</u>

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**Condensed Consolidated Statements of Cash Flow
for the period ended 31 March 2020 (Unaudited)**

	12 months ended 31.3.2020 RM'000	12 months ended 31.3.2019 RM'000
Cash flow from operating activities		
Profit before tax	9,459	7,191
Adjustments for:		
Interest income	(337)	(254)
Interest expenses	4,718	6,315
Non-cash items	8,113	1,707
Operating profit before working capital changes	21,953	14,959
Net change in current assets	(3,917)	(13,197)
Net change in current liabilities	6,730	(1,040)
Cash generated from operations	24,766	722
Interest paid	(4,718)	(6,315)
Tax refunded	1,452	2,850
Net cash generated from/(used in) operating activities	21,500	(2,743)
Cash flow from investing activities		
Purchase of plant and equipment	(5,142)	(2,715)
Right Of Use Assets	(16,899)	-
Interest income	306	254
Proceeds from disposal of plant and equipment	72	-
Net cash used in investing activities	(21,663)	(2,461)
Cash flow from financing activities		
Proceeds from right issue share application money	-	40,278
Repayment to ultimate holding company	-	(1,200)
Advances from related party	1,500	-
Repayment of Sukuk IMTN	(10,000)	(40,000)
Net increase/(decrease) in bank borrowings and hire obligations	1,718	4,544
Increase in lease liabilities	10,607	-
Net cash generated from financing activities	3,825	3,622
Net increase / (decrease) in cash and cash equivalents	3,663	(1,582)
Cash and cash equivalents at beginning of period	3,175	4,757
Cash and cash equivalents at end of period	6,838	3,175
	12 months ended 31.3.2020 RM'000	12 months ended 31.3.2019 RM'000
Cash and cash equivalents at end of period		
Cash and bank balance	7,124	4,925
Less: Bank Balance Pledged – Al Rajhi	(286)	(1,750)
Cash and cash equivalents at end of period	6,838	3,175

Explanatory Notes

Explanatory notes pursuant to MFRS 134, "Interim Financial Reporting"

1. Basis of Preparation

The unaudited quarterly report has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia and should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 April 2019 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

MFRS 9	<i>Financial Instruments</i> (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Clarifications to MFRS 15
Annual Improvements to MFRSs 2014 – 2016 Cycle:	Amendments to MFRS 1
	Amendments to MFRS 128

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 March 2019, except for changes arising from the adoption of MFRS 16 Leases as described below:

The Group has adopted MFRS 16 in the current financial period, where MFRS 16 supersedes MFRS 117 Leases and the related interpretations. Under MFRS 16, a lease is a contract (or part of contract) that conveys the right to control the use of an identified assets for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires the lessee to recognise a "right-of-use" of the underlying assets and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principles in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in the income statement.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption. The impact of adopting MFRS 16 to opening balances are as follows:

Balance sheet

Impact of adopting MFRS 16 at 1 April 2019:

	RM'000
Right-of-use assets	14,264
Lease liabilities	(14,264)

The finance lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019. Right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of the prepaid or accrued lease payments. Accordingly, there is no impact to the accumulated losses of the Group as at 1 April 2019.

On the income statement, expenses which previously included operating lease rental within EBITDA were replaced by interest expenses on lease liabilities and depreciation of the right-of use assets. On the statement of cash flows, operating lease rental outflows previously recorded within "net cash flows from operating activities" were reclassified as "net cash flows used in financing activities" for repayment of principal and interest of lease liabilities.

The financial statements for prior periods have been retrospectively restated to adjust for the understatement of revenue and selling and distribution expenses due to commission from concessionaire sales was wrongly accounted for as reduction to revenue.

The effects of this change on interim financial statements are as follows:

<u>Consolidated Statement of Profit or Loss</u>	3 months ended 31.3.2019 RM'000	12 months ended 31.3.2019 RM'000
Revenue as stated previously	41,261	158,299
Prior year adjustment	4,404	17,306
Revenue as restated	45,665	175,605
Selling & Distribution expenses as stated previously	16,710	63,158
Prior year adjustment	4,404	17,306
Selling & Distribution expenses as restated	21,114	80,464

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 2019 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 March 2020.

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 31 March 2020.

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 March 2020 amounted to RM56,000,000 (31 March 2019 : RM66,000,000).

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 recorded a revenue of RM37.8 million, which was RM7.8 million or 17.11% lower than RM45.6 million for the same quarter last year. The Group recorded a pre-tax loss of RM1.0 million as compared to a pre-tax profit of RM2.0 million for the same period of the preceding year.

The lower revenue and pre-tax loss were due to the government imposed Movement Control Order (MCO) over the Covid-19 pandemic.

Revenue for the 12 months period ended 31 March 2020 amounted to RM187.6 million, which was RM12 million or 6.8% higher than RM175.6 million for the corresponding 12 months period last year. For the current 12 months period, the Group recorded a higher pre-tax profit amounting to RM9.5 million as compared to a pre-tax profit of RM7.2 million for the corresponding 12 months period last year, an improvement of 31.9%.

The higher revenue and pre-tax profit were due to the better store productivity throughout the financial year.

14. Comparison with preceding quarter's results

The Group recorded a drop in revenue of RM13.4 million for the current quarter ended 31 March 2020 to RM37.8 million as compared to RM51.2 million in the preceding quarter ended 31 December 2019. This is mainly due to closure of operation to comply with the MCO.

Consequently the Group recorded a pre-tax loss of RM1 million for the current quarter ended 31 March 2020 as compared to pre-tax profit of RM3.7 million recorded for the quarter ended 31 December 2019.

15. Current year prospects

The Group performed better than previous year. However, the economic and social impact of the spread of the Covid-19 virus and the Malaysian government decision to impose movement restrictions has caused much uncertainty and prospects would be difficult to forecast at this juncture.

The Group remain cautious and steps taken to minimise any impact to business.

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 31.3.2020 RM'000	3 months ended 31.3.2019 RM'000	Year-to-date ended 31.3.2020 RM'000	Year-to-date ended 31.3.2019 RM'000
Income tax	(7)	(472)	(928)	(1,918)
Over/(Under)provision - Prior year	1	1	(17)	56
Deferred tax	-	2	-	7
Effect on opening deferred tax resulting from a reduction in income tax rate	-	-	-	-
	----- (6) =====	----- (469) =====	----- (945) =====	----- (1,855) =====

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 31.3.2020	
	RM'000	
Long term borrowing		
Secured		
Term loan	<u>30,000</u>	
Short term borrowings		
Secured		
Term loan	10,000	
Unsecured		
Bankers' acceptances	<table border="1"><tr><td style="text-align: right;">14,913</td></tr></table>	14,913
14,913		
Bank overdrafts	<table border="1"><tr><td style="text-align: right;">-</td></tr></table>	-
-		
	<table border="1"><tr><td style="text-align: right;">14,913</td></tr></table>	14,913
14,913		
	<u>54,913</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 232,647,600 (2019 : 142,456,818) during the period.

25. Profit for the Period/Year

	3 months ended 31.3.2020 RM'000	3 months ended 31.3.2019 RM'000	Year-to-date ended 31.3.2020 RM'000	Year-to-date ended 31.3.2019 RM'000
Profit for the period is arrived at after crediting:				
Interest income	133	123	337	254
Bad debts recovered	-	72	72	72
and after charging:				
Interest expense	901	1,378	4,066	6,315
Interest expense on lease liability	71	-	652	-
Amortisation and Depreciation	452	321	1,563	1,390
Depreciation for right of use asset	1,699	-	6,415	-
Inventories written-down	-	333	-	133
Inventories written-off	29	302	134	502
Bad debts written-off	-	1	217	89
Allowance/(Reversal) of impairment:-				
- Receivable	(4)	554	(235)	531
Plant and equipment written-off	-	10	-	10
Gain on disposal of plant & equipment	-	-	(68)	-
Loss on short term investment	23	-	31	-

There were no gain nor loss on derivatives or exceptional items for current quarter and financial period to-date 31 March 2020 (31 March 2019: N/A)

By order of the Board
Mak Chooi Peng
Company Secretary
Petaling Jaya
23 June 2020