

JERASIA CAPITAL BERHAD (503248-A)
INTERIM FINANCIAL REPORT ON THE CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 31 MARCH 2020
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2020
CONTINUING OPERATIONS

	Current Quarter	Corresponding	Year-To-Date	Corresponding
	Ended	Quarter	Ended	Year-To-Date
	31/03/2020	Ended	31/03/2020	31/03/2019
	RM '000	RM '000	RM '000	RM '000
Revenue	93,262	129,231	357,487	379,383
Other income	1,055	1,663	1,046	2,419
	<hr/> 94,317	<hr/> 130,894	<hr/> 358,533	<hr/> 381,802
Operating expenses	(102,776)	(128,425)	(362,326)	(372,911)
Finance cost	(1,022)	(1,739)	(4,136)	(5,137)
(Loss) / Profit before tax	<hr/> (9,481)	<hr/> 730	<hr/> (7,929)	<hr/> 3,754
Taxation	(241)	694	(598)	(238)
(Loss) / Profit for the period	<hr/> (9,722)	<hr/> 1,424	<hr/> (8,527)	<hr/> 3,516
attributable to equity holders				
of the Company				
Other comprehensive (loss) / income				
Currency translation difference	1,867	(420)	1,523	391
arising from consolidation				
Total comprehensive (loss) / income	<hr/> (7,855)	<hr/> 1,004	<hr/> (7,004)	<hr/> 3,907
for the period attributable to				
equity holders of the Company				
(Loss) / Earnings per share				
- Basic/ Diluted (sen)	(11.85)	1.74	(10.39)	4.29

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

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INTERIM FINANCIAL REPORT ON THE CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 31 MARCH 2020
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Unaudited	Audited
	As At	As At
	31/03/2020	30/06/2019
	RM '000	RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	44,687	55,074
Intangible assets	31,062	31,062
Deferred tax assets	2,055	2,160
Total non-current assets	<u>77,804</u>	<u>88,296</u>
Current assets		
Inventories	127,251	157,362
Trade and other receivables	110,034	91,677
Tax recoverable	17	507
Cash and bank balances	1,780	2,183
Total current assets	<u>239,082</u>	<u>251,729</u>
TOTAL ASSETS	<u>316,886</u>	<u>340,025</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	82,046	82,046
Reserves	65,165	72,169
Total equity	<u>147,211</u>	<u>154,215</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	395	395
Bank borrowings (unsecured)	-	1,167
Total non-current liabilities	<u>395</u>	<u>1,562</u>
Current liabilities		
Trade and other payables	41,893	40,331
Bank borrowings (unsecured)	127,374	142,867
Tax payable	13	1,050
Total current liabilities	<u>169,280</u>	<u>184,248</u>
Total liabilities	<u>169,675</u>	<u>185,810</u>
TOTAL EQUITY AND LIABILITIES	<u>316,886</u>	<u>340,025</u>
Net assets per share (RM) *	1.79	1.88

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

*The net assets per share is based on the computation of total assets (including intangibles) minus total liabilities divided by total number of ordinary shares in circulation.

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FOR THE QUARTER ENDED 31 MARCH 2020
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020

	Period Ended 31/03/2020 RM '000	Period Ended 31/03/2019 RM '000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
(Loss) / Profit before tax	(7,929)	3,754
Adjustments for:-		
Depreciation of property, plant and equipment	11,597	12,097
Interest income	-	(8)
Interest expenses	4,136	5,137
Loss / (gain) on disposal of property, plant and equipment	346	(8)
(Gain) / loss on foreign exchange - unrealised	(228)	1,276
Operating profit before changes in working capital	<u>7,922</u>	<u>22,248</u>
Changes in working capital:-		
Net change in current assets	11,982	(19,069)
Net change in current liabilities	<u>1,562</u>	<u>(7,480)</u>
Cash generated from / (used in) operations	21,466	(4,301)
Taxation paid	(1,039)	(1,119)
Net cash generated from / (used in) operating activities	<u>20,427</u>	<u>(5,420)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,610)	(1,357)
Proceeds from disposal of property, plant and equipment	150	25
Interest received	-	8
Net cash used in investing activities	<u>(1,460)</u>	<u>(1,324)</u>
CASH FLOWS (USED IN) / FROM FINANCING ACTIVITY		
(Decrease) / Increase in bank borrowings	(16,680)	10,509
Interest paid	(4,136)	(5,137)
Dividend paid	-	(410)
Net cash (used in) / generated from financing activity	<u>(20,816)</u>	<u>4,962</u>
Net decrease in cash and cash equivalents	(1,849)	(1,782)
Net effect of exchange translation differences	1,426	369
Cash and cash equivalents brought forward	<u>1,505</u>	<u>6,459</u>
Net cash and cash equivalents carried forward	<u>1,082</u>	<u>5,046</u>
Cash and cash equivalents comprises:-		
Cash and bank balances	1,780	5,727
Bank overdraft	(698)	(681)
	<u>1,082</u>	<u>5,046</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

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FOR THE QUARTER ENDED 31 MARCH 2020
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2020

	Attributable to equity holders of the Company			
	Share Capital RM '000	Foreign Exchange Reserve RM '000	Retained Earnings RM '000	Total RM '000
9 Months				
<u>Ended 31 March 2020</u>				
Balance as at 1 July 2019	82,046	(1,659)	73,828	154,215
Total comprehensive income	-	1,523	(8,527)	(7,004)
Balance as at 31 March 2020	<u>82,046</u>	<u>(136)</u>	<u>65,301</u>	<u>147,211</u>
9 Months				
<u>Ended 31 March 2019</u>				
Balance as at 1 July 2018	82,046	(2,452)	71,857	151,451
Total comprehensive income	-	391	3,516	3,907
Dividends paid	-	-	(410)	(410)
Balance as at 31 March 2019	<u>82,046</u>	<u>(2,061)</u>	<u>74,963</u>	<u>154,948</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

JERASIA CAPITAL BERHAD (503248-A)
NOTES TO THE INTERIM FINANCIAL REPORT ON THE CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 31 MARCH 2020

1 Basis of Preparation and Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2019. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2019.

2 Significant Accounting Policies

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2019 except for the adoption of the new and amendments to accounting standards with effect from 1 July 2019.

As at the date of this interim financial report, the following MFRSs and Amendments to MFRSs were issued but are not yet effective and have not been adopted by the Group:-

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 101	Presentation of Financial Statements

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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Standards have been deferred, and yet to be announced by Malaysian Accounting Standards Board

Amendments to MFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any significant impact to the financial statements of the Group upon their initial application.

3 Preceding Year’s Audited Annual Accounts

The audited financial statements of the Group for the preceding financial year ended 30 June 2019 were not qualified.

4 Seasonal and Cyclical Factors

The Group’s principal business operations were not significantly affected by seasonal or cyclical factors.

5 Unusual Material Event

Particular attention is drawn to the Government's announcement of a Movement Control Order ("MCO") on 16 March 2020 to combat the COVID-19 pandemic. Whilst this is further elaborated upon under Note 18, the impact on the Group is expected to be felt in subsequent quarters.

6 Accounting Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current financial period under review.

7 Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares or resale of treasury shares in the current interim period under review.

8 Dividend

There was no dividend proposed or paid during the current quarter under review.

9 Notes to the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

(Loss) / Profit before tax is arrived at after charging / (crediting) the following items:-

	Current Quarter	Year-to-Date
	RM '000	RM '000
Interest expense	1,022	4,136
Depreciation and amortization	3,799	11,597
Foreign exchange gain	(1,066)	(1,016)

There was no gain or loss on disposal of properties or quoted or unquoted investments; provision for doubtful debts; impairment of assets; gain or loss on derivatives and exceptional items for the financial quarter and financial year to-date.

10 Segment Reporting

The analysis of the Group by activity is as follows: -

	Retail	Garment Manufacturing	Others	Elimination	Group Total
	RM '000	RM '000	RM '000	RM '000	RM '000
9 Months					
<u>Ended 31 March 2020</u>					
Revenue					
External sales	124,208	233,279	-	-	357,487
9 Months					
<u>Ended 31 March 2020</u>					
Results					
Segment results	(9,938)	1,358	(367)	420	(8,527)

10 Segment Reporting (Con't)

	Retail	Garment Manufacturing	Others	Elimination	Group Total
	RM '000	RM '000	RM '000	RM '000	RM '000
<u>As At 31 March 2020</u>					
Assets					
Segment assets	193,024	177,918	102,170	(156,226)	316,886

11 Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward, without amendments from the previous audited annual financial statements.

12 Subsequent Events

There are no material events subsequent to the end of the current quarter, which has not been reflected in the financial statements for the current period.

13 Effect of Changes in the Composition of the Group

There have been no changes in the composition of the Group during the quarter under review including business composition, acquisition or disposal of any subsidiaries or long term investments, restructuring or discontinued operations.

14 Change in Contingent Liabilities

	Unaudited As At 31/03/2020 RM '000	Audited As At 30/06/2019 RM '000
Corporate guarantees given to banks in respect of banking facilities granted to subsidiaries (unsecured)	269,808	269,423

15 Significant Related Party Transaction

There is no significant related party transaction for the quarter under review.

16 Review of Performance

Comparison with the corresponding quarter in the previous financial year

The Group's total revenue for the three month period ended 31 March 2020 was RM93.26 million, a decrease of 27.8% from RM129.23 million in the previous corresponding quarter. Loss before tax for the Group was RM9.48 million, from a profit before tax of RM0.73 million in the previous corresponding quarter.

16 Review of Performance (Con't)

Comparison with the corresponding quarter in the previous financial year (Con't)

The retail segment contributed a revenue of RM21.48 million, a decrease of 63.1% from RM58.20 million in the previous corresponding quarter. This decrease was primarily due to weak retail sales, the negative impact from the declaration by the World Health Organisation “WHO” on 11 March 2020 that the Covid-19 virus was classified as a pandemic as well as the consequent Movement Control Order, “MCO” as announced by the Prime Minister of Malaysia on 16th March 2020. In addition, as a result of the change in business direction by Nike, Inc. in appointing a regional distributor for the South East Asia region the Group discontinued operating all its Nike stores effective end February 2020. Loss before tax was RM10.55 million compared to a profit before tax of RM0.25 million in the previous corresponding quarter. This loss was due to high fixed operating costs on the back of lower revenues.

The manufacturing segment's revenue contributed RM71.78 million, a marginal increase of 1.1% from RM71.03 million in the previous corresponding quarter. Profit before tax was RM1.24 million from RM0.69 million in the previous corresponding quarter. This increase in profit before tax resulted from the planned accelerated purchases and deliveries of raw materials from China in the preceding quarter, right up to the Lunar New Year which fell on 25th January 2020. This consequently enable early export shipments in anticipation of supply chain disruptions and the outbreak of the Covid-19 epidemic.

Comparison with the corresponding previous financial year-to-date

Cumulatively for the 9 months period ended 31 March 2020, the Group's total revenue was RM357.49 million, a decrease of 5.8% from RM379.38 million in the previous corresponding period. Loss before tax for the Group was RM 7.93 million, compared to a profit before tax of RM3.75 million in the previous corresponding period.

Revenue in the retail segment declined by 26.7% to RM124.21 million from RM169.41 million in the previous corresponding period, due mainly to poor performances for the quarter ended Mar'20 as explained above. Loss before tax was RM9.87 million compared to a profit before tax of RM1.66 million. As explained above, this was due to relatively higher fixed costs on the back of lower revenue experienced in the quarter ended 31 March 2020.

Revenue in the manufacturing segment increased by 11.1% to RM233.28 million from RM209.97 million in the previous corresponding period. This increase in revenue was due to increased orders from existing buyers as well as the contribution from a new established buyer from Europe. Profit before tax was RM2.31 million compared to RM2.53 million compared to the previous corresponding period, a decrease of 8.8%.

17 Comparison with Immediate Preceding Quarter

In the current quarter ended 31 March 2020, the Group's total revenue amounted to RM93.26 million, a decrease of 32.9% from RM138.90 million in the preceding quarter. The Group's loss before tax in the current quarter was RM9.48 million from a profit before tax of RM0.51 million in the preceding quarter.

Revenue in the retail segment declined by 62.1% to RM21.48 million from RM56.67 million in the preceding quarter. This decrease was due to the negative impact faced in the current quarter as explained above and compounded by the traditional period of end of season sales and festivities whereby aggressive promotional campaigns that were adopted in the preceding quarter. This segment registered a loss before tax of RM10.55 million compared to a profit before tax of RM0.12 million in the preceding quarter.

The garment manufacturing segment's revenue declined by 12.7% to RM71.78 million from RM82.23 million in the preceding quarter. Notwithstanding, profit before tax in the current quarter improved to RM1.24 million from RM0.54 million in the preceding quarter.

18 Prospects for the Current Financial Year

The Group is bracing itself for a highly challenging and uncertain trading environment even as Malaysia entered the Recovery Movement Control Order, “RMCO” phase in its fight against the COVID-19 pandemic. The extent of this impact will depend on the on-going precautionary measures imposed by individual countries as well as the duration as it relates to shortage of raw materials, operational and supply chain disruptions and further compounded by the US – China trade spat. The uncertain macro-economic conditions gives rise to the inability to accurately and reasonably quantify related financial effects and is having unprecedented far reaching consequences. It is highly anticipated that domestically and most countries globally are headed for recession or contraction.

As such, it is deemed premature to estimate the full impact of the Covid-19 pandemic in the near or longer term depending on the Government’s varying efforts and initiatives to combat the outbreak as well as to support businesses through monetary and fiscal policies. Liquidity tightening, reduced spending, changes in buying and behavioural patterns does not auger well under current conditions.

The Group has already implemented and instituted cost mitigation measures particularly in terms of payroll, operational and productivity efficiencies, structural changes especially in the retail sector as well improving production efficiencies in the manufacturing sector. This is an on-going effort as market conditions are still very fluid and uncertain domestically and globally. The Group is also taking the necessary steps to address the negative impact on revenue, earnings, cash flows or mismatch of liquidity arising from the Covid-19 pandemic.

19 Profit Forecast or Guarantee

Not applicable.

20 Taxation

The breakdown of taxation is as follows:-

	Current Quarter	Year-to-Date
	RM '000	RM '000
Estimated current tax payable	142	493
Deferred taxation	99	105
	<u>241</u>	<u>598</u>

The Group’s effective tax rate is higher than the statutory tax rate mainly due to expenses not deductible for tax purposes.

21 Retained Earnings

	As At	As At
	31/03/2020	30/06/2019
	RM '000	RM '000
Realised	111,007	120,666
Unrealised	1,888	1,175
	<u>112,895</u>	<u>121,841</u>
Consolidation adjustments	(47,594)	(48,013)
Group retained earnings as per consolidated accounts	<u>65,301</u>	<u>73,828</u>

22 Status of Corporate Proposals Announced and Not Completed

Share Buy-Back

At the Nineteenth Annual General Meeting held on 28 November 2019, shareholders approved the renewal of Share Buy-Back mandate. To-date, the Company has not effected any Share Buy-Back transaction.

23 Group Borrowings and Debt Securities

The Group's borrowings as at the end of the current quarter comprise:-

	RM '000
Bank borrowings (unsecured)	<u>127,374</u>

There was no debt securities issued.

24 Pending Material Litigation

There is no pending material litigation.

25 (Loss) / Earnings per Share

(Loss) / Earnings per share have been computed based on (loss) / profit for the period attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

	3 Months Ended		Year-to-Date	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
(Loss) / Profit for the period attributable to equity holders of the Company (RM' 000)	(9,722)	1,424	(8,527)	3,516
Weighted average number of ordinary shares in issue (RM' 000)	82,046	82,046	82,046	82,046
Basic / Diluted (loss) / earnings per share (sen)	<u>(11.85)</u>	<u>1.74</u>	<u>(10.39)</u>	<u>4.29</u>