ASIA BRANDS

ASIA BRANDS BERHAD (22414-V)

annual report

2018

CONTENTS

NOTICE IS HEREBY GIVEN that the Forty-Third Annual General Meeting of the Company will be held at the Conference Room of the Company at Lot 10449, Jalan Nenas, Batu 4½, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan on Thursday, 27 September 2018 at 9:00 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of the Directors and Auditors thereon. ***(Please refer to Explanatory Note 1)***

2. To approve the payment of Directors' fees for the financial year ended 31 March 2018. ***(Resolution 1)***

3. To approve the payment of Directors' fees for the period from 1 April 2018 to the next Annual General Meeting of the Company in year 2019. ***(Resolution 2)***

4. To re-elect Mr. Kong Sau Kian, who retires pursuant to Article 102 of the Company's Articles of Association. ***(Resolution 3)***

5. To re-elect Dato' Sri Tan Thian Poh, who retires pursuant to Article 84 of the Company's Articles of Association. ***(Resolution 4)***

6. To re-appoint Messrs. UHY as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. ***(Resolution 5)***

As Special Business

7. To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:-

ORDINARY RESOLUTION 1
- AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

THAT subject to the Companies Act 2016 ("**the Act**"), the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; and that such authority shall commence immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company. ***(Resolution 6)***

ORDINARY RESOLUTION 2
- PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY BACK OF UP TO TEN PERCENT (10%) OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY

THAT subject to the compliance with Section 127 of the Companies Act 2016 and all other applicable laws, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("**Bursa Securities**") as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the existing total number of issued shares of the Company including the shares previously purchased and retained as Treasury Shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase, upon such terms and conditions as set out in the Circular/Statement to Shareholders dated 27 July 2018.

THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the expiry of the period within which the next AGM is required by law to be held unless revoked or varied by Ordinary Resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of Bursa Securities Main Market Listing Requirements and any other relevant authorities.

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as Treasury Shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Bursa Securities Main Market Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company. ***(Resolution 7)***

ORDINARY RESOLUTION 3

- PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/OR TRADING NATURE ("RRPT") ("PROPOSED SHAREHOLDERS' MANDATE")

THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("**Asia Brands Group**") to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature of Asia Brands Group with specified classes of Related Parties (as defined in the Listing Requirements and as specified in Section 2.3 of the Company's Circular to Shareholders dated 27 July 2018) which are necessary for the day to day operations and are in the ordinary course of business and are carried out on an arm's length basis on normal commercial terms of the Asia Brands Group on terms not more favourable to the Related Parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:

(i) the conclusion of the next annual general meeting ("AGM") of the Company at which time the shareholders' mandate will lapse, unless by a resolution passed at a general meeting, the authority is renewed; or

(ii) the expiration of the period within which the next AGM is required by law to be held pursuant to Section 340(2) of Companies Act 2016 ("**the Act**") but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

(iii) it is revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier;

AND THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities and to deal with all matters in relation thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the transactions contemplated and/or authorised by this Ordinary Resolution. ***(Resolution 8)***

8. To transact any other ordinary business for which due notice shall have been given.

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)
Mak Chooi Peng (MAICSA 7017931)
Company Secretaries

Kuala Lumpur
27 July 2018

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 September 2018 ("General Meeting Record of Depositors") shall be entitled to attend, speak and vote at this Meeting.*

2. *A member entitled to attend and vote at this Meeting is entitled to appoint any person as his proxy to attend and vote instead of him. A proxy appointed to attend and vote at this Meeting shall have the same rights as the member to speak at the Meeting.*

3. *Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*

4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

5. *Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

6. *If a corporation is a member of the Company, it may vote by any person authorised by resolution of its directors or other governing body to act as its representative at any meeting in accordance with Article 75 of the Company's Articles of Association.*

7. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor be a corporation, under its common seal or under the hand of an officer or attorney of the corporation duly authorised and shall be deposited with the power of attorney or other authority (if any) at the registered office of the Company at Lot 10449, Jalan Nenas, Batu 4½, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding this Meeting or adjourned meeting at which the person named in such proxy proposes to vote and in default the proxy shall not be treated as valid. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointor.*

Explanatory Notes: -

1. Item 1 of the Agenda

   This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Resolutions 1 and 2

   Pursuant to Section 230(1) of the Companies Act 2016 which came into force on 31 January 2017, the fee of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved by the shareholders at a general meeting. In this respect, Resolutions 1 and 2, if approved, will allow the Company to pay Directors' fees to the Non-Executive Directors for the financial year ended 31 March 2018 and for the period from 1 April 2018 to the next AGM of the Company in year 2019.

   The amount of Directors' fees for the financial year ended 31 March 2018 amounted to RM132,000 and the estimated amount of Directors' fees from 1 April 2018 up to the next annual general meeting of the Company in 2019 amounted to RM130,000.

3. Resolution 6

The proposed adoption of Ordinary Resolution 1 is for the purpose of seeking renewal for the general mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Companies Act 2016, from the date of the above Meeting, to issue and allot ordinary shares of not more than ten per centum (10%) from the unissued share capital of the Company for such purposes as the Directors of the Company consider would be in the interest of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next Annual General Meeting of the Company.

This authority will provide flexibility and enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placement of shares for purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares.

As at the date of this Notice, no new shares in the Company were issued under the provision of the general mandate granted to the Directors at the Forty-Second Annual General Meeting held on 25 August 2017, which will lapse at the conclusion of the Forty-Third Annual General Meeting. Hence, no proceeds were raised therefrom.

4. Resolution 7

The proposed adoption of Ordinary Resolution 2, if passed, is to renew the authority granted by the shareholders of the Company at the Forty-Second Annual General Meeting held on 25 August 2017. The proposed renewal of the general mandate will empower the Directors to purchase the Company's shares up to ten percent (10%) of the total number of issued shares of the Company by utilising the retained profits account of the Company. This authority will, unless revoked or varied by the shareholders of the Company in general meeting, expire at the conclusion of the next Annual General Meeting.

5. Resolution 8

This resolution if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions to facilitate transactions in the normal course of business of the Company and/or its subsidiaries which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the shareholders on terms no more favourable to the related parties than those generally available to the public and are not to detriment of the minority shareholders of the Company.

Please refer to the Circular to Shareholders dated 27 July 2018 for further information.

ASIA BRANDS

Asia Brands Berhad (22414-V)

BABY

Anakku Sdn Bhd (251823-V) (100%)

- **Baby Palace Sdn Bhd** (945470-T) (100%)
  - **Astra Brands Sdn Bhd** (1083344-H) (100%)

Generasi Prestasi Sdn Bhd (285352-X) (100%)

LINGERIE

Audrey Sdn Bhd (127557-H) (100%)

- **Generasi Dinasti Sdn Bhd** (378890-X) (100%)

SHARED SERVICE

Asia Brands HR Services Sdn Bhd (252394-M) (100%)

DORMANT

Asia Brands Global Sdn Bhd *(28583-U)* ***(100%)***
Diesel Marketing Sdn Bhd *(163031-U)* ***(100%)***
Ubay Marketing Sdn Bhd *(600899-A)* ***(100%)***
Antioni Sdn Bhd *(272511-U)* ***(100%)***
Bumcity Sdn Bhd *(514321-H)* ***(100%)***
Asia Brands Assets Management Sdn Bhd *(41441-H)* ***(100%)***
Mickey Junior Sdn Bhd *(266617-P)* ***(100%)***

Dato' Sri Tan Thian Poh *(Non-Independent Non-Executive Chairman)*

Male, aged 62, Malaysian, is the Non-Independent Non-Executive Chairman of the Company and a member of the Audit Committee and the Nomination and Renumeration Committee. Dato' Sri Tan Thian Poh ("Dato' Sri Tan") was appointed to the Board on 11 April 2018. He graduated from the Chartered Association of Certified Accountants and holds a Master's Degree in Business Administration. Dato' Sri Tan is the founder and Managing Director of Siang Poh Group of companies, a vertically integrated textile group involved in the manufacturing and distribution of textile and apparels for more than 30 years.

Dato' Sri Tan is a substantial shareholder of the Company by virtue of his direct interest in Trackland Sdn. Bhd., a substantial shareholder of the Company, via Section 8 of the Companies Act 2016. He is the father of David Tan Chin Wee, his Alternate Director and a Non-Independent Non-Executive Director. Dato' Sri Tan does not hold directorships in other public companies and listed companies. He currently holds directorships in the subsidiary companies of Asia Brands Berhad. Dato' Sri Tan does not have any conflict of interest with the Company. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Dato' Sri Tan has not attended any Board meeting held during the financial year ended 31 March 2018 since he was appointed to the Board on 11 April 2018.

Ng Chin Huat *(Group Managing Director)*

Male, aged 48, Malaysian, was the Non-Independent Non-Executive Chairman of the Company and was re-designated to Group Managing Director of the Company on 11 April 2018. Mr. Ng was appointed to the Board on 1 March 2011. He holds a Bachelor of Commerce (Actuarial) degree from the University of Melbourne, Australia. Upon graduation in 1991, he worked as an Actuarial trainee in Prudential Singapore for two (2) years. Thereafter, he moved into the stock-broking industry in 1993, gaining employment with HLG Securities, Malaysia. Mr. Ng joined Audrey International (M) Berhad in 1999 as an Executive Director and was subsequently promoted to Group Managing Director in 2002. In 2010, Mr. Ng assumed the role of the Group Chairman of the same company.

Apart from the above, Mr. Ng does not hold directorships in other public companies and listed companies but holds directorships in several other private limited companies. Mr. Ng is a substantial shareholder of the Company by virtue of his and his spouse, Madam Yap Su P'ing's direct interest in Everest Hectare Sdn. Bhd., a substantial shareholder of the Company, via Section 8 of the Companies Act 2016. Mr. Ng is also related to Ng Tiong Seng Corporation Sdn. Bhd. ("NTSC"), a substantial shareholder of the Company, by virtue of NTSC being a family-owned company. Mr. Ng has no conflict of interest with the Company and neither has he been convicted of any offence within the past five (5) years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Mr. Ng attended all four (4) Board meetings held during the financial year ended 31 March 2018.

Kong Sau Kian *(Senior Independent Non-Executive Director)*

Male, aged 54, Malaysian, is a Senior Independent Non-Executive Director of the Company. Mr. Kong is the Chairman of the Audit Committee, and a member of the Nomination and Remuneration Committee. Mr. Kong was appointed to the Board on 1 March 2011. He is a member of the Malaysian Institute of Accountants, graduated with a Bachelor of Accounting (Honours) degree from the University of Malaya in 1988. Subsequently, he joined KPMG Peat Marwick, an international accounting firm, until 1992 where his exposure include audit of a wide range of industries, corporate restructuring, acquisition audit and other special assignments.

Mr. Kong also sits on the board of LBI Capital Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, as an Executive Director. He also holds directorships in several other private limited companies. Mr. Kong does not have any family relationship with any Director and/or major shareholder nor have any conflict of interest with the Company and does not hold any shares in the Company and its subsidiary companies. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Mr. Kong attended all four (4) Board meetings held during the financial year ended 31 March 2018.

Lim Kim Meng *(Independent Non-Executive Director)*

Male, aged 47, Malaysian, is an Independent Non-Executive Director of the Company. Mr. Lim is the Chairman of the Nomination and Remuneration Committee, and a member of the Audit Committee. Mr. Lim was appointed to the Board on 1 March 2011. He graduated with a Second Class Honours Bachelor of Laws Degree from the University of London and completed his Certificate of Legal Practice in 1994. He is the Managing Partner of Kamil Hashim Raj & Lim, Advocates & Solicitors. His professional experience includes being a member of the Malaysia Financial Markets Association, holding the position of licensed foreign exchange and money market dealer at Southern Bank Berhad (1994-1997) and Institutional Sales Dealer and Licensed KLSE Equities Dealer with HLG Securities (1997-1998).

Mr. Lim does not hold directorships in other public companies and listed companies. Mr. Lim does not have any family relationship with any Director and/or major shareholder nor any conflict of interest with the Company. He does not hold any shares in the Company and its subsidiary companies. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Mr. Lim attended all four (4) Board meetings held during the financial year ended 31 March 2018.

David Tan Chin Wee *(Non-Independent Non-Executive Director) (Alternate Director to Dato' Sri Tan Thian Poh)*

Male, aged 26, Malaysian, is a Non-Independent Non-Executive Director of the Company. Mr. Tan is the Alternate Director to his father, Dato' Sri Tan Thian Poh who is the Non-Independent Non-Executive Chairman of the Company and a substantial shareholder. Mr. Tan was appointed on 30 April 2018.

Mr. Tan graduated from the City University, London, United Kingdom, with a Bachelor's degree in Acturial Science and a Master's degree in Finance from the Cass Business School, United Kingdom.

Mr. Tan does not hold directorships in other public companies and listed companies and does not have any conflict of interest with the company. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Mr. Tan has not attended any Board meeting held during the financial year ended 31 March 2018 since he has appointed to the Board on 30 April 2018.

Cheah Yong Hock *(Group Chief Executive Officer)*

Male, aged 56, Malaysian, is the Group Chief Executive Officer of the Company. He was appointed on 31 July 2011. Mr. Cheah was previously appointed as an Executive Director of the Company on 15 August 2011 and has resigned on 12 July 2018 but remained as the Group Chief Executive Officer of the Company. Prior to joining the Group, Mr. Cheah joined Asia Brands Corporation Berhad in 2003 as General Manager, and was subsequently promoted to Chief Executive Officer in 2010. Mr. Cheah graduated in marketing and is a member of the Chartered Institute of Marketing United Kingdom. He is also a member of VISTAGE, the world's leading Chief Executive organisation.

Mr. Cheah has more than 24 years of extensive experience in the marketing business ranging from retailing for supermarket chains to sales and marketing of mass customer products. Mr. Cheah has held key positions in multi-national companies such as Kiwi Brands (M) Sdn. Bhd. and Guinness Anchor Marketing Sdn. Bhd. He was also the National Sales Manager of Socma Trading (M) Sdn. Bhd. (a subsidiary of PSC Ltd in Singapore) in charge of selling and distribution of Mentos in Malaysia.

Mr. Cheah does not hold directorships in other public companies and listed companies. He currently holds directorships in the subsidiary companies of Asia Brands Berhad. Mr. Cheah does not have any family relationship with any Director and/or major shareholder nor have any conflict of interest with the Company. He is a shareholder of the Company. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Lee Yean Fung *(Group Chief Operating Officer)*

Female, aged 46, Malaysian, joined the Group in October 1997 as Marketing Executive and was promoted to various leadership roles throughout the years. She was appointed as the Chief Executive Officer of B.U.M. Marketing (Malaysia) Sdn. Bhd. in 2013, before assuming her current role in November 2014.

Ms. Lee graduated with a Bachelor of Business Administration from the University of Central Oklahoma, USA. Ms. Lee has been involved in the lingerie industry for the past 15 years covering various roles including sales operations, trade marketing, retail and procurement. Prior to joining the Group, Ms. Lee was attached to General Label & Labelling Malaysia, a company involved in printing and labelling.

Ms. Lee does not hold directorships in other public companies and listed companies. She currently holds directorships in the subsidiary companies of Asia Brands Berhad. Ms. Lee does not have any family relationship with any Director and/or major shareholder nor have any conflict of interest with the Company. She has not been convicted of any offence within the past five (5) years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Daniel Kok Tai Meng *(Chief Financial Officer)*

Male, aged 51, Malaysian, joined the Group in February 2009 as Senior Finance Manager and was promoted to his current position in 2011.

Mr. Kok is a fellow-member of the Association of Chartered Certified Accountants, United Kingdom, and also a member of the Malaysian Institute of Accountants. He is responsible for the Group's overall financial health and position as well as providing key analysis to drive value added decision making to the group's corporate strategies. Mr. Kok started his career as an auditor with Lim, Cheh and Chang Public Accountants. He later joined L'Oreal Malaysia Sdn. Bhd., where he gained exposure in finance , business operations and controlling. Subsequently, he joined F&N Coca Cola Sdn. Bhd. over seeing commercial controls for Modern Trade Division.

Mr. Kok does not hold directorships in other public companies and listed companies. He currently holds directorships in the subsidiary companies of Asia Brands Berhad. Mr. Kok does not have any family relationship with any Director and/or major shareholder nor have any conflict of interest with the Company. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Corporate Information

BOARD OF DIRECTORS

Dato' Sri Tan Thian Poh
(Chairman/ Non-Independent Non-Executive Director)
(Appointed on 11 April 2018)

Ng Chin Huat
(Group Managing Director)
(Re-designated to Group Managing Director on 11 April 2018)

Cheah Yong Hock
(Group Chief Executive Officer)
(Resigned as an Executive Director on 12 July 2018 but remained as Group Chef Executive Officer)

Kong Sau Kian
(Senior Independent Non-Executive Director)

Lim Kim Meng
(Independent Non-Executive Director)

David Tan Chin Wee
(Non-Independent Non-Executive Director)
(Alternate Director to Dato' Sri Tan Thian Poh)
(Appointed on 30 April 2018)

AUDIT COMMITTEE

Chairman:
Kong Sau Kian

Members:
Lim Kim Meng
Dato' Sri Tan Thian Poh *(Appointed on 11 April 2018)*
Ng Chin Huat *(Ceased on 11 April 2018)*

NOMINATION AND REMUNERATION COMMITTEE

Chairman:
Lim Kim Meng

Members:
Kong Sau Kian
Dato' Sri Tan Thian Poh *(Appointed on 11 April 2018)*
Ng Chin Huat *(Ceased on 11 April 2018)*

SECRETARIES

Chua Siew Chuan (MAICSA 0777689)
Mak Chooi Peng (MAICSA 7017931)

REGISTERED AND BUSINESS OFFICE

Lot 10449, Jalan Nenas,
Batu 4½, Kampung Jawa,
41000 Klang, Selangor Darul Ehsan.
Tel: 03-5161 8822
Fax: 03-5161 2728
Email: info@asiabrands.com.my
Website: www.asiabrands.com.my

REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
(Company No. 36869-T)
Level 7, Menara Milenium,
Jalan Damanlela, Pusat Bandar Damansara,
Damansara Heights, 50490 Kuala Lumpur,
Wilayah Persekutuan.
Tel: 03-2084 9000
Fax: 03-2094 9940

SOLICITORS

K. H. Tai & Co.
Kadir Andri & Partners

BANKERS

Malayan Banking Berhad
RHB Bank Berhad
Al Rajhi Banking & Investment Corporation (M) Berhad
Kenanga Investment Bank Berhad

STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad

STOCK CODE AND STOCK NAME

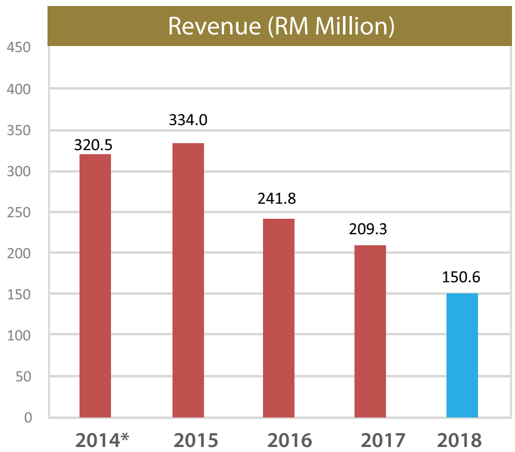
Stock Code: 7722
Stock Name: ASIABRN

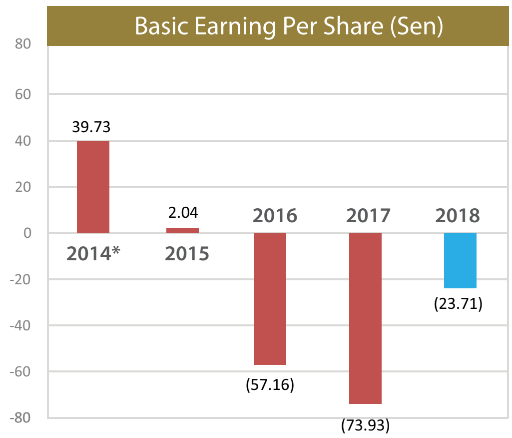
AUDITORS

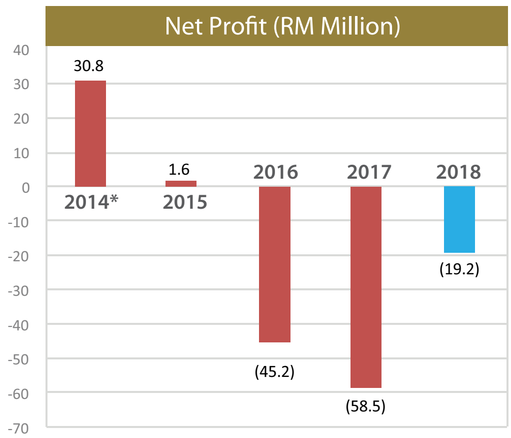
UHY (AF 1411)
Suite 11.05, Level 11,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra
59200 Kuala Lumpur,
Wilayah Persekutuan.
Tel: 03-2279 3088
Fax: 03-2279 3099

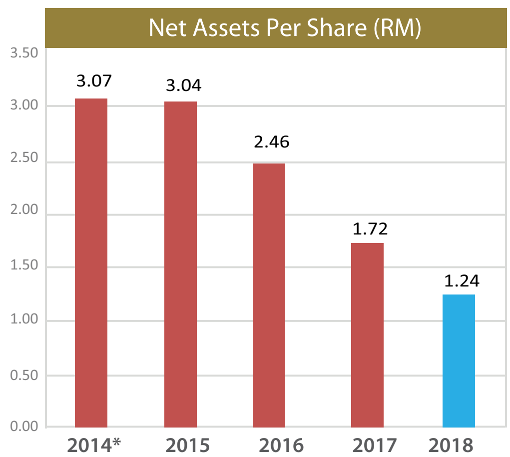
RM'000	2014*	2015	2016	2017	2018**
Revenue	320,464	334,006	241,821	209,263	150,588
Net (Loss) / Profit	30,811	1,614	(45,222)	(58,494)	(19,196)
Paid-up Share Capital (Number of shares)	79,117	79,117	79,117	79,117	116,324
Shareholders' Funds	242,617	240,276	194,658	136,163	144,538

Per share	2014*	2015	2016	2017	2018**
Basic Earnings / (Loss) (sen)	39.73	2.04	(57.16)	(73.93)	(23.71)
Gross Dividend (sen)	5.0	0.5	-	-	-
Net Assets (RM)	3.07	3.04	2.46	1.72	1.24









* During the financial year, the Company issued 7,192,400 ordinary shares on 19 June 2013.

** During the financial year, the Company issued 37,206,586 ordinary shares on 14 March 2018.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of Asia Brands Berhad for the financial year ended (FYE) 31 March 2018.

Corporate Development

In March 2018, Asia Brands Berhad had completed a share subscription exercise whereby Trackland Sdn. Bhd. ("Trackland") had subscribed to a 31.99% stake in Asia Brands Berhad.

Trackland Sdn. Bhd. is principally engaged in the business of investment holdings. Through its subsidiaries, it is involved in textile knitting, dyeing, finishing and manufacturing, trading and retailing of ready garments.

The Group will benefit from potential economies of scale and synergies with Trackland onboard. This partnership will strengthen the Group's competitiveness and contribute to its turnaround plan.

Industry Outlook

The change of Government following the GE14 has resulted in short term uncertainty and several new policies implemented by the new Government which, have both positive and negative impact on our industry. Overall, we are positive on the industry outlook as the GDP growth in Malaysia is expected to remain strong and the retail sales are likely to grow by about 5.5 to 6.0%, in line with Bank Negara Malaysia's GDP forecast 2018.

The Group is optimistic that the worst is over and with a positive EBITA generated during the year, signs of a turnaround are strong and we hope that this momentum will propel the Group to profitability in the coming years.

Moving forward, we remain committed to our turnaround plan by improving outlet productivity and introducing new business models to achieve higher efficiency and profitability.

Dividend

The Board had deliberated and decided not to propose any dividend at the forthcoming Forty-Third Annual General Meeting.

Board Commitment

The Board continues to uphold and implement high standards of corporate governance and corporate social responsibility across the Group. Details of the corporate governance disclosure and activities of corporate social responsibility are disclosed in the relevant sections of the annual report.

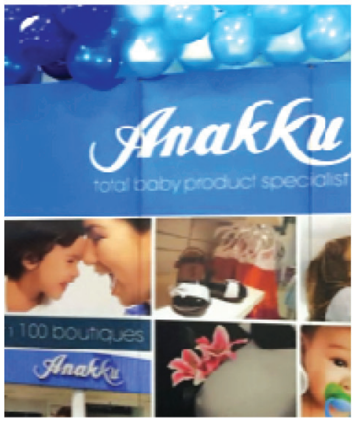
We value the diverse mix of skills, experience, knowledge and competencies of the Board and will continue to drive better performance for the Group.

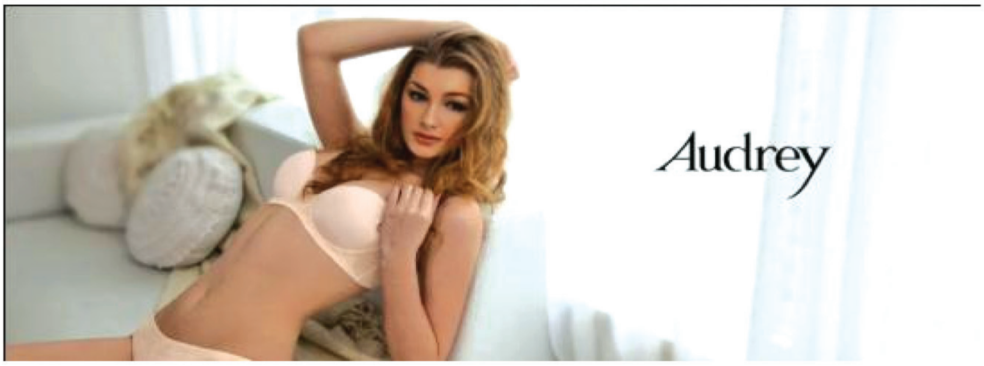
Acknowledgment and Appreciation

I would like to take this opportunity to thank everyone involved for their contributions during the past year and hope that we wiil strive harder to achieve our goals. My appreciation extends to my fellow Directors, customers, collaboration partners and suppliers, bankers, advisors and shareholders for their continuous support.

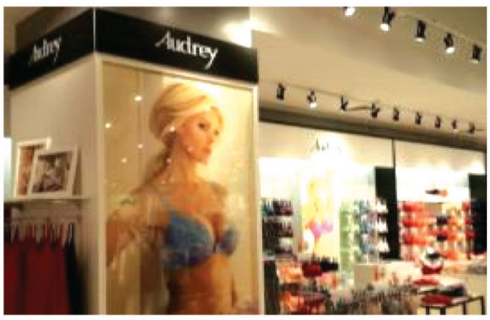
Dato' Sri Tan Thian Poh
Chairman


Anakku


Anakku
total baby product specialist


Audrey


BUTIK
bras for less




Audrey

Business Overview

Retail brands, departmental stores and shopping malls in Malaysia continue to evolve and change against a very versatile operating environment. Economic factors such as oversupply of retail space, lower tourist arrivals, weakness in domestic retail spend, lacklustre consumer sentiment, intense competition from foreign brands and e-commerce, and changing consumer behaviour, continue to be challenging to the retailing industry.

However, the Group has identified three key corrective strategies to address the above challenges:

- provide varieties in product offerings.
- reduce cost of goods
- streamline operations to be more cost effective

This year the Group returned to positive EBITDA before impairment by focussing on its remaining two business divisions - baby products and lingerie.

Financial Review

The Group recorded a revenue of RM150.6 million, representing a decrease of 9.0% over RM165.6 million in the previous year, achieved over a smaller outlet base due to closure of non-performing outlets and counters during the last financial year.

With the corrective measures set above, we recorded a lower loss before tax of RM18.0 million as compared to a loss before tax of RM50.3 million for the corresponding period last year. We have also recorded an improvement in Gross Profit Margin of 45.9% compared to 40.5% last financial year. The Group had written off, marked down and impaired out dated and obsolete inventory amounting to RM7.9 million.

Loss per share was at 23.71 sen for the current financial year as compared to a loss per share of 73.93 sen in the previous year. Total shareholders fund stands at RM144.5 million for the year compared to RM136.2 million last financial year.

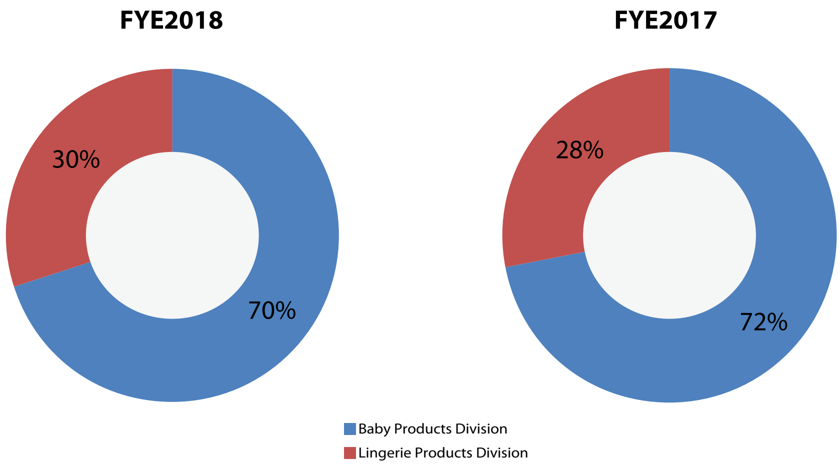
Total borrowings now stands at RM102.5 million as compared to RM135.4 million in the last financial year. A share issuance of 37,206,586 Asia Brands shares to Trackland Sdn. Bhd. which generated proceeds of RM27.6 million during the financial year. The enlarged share capital of Asia Brands Bhd now stands at 116,323,800.

Finance cost recorded at RM8.0 million as compared to RM7.7 million for the corresponding period last financial year.

Segmental Review

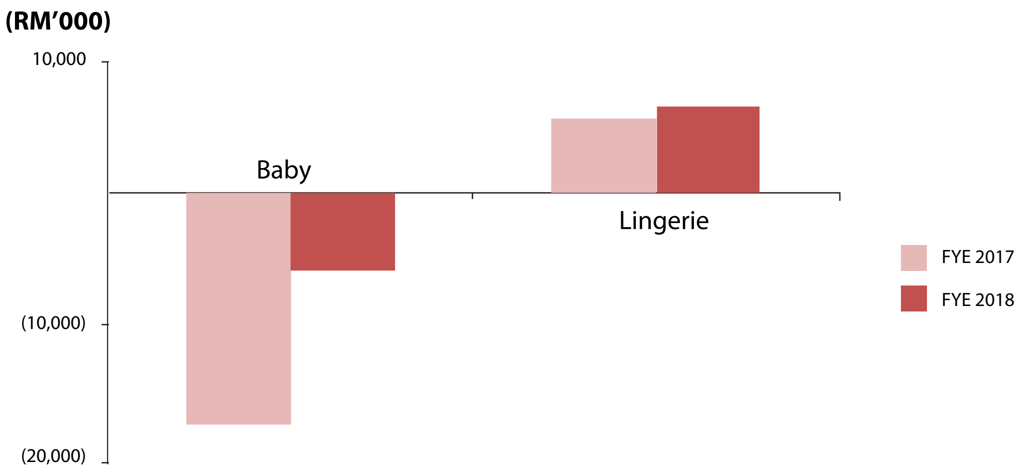
The Group is principally engaged in the operations of retailing and distribution of baby apparels and related products and lingerie and its related products.

Revenue review by segment



	FYE2018 (RM'000)	%	FYE2017 (RM'000)	%
Baby Products Division	105,952	70%	112,013	72%
Lingerie Products Division	45,906	30%	43,524	28%
Total	151,858	100%	155,537	100%

Earnings or Loss Before Interest, Tax, Depreciation and Amortisation ("EBITDA" or "LBITDA") review by segment



	FYE2018 (RM'000)	FYE2017 (RM'000)
Baby Products Division	(5,869)	(17,584)
Lingerie Products Division	6,611	5,746
Total	742	(11,839)

*** The EBITDA or LBITDA recorded above excludes administrative expenses*

Baby Products Division

The baby products division remained as the Group's biggest revenue contributor. For FYE2018, revenue dropped 5.9% to RM105.9 million from RM112.5 million last year. The division registered a smaller LBITDA of RM5.9 million compared to a LBITDA of RM17.6 million for the same period last financial year.

We managed to streamline the business and reduce financial losses by continuously closing down underperforming outlets. We have a remaining of 82 stand-alone outlets and 208 departmental store consignment counters as at 31 March 2018. At the same time, we have also opened 3 large-format store outlets in the last quarter of the financial year under review. These large-format stores average about 10,000 sqft and we aim to position the Anakku retail brand as a one-stop shop for all baby and children needs. On this front, the Group is in continued discussions with key hypermarkets and shopping malls in partnership to open more Anakku large-format stores in the coming financial year.

In order to rightsize our inventory level, the Group discontinued many licensed brands in the past year. Total inventory stands at RM32.8 million as compared to RM47.6 million last year for this division.

BABY PRODUCTS DIVISION	Number of Stores
consignment counters	208
stand-alone outlets	82
large format stores	3

The number of stores is as at 31 March 2018

Lingerie Division

For FYE2018, revenue grew 5.5% at RM45.9 million compared to last financial year of RM43.5 million. The division registered an improved EBITDA of RM6.6 million compared to an EBITDA of RM5.7 million for the same period last financial year.

For the year, we closed down 4 stand-alone outlets and 17 departmental store consignment counters. We have a remaining of 45 stand-alone outlets and 163 departmental store consignment counters as at 31 March 2018. Total inventory stands at RM13.3 million as compared to RM15.1 million last year.

The market outlook for lingerie sector remained stable and we are optimistic that this division will continue to perform favourably.

LINGERIE DIVISION	Number of Stores
consignment counters	163
stand-alone outlets	45

The number of stores is as at 31 March 2018

Risk Exposure and Mitigations

The Group's major business operations are sales, distribution and retailing of consumer goods that are subject to the following risks, where changes in these conditions below may have material impact on the Group's operations, performance, financial condition and liquidity.

a) General economic condition;
b) Changes in law, by-laws and/or government policy which affect trade, retail and distribution industry;
c) Changes by Bank Negara and commercial banks on their credit policy and fluctuation of bank interest rates; and
d) Shortage of skilled business operators and movement in cost of goods leading to increasing cost.

The Management will constantly monitor changes in the above conditions and the subsequent impact to the consumer market of our products. We will plan our product launches and promotions in accordance to such changes in the market and consumer sentiment.

The Management through analysis of performance of each outlet on a regular basis, identifies the saleable products of each outlet where emphasis is given to the importance of speed and the critical lead times in order to meet market demand and remain competitive. Communication in all areas of the business is key so as immediate remedy is introduced for any issue identified.

The Management recognises that poor supply chain management is a big risk to the survival of the Group. Besides maintaining a strong professional relationship with our existing suppliers, sourcing new suppliers that are capable of meeting our requirements such as quality workmanship and material used, production capacity and especially costing is important. This is a continuous effort and supplier performance is reviewed on a regular basis.

Opportunities and Challenges

As we move into the new financial year, we will continue to expand whenever good opportunities present itself. This is despite a challeging environment where local purchasing power and consumer discretionary spending is still soft. We believe our pricing, merchandising and promotional strategies will continue to remain relevant to our customers.

In the coming year ahead, we expect a stable Ringgit and gradually improved cost of living to positively impact consumer sentiment. Despite the zero-rating of GST, we will still be vigilant in monitoring our purchases and expenses in the coming year.

On the retailing front, we expect rental rates to remain soft, which may translate to opportunity for the Group to secure tenancy at good retail locations. At the same time, we have been successful with our strategy to secure short-term lease or 'pop-up' stores in strategic malls, which contributed positively to our performance last year. As such, we shall continue with this strategy in the coming financial year in order to take advantage of the oversupply situation in retail space in the market.

The Group has announced a 1-for-1 rights issue of up to 116,323,800 new ordinary shares at RM0.35 per share with the aim of raising a total proceed of RM40.0 million. This shall be used to reduce our bank borrowings and at the same time, we expect the debt to equity ratio which now stands at 0.66 times to fall to 0.41 times.

The Group will continue to explore export and e-commerce opportunities for future business expansion especially within the Southeast Asia region.

At **Asia Brands**, we believe that Corporate Social Responsibility (CSR) should be a long-term commitment and a seamless culture within a corporation. Not only should companies practice accountability, honesty and transparency in the conduct of their businesses, they should also uphold a fair degree of social responsibility in contributing towards the well-being of their employees as well as the welfare of the community as a whole.

INTERNAL CSR

Employee Training and Welfare

The Group recognises the importance of our employees as the most valuable asset. The Group constantly conducts various in-house and external training programs to enhance technical competencies as well as supervisory leadership skills in order to develop a competent workforce.

This year, the Group also put efforts on our employee welfare to strengthen relationship and to enhance teamwork among the employees. We have organised various festive event gathering sessions to create interaction opportunity between employees and the management and also create harmonise environment among employees. We believe such sessions can benefit the Group's productivity and cooperation between employees. Medical and hospitalisation insurance are subscribed annually to cover employees' health screening and medical needs.

Safe and Healthy Working Environment

The Group strives to maintain a safe and healthy working environment for all the employees. Preventive procedures and programs such as fire evacuation exercises and safety trainings are conducted from time to time to create a high level of safety awareness among the employees. Inspection of the office buildings, including warehouses, are conducted regularly to prevent fire and industrial accidents.

COMMUNITY

Social Responsibilities

Asia Brands understands the importance of maintaining a responsible role as a corporate member in the conduct of its business and in fulfilling its corporate and social obligations. We recognise our responsibility to make a positive impact in the community which we operate in. Realising this we always work on integrating CSR as part of the Group's business activities and we try to instil a culture of social responsibility in all aspects of our business dealings. During the year, the Group's philanthropic activities were focused on two core thematics – EDUCATION and COMMUNITIES.

Education

Asia Brands conducted an introductory talk about bra to 300 first-time users and students of S.J.K (C) Khe Beng, Klang, age ranging between 10 and 12 years old. As first-time users, we embarked them with the knowledge about the natural changes to their body that they will experience during their development stages towards being a teenager.

Correct method of selecting and wearing a bra comfortably were shared along with the right ways to clean and keep a bra in order to maintain its form and hygiene. The students have actively participated in all the Q&A sessions and activities that were prepared by our staff. **Asia Brands** also sponsored Anakku toiletries and Audrey cash vouchers to students that participated to encourage usage.

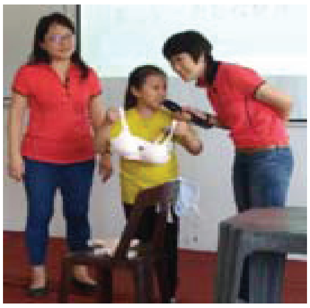
Communities

Asia Brands donated Anakku products to a group of a charity volunteers for their visit to an orphanage, Pusat Jagaan Kanak-Kanak W.P., in Kepong. The volunteers have brighten the children's day with gifts, games and songs.

Asia Brands have also sponsored Anakku products to selected unfortunate families. One of the selected recipient is Madam Woong, a single parent, with a 4 year old child that requires medical care. Another selected recipient is a family with a baby that has hisprung disease which required long term special medical treatment.

BRATOLOGY

confident, strong
dignified



CORPORATE
SOCIAL
RESPONSIBILITY

celebration
HARMONY
unity, satisfaction

Director's Responsibility Statement In Relation To The Financial Statements

The financial statements of the Company and Group have been drawn up in accordance with the provisions of the Companies Act 2016, applicable financial reporting standards and approved accounting standards in Malaysia. The Directors take responsibility in ensuring that the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 March 2018, the results and the cash flows of the Group and the Company for the financial year then ended.

In preparing the financial statements for the financial year ended 31 March 2018, the Directors have:-

- ensured that the Group and the Company have adopted the appropriate accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates;
- ensured that all applicable approved accounting standards in Malaysia have been followed; and
- prepared the financial statements on a going concern basis.

The Directors are also responsible in ensuring that the Group and the Company maintain proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Group and of the Company, which enable them to ensure that the financial statements comply with the Companies Act 2016.

Directors have the overall responsibilities for taking such steps to ensure that appropriate systems are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities and material misstatements. Such systems, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

INTRODUCTION

The Securities Commission Malaysia had on 26 April 2017 released the new Malaysian Code on Corporate Governance ("MCCG"), superseding the Malaysian Code on Corporate Governance 2012, a set of best practices to strengthen corporate culture anchored on accountability and transparency.

The Board of Directors ("the Board") of Asia Brands Berhad ("ABB" or "the Company") is committed to uphold the high standards of corporate governance in conducting the affairs of the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism as a fundamental part to protect and enhance long-term shareholders value. The Board commits to ensure that a sound framework of best practices of good corporate governance as prescribed in the MCCG is generally implemented and in place at all levels of the Group's businesses to protect and enhance long-term shareholders' value and all stakeholders' interest.

The Board is pleased to report to the shareholders that the best practices of good governance having regards to the three (3) Principles in the MCCG, have generally been practiced within the Group throughout the financial year ended 31 March 2018.

This statement also serves as compliance with Paragraph 15.25 and Practice Note 9 of the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities")

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) BOARD RESPONSIBILITIES

1. Board 's Responsibilities in Meeting Objectives and Goals

1.1 The Board

The Board is responsible for the stewardship of business and affairs of the Company in order to enhance long-term shareholders' value. The Board is fully aware and understand their collective responsibilities in guiding the business activities of the Group in reaching an optimum balance of a sound and sustainable business operation with an optimal corporate governance framework in order to safeguard shareholders' value.

The Executive Director who is also the Group Managing Director ("GMD") is directly responsible for the day-to-day management of the business and operations, for procuring new business and for the commercial and corporate performance of the Company within the parameters of good governance. Non-Executive Directors play a vital check and balance role by challenging and scrutinising Management recommendations and proposals in an objective manner and bringing independent judgement to the decision making process at the Board and Board Committee levels.

Reserved matters for Board's decision making includes strategic issues and planning, significant acquisition and disposal, dividend policy, risk management, significant property transactions, review of the financial statements, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.

The Board is also responsible for establishing the Group's goals and strategic directions, setting goals and targets for Management and monitoring the achievement of goals and targets. The Board also oversees the process of evaluating the adequacy and effectiveness of the system of internal controls and risk management processes.

Any member of the Board may request for independent professional advice in the discharge of his/her fiduciary duties by forwarding a request to the Executive Director of the Company who will then direct the same to an external service provider. The expenses incurred in this connection shall be borne by the Company.

During the financial year ended 31 March 2018, the Directors have attended the following training, briefing and workshop programmes:-

Directors	Seminars/Briefing/Workshop attended
Dato' Sri Tan Thian Poh	• Not applicable
Ng Chin Huat	• MRA Global Retail Summit - 18th APRCE (Asia-Pacific Retailers Convention & Exhibition) 2017 Conference and Exhibition
Cheah Yong Hock *(Resigned as an Executive Director on 12 July 2018 but remained as the GCEO)*	• Amendments to the Companies Act 2016 • Update on One Belt One Road Initiatives • Human Capital Performance Transformation • 2018 Budget & GE 14
Kong Sau Kian	• MCCG and Bursa's Listing Requirement: Towards Meaningful Disclosure
Lim Kim Meng	• Declarations to Bursa Malaysia 2017

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(I) BOARD RESPONSIBILITIES (cont'd)

1. Board 's Responsibilities in Meeting Objectives and Goals (cont'd)

1.2 Chairman of the Board

The Chairman is responsible for:-

- Leadership of the Board;
- Overseeing the effective discharge of the Board's supervisory role;
- Facilitating the effective contribution of all Directors;
- Conducting Board meetings;
- Briefing all the Directors on issues arising at meetings;
- Scheduling regular and effective evaluations of the Board's performance;
- Promoting constructive and respectful relations between Board members and between the Board and the Management;
- Representing the Board to shareholders;
- Ensuring the integrity and effectiveness of the governance process of the Board; and
- Maintaining regular dialogue with the Board over all operational matters and consulting with the Board promptly over any matter that gives him or her cause for concern.

1.3 Roles of the Chairman, Group Managing Director ("GMD") and Group Chief Executive Officer ("GCEO")

The position of the Chairman, GMD and GCEO are held by three (3) different individuals. There is a clear division of responsibilities between the Chairman and the GMD and the GCEO to ensure that the Board remains balanced at all times.

The Chairman acts as the leader of the Board and is responsible for overseeing the effective discharge of the Board's supervisory role and facilitating the effective contribution of all Directors.

The GMD is responsible for the day-to-day management of the Company with all powers and discretion vested in him, from time to time, by the Board. The GMD also has the responsibility to facilitate business, and have a strategic vision to align the Company, both internally and externally.

The GCEO is responsible for sales and marketing matters that affect or could affect the Company's business.

1.4 Company Secretaries

The Board is supported by two (2) suitable qualified and competent Company Secretaries and both the Company Secretaries are qualified Chartered Secretaries under Section 235 of the Companies Act 2016. Both are members of the Malaysian Institute of Chartered Secretaries and Administrators.

Every Director has ready and unrestricted access to the advice and services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors were regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements issued by regulatory authorities, and its implications to the Company and the Directors in relation to their duties and responsibilities.

For the financial year ended 31 March 2018, the Company Secretaries have attended the relevant continuous professional development programmes as required under MAICSA for practicing company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.

1.5 Meetings of Board/ Board Committee

Relevant Board papers were disseminated to all the Directors at least five (5) business days in advance of the meeting so as to accord sufficient time for the Directors to peruse the Board papers and to seek any clarification or further details that they may need from the Management or the Company, or to consult independent advisers, if they deemed necessary. As part of the integrated risk management initiatives, the Board also noted the decisions and salient issues deliberated by Board Committees through minutes of these committees. Board meetings are conducted according to a structured agenda.

Senior Management were invited to attend Board meetings to provide their views and explanation on certain items on the agenda being tabled to the Board and to furnish clarification on issues that may be raised by the Directors.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(I) BOARD RESPONSIBILITIES (cont'd)

1. Board 's Responsibilities in Meeting Objectives and Goals (cont'd)

1.5 Meetings of Board/ Board Committee (cont'd)

Minutes of the meetings are properly recorded and accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter.

The Board meets at least four (4) times a year at quarterly intervals with additional Board meetings convened when necessary. Sufficient notice periods were given to the Board prior to each meeting. During the financial year under review, the Board convened four (4) meetings and the attendance of the Directors are as follows:-

Directors	No. of Meetings attended
Dato' Sri Tan Thian Poh *(appointed on 11 April 2018)*	-
Ng Chin Huat	4/4
Cheah Yong Hock	4/4
Kong Sau Kian	4/4
Lim Kim Meng	4/4

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 March 2018 as stipulated under Paragraph 15.05 of the Main LR of Bursa Securities.

2. Demarcation of Responsibilities

2.1 Board Charter

The Board has adopted a Board Charter, which provides guidance on how business is to be conducted in line with best practices and standards of good corporate governance as well as clarity for Directors and Management with regard to the role of the Board and its Committees.

The Board Charter entails the followings:-

- Roles and Responsibilities of the Board;
- Delegation to Committees;
- Process and Procedure for Board Meetings;
- Board and Member Assessment;
- Communication between Board and Shareholders;
- Management of Risk; and
- Structure.

The Board Charter is subject to periodic review and can be accessed via the Company's website at www.asiabrands.com.my.

3. Good Business Conduct and Healthy Corporate Culture

3.1 Code of Conduct and Ethics

The Directors continue to observe the Code of Conduct & Ethics ("the Code") based on the code of conduct expected of directors of companies as set out in the Company Directors' Code of Ethics established by the Companies Commission of Malaysia, and ensure implementation of appropriate internal systems to support, promote and ensure the compliance of the Code.

The Board will periodically review and reassess the adequacy of the Code, and make such amendments to the Code as the Board may deem appropriate. The Code is available at the Company's website at www.asiabrands.com.my.

3.2 Whistleblowing

The Company has yet to have a whistle-blowing policy to provide an avenue for all employees and members of the public to disclose any improper conduct or any action that could be harmful to the Group. Nevertheless, the Code contains provisions which encourage all employees to report any genuine concerns without fear of intimidation and reprisal. The Company also has a strong corporate culture which prizes team spirit, integrity, commitment, and accountability.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(II) BOARD COMPOSITION

4. Objectivity of the Board's Decisions

4.1 Board Composition

The current Board comprises four (4) Directors and one (1) Alternate Director out of which, one (1) is an Executive Director, one (1) Non-Independent Non-Executive Director, one (1) Senior Independent Non-Executive Director and one (1) Independent Non-Executive Director.

The profiles of the Directors are set out in this Annual Report.

Half of the Board comprises independent directors as recommended by Practice 4.1 of the MCCG. The Company also fulfills the requirement of at least one-third (1/3) of the Board comprises independent directors as stipulated under Paragraph 15.02(1) of the Main LR. The Articles of Association of the Company provides that the number of Directors shall not be less than two (2) or more than twenty (20). The Board believes that its current structure is able to discharge the Board's priorities objectively with the balance of power and authority on the Board.

The Board is chaired by a Non-Independent Non-Executive Director. The Non-Executive Directors are independent of management and have no relationships that could materially interfere with the exercise of their independent judgment. Together, the Directors have a wide range of experience in business, corporate, banking and financial experience.

The Board is of the opinion that the composition of the current Board has the required mix of skills and experience required to discharge the Board's duties and responsibilities. Collectively, the Directors combine their diverse commercial, regulatory, industry and financial experience to add value to the Board as a whole.

The Board is free to discuss all matters regarding the affairs of the Group, without any restrictions or limitations being imposed on any Director. Where matters discussed involve the interest of the Chairman, he shall state his interest and shall refrain from discussions and decision-making.

No individual or a company of individuals dominates the Board's decision making.

All the Directors have an equal responsibility for the Group's operations and corporate accountability. The Independent Non-Executive Directors play a vital supporting role by contributing their knowledge and experience towards the development of the Group's objectives. They also provide a broader and independent view in the decision-making process.

To assist the Board in carrying out its duties and responsibilities, the Board has established the following Committees, each with clearly defined Terms of Reference in order to enhance corporate efficiency and effectiveness:-

(i) Audit Committee; and
(ii) Nomination and Remuneration Committee.

4.2 Tenure of Independent Directors

Based on the current composition of the Board, the tenure of each Independent Director has not exceeded a cumulative term of nine (9) years.

4.3 Appointment of Board and Senior Management

The NRC is responsible for the nomination and election process of new Directors and to evaluate the balance of skills, knowledge, experience and diversity of the Board, and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the NRC shall:-

(i) consider candidates from a wide range of backgrounds;
(ii) consider candidates on merit, against objective criteria with due regard for the benefits of diversity on the Board, including gender; and
(iii) ensure that once appointed, appointees have enough time available to devote to the position of director.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(II) BOARD COMPOSITION (cont'd)

4. Objectivity of the Board's Decisions (cont'd)

4.3 Appointment of Board and Senior Management (cont'd)

For the appointment of a Chairman, the NRC shall consider the expected time commitment. A proposed Chairman's other significant commitments should also be disclosed to the Board before the appointment, and any changes thereto shall be reported to the Board.

Prior to the appointment of a director, the proposed appointee is required to disclose any other business interests that may result in a conflict of interest in relation to the Company, and shall be required to report any future business interests which may develop post-appointment, that could result in a conflict of interest.

4.4 Board Diversity

The Board acknowledges the recommendation of the MCCG in relation to the establishment of boardroom gender diversity policy. However, in the process of selection of Board members, the Company practices non-discrimination in any form, whether based on gender, age, ethnicity or religion as all candidates shall be given fair and square opportunity.

When the need arises, the Board would give more weightage on the appointment of female Directors and senior management.

4.5 Utilisation of Independent Sources for Appointment of Directors

The Company has not utilised any independent sources for the recent appointment of Dato' Sri Tan Thian Poh taking into account of the cost consideration and financial position of the Company.

Nevertheless, the appointment of Dato' Sri Tan Thian Poh and Mr. David Tan Chin Wee as his Alternate Director were based on the objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender, in compliance with the MCCG.

4.6 Nomination and Remuneration Committee ("NRC")

The NRC comprises three (3) Directors, the majority of whom are Independent Non-Executive Directors of the Company. The members of the NRC are as follows:

Lim Kim Meng	Independent Non-Executive Director	Chairman
Kong Sau Kian	Senior Independent Non-Executive Director	Member
Dato' Sri Tan Thian Poh	Non-Independent Non-Executive Director *(appointed on 11 April 2018)*	Member

The principal objectives of the NRC are:-

(i) to assist the Board to nominate new nominees to the Board;
(ii) to assist the Board to oversee the selection and assess the performance of the Directors of the Company on an on-going basis; and
(iii) to assist the Board to assess the remuneration packages of the Group Chief Executive Officer.

The NRC also oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience, independence assessment of Independent Directors, reviews succession plans and boardroom diversity; oversees training courses for directors and other requisite qualities of Directors, as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(II) BOARD COMPOSITION (cont'd)

4. Objectivity of the Board's Decisions (cont'd)

4.6 Nomination and Remuneration Committee ("NRC") (cont'd)

Summary of Activities of the NRC

During the financial year ended 31 March 2018, the main activities carried out by the NRC included the following:-

- Recommended the re-election of retiring Directors at the forthcoming Annual General Meeting.
- Evaluated the effectiveness of the Board as a whole and of the Committees of the Board and the contribution and performance of each individual Directors and key officers.
- Developed the following criteria amongst others to assess the independence of the Independent Directors:-

  - ➢ the Independent Directors fulfill the definition of an independent director as set out under Paragraph 1.01 of the Main LR.

  - ➢ the Independent Directors are able to exercise independent judgement and act in the best interest of the Company.

  - ➢ there must be no potential conflict of interest that the Independent Directors could have with the Company as they have not entered into any contract or transaction with the Company and/or its subsidiaries within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Main LR.

  - ➢ the Independent Directors have not developed, established or maintained any significant personal or social relationship, whether direct or indirect, with the Non-Executive Chairman and Executive Director, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent with their duties expected of them to carry out their duties as an Independent Director.

  - ➢ the Independent Directors do not derive any remuneration and benefits apart from Directors' fees and meeting allowances.

- Reviewed the background and merit of Dato' Sri Tan Thian Poh and Mr. David Tan Chin Wee, the newly appointed Directors.
- Reviewed the terms of office of the AC and NRC.
- Reviewed the overall composition of the Board and recommended the re-designation of Mr. Ng Chin Huat as Group Managing Director.

5. Overall Effectiveness of the Board

5.1 Annual Evaluation of the Board

The NRC conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each individual Directors in respect of the financial year ended 31 March 2018 using customized questionnaires to be completed by the Directors. The results of the self-assessment by Directors and the Board's effectiveness as a whole were tabled to the NRC and the Board for review.

The criteria for Director's evaluation covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. For Board and Board Committee assessment, the criteria include board structure and operations, their roles and responsibilities, succession planning and board governance.

The Board having studied the results of the evaluation, was generally satisfied with its current size, composition as well as the mix of skill sets and the independence of its Independent Non-Executive Directors.

The Board have also assessed the independence of the Independent Non-Executive Directors, taking into account the individual Director's ability to exercise independent judgment at all times and their contribution to the effective functioning of the Board, and is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(II) BOARD COMPOSITION (cont'd)

5. Overall Effectiveness of the Board (cont'd)

5.1 Annual Evaluation of the Board (cont'd)

Based on the assessment carried out during the financial year ended 31 March 2018, the Board is satisfied with the level on independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company.

The Independent Non-Executive Directors are not employees and they do not participate in the day-to-day management of the Group. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of Management in meeting approved goals and objectives and monitor the risk profile of the Company's business and the reporting of quarterly business performance.

(III) REMUNERATION

6. Remuneration of Directors and Senior Management

6.1 Remuneration Policy

The Board has a formal procedure to determine the remuneration of each Director which is reviewed from time to time against market practices. The Board ensures that the level of remuneration is sufficient to attract and retain Directors needed to run the Group successfully. The component part of remuneration has been structured to link rewards to corporate and individual performance for GCEO and GMD whilst Non-Executive Directors' remuneration reflects their experience and level of responsibilities.

6.2 NRC

The NRC also recommends to the Board, the policy framework and remuneration and benefits extended to the GMD and GCEO. Non-Executive Directors' remuneration is a matter to be decided by the Board as a whole, with the Directors concerned abstaining from deliberation and voting in respect of their remuneration.

The Terms of Reference of the NRC is available at the Company's website at www.asiabrands.com.my.

7. Remuneration of Directors and Senior Management

7.1 Remuneration of Directors

Details of the remuneration package for the Executive Directors and Directors' fee for the Non-Executive Directors during the financial year ended 31 March 2018 are as follows:

Received from the Company

	Director's fees (RM)	Salary and Bonus (RM)	Other emoluments (RM)	Total (RM)
Executive Directors				
Ng Chin Huat *(re-designated to Executive Director on 11 April 2018)*	48,000.00	–	–	48,000.00
Cheah Yong Hock	–	–	–	–
Non-Executive Directors				
Dato' Sri Tan Thian Poh *(appointed on 11 April 2018)*	–	–	–	–
Kong Sau Kian	48,000.00	–	–	48,000.00
Lim Kim Meng	36,000.00	–	–	36,000.00
Total	132,000.00	–	–	132,000.00

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(III) REMUNERATION (cont'd)

7. Remuneration of Directors and Senior Management (cont'd)

7.1 Remuneration of Directors (cont'd)

Received from the Group

	Director's fees (RM)	Salary and Bonus (RM)	Other emoluments (RM)	Total (RM)
Executive Directors				
Ng Chin Huat *(re-designated to Executive Director on 11 April 2018)*	48,000.00	–	–	48,000.00
Cheah Yong Hock	–	404,052.00	9,900.00	413,952.00
Non-Executive Directors				
Dato' Sri Tan Thian Poh *(appointed on 11 April 2018)*	–	–	–	–
Kong Sau Kian	48,000.00	–	–	48,000.00
Lim Kim Meng	36,000.00	–	–	36,000.00
Total	132,000.00	404,052.00	9,900.00	545,952.00

7.2 Remuneration of Senior Management

Apart from the remuneration of two (2) Executive Directors above, the remuneration for the remaining three (3) senior management was not disclosed as the Board viewed that it is sensitive in nature.

The Board opined that such disclosure would have adverse effect on the Company's talent retention in the competitive industry. All senior management's remuneration package are based on their scope of duty and responsibilities.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) AUDIT COMMITTEE

8. Effective and Independent Audit Committee ("AC")

8.1 AC and the Board are chaired by different individuals

The AC is chaired by Mr. Kong Sau Kian while the Chairman of the Board is Dato' Sri Tan Thian Poh.

8.2 Cooling-off Period of at least two (2) years for former Key Audit Partner

None of the AC members were former key audit partners within the cooling-off period of at least (2) two years before being appointed as a member of the AC.

8.3 Assessment of External Auditors

The AC does not have specific policies and procedures to assess the suitability, objectivity and independence of the external auditors.

However, the AC undertakes an annual assessment of the suitability and independence of the external auditors. The AC meets with the external auditors to discuss their audit plan, audit findings and the Company's financial statements.

8.4 Financial Literacy of AC Members

In compliance with Practice 8.5 of the MCCG, the AC members possess a wide range of necessary skills and are financially literate.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

(II) RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9.1 Risk Management and Internal Control

The Board regards risk management and internal controls as integral part of the overall management processes. The framework of the risk management encompasses the following key elements:-

- Risks identified were individually assessed and ranked as either extreme, high, medium or low based on their respective magnitude of impact and likelihood of occurrence within the Group; and
- Individual risk profiles created from the above assessment were endorsed by the Board and subsequently cascaded to Senior Management of the Group for implementation of action plans required to mitigate or maintain the risk impact of the Group at an acceptable level.

The risk management framework is regularly reviewed by the Management and relevant recommendations are made to the AC and Board for approval.

The internal control are tested for effectiveness and efficiency two cycles per financial year via an independent outsourced internal audit function following risk-based approaches.

10. Effective Governance, Risk Management and Internal Control Framework

10.1 Internal Audit Function

The Directors acknowledged their responsibility in maintaining a reasonable sound system of internal controls covering financial, operational and compliance and risk management. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as to safeguard shareholders' investments and the Group's assets. The Board seeks regular assurance on the continuity and effectiveness of the internal control system through independent review by the internal and external auditors.

The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control is satisfactory and operating effectively. The internal auditors adopt a risk-based approach towards the planning and conduct of audits, which are consistent with the Group's framework in designing, implementing and monitoring its internal control system. An Internal Audit Planning Memorandum, setting out the internal audit work expected to be carried out is tabled to the Audit Committee.

The Group's Statement on Risk Management and Internal Control is disclosed in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(I) COMMUNICATION WITH STAKEHOLDERS

11. Continuous Communication between the Company and Stakeholders

11.1 Effective, Transparent and Regular Communication

11.1.1 Dialogue between Companies and Investors

The Board recognises the importance of timely dissemination of information to shareholders and other interested parties to ensure that they are well informed of all major developments of the Group. Such information is communicated through various disclosures and announcements to Bursa Securities, including the quarterly financial results, annual reports and where appropriate, circulars and press releases. This information may be assessed from the website of the Bursa Securities at "www.bursamalaysia.com.my". In addition, interviews conducted from time to time by local journalists with the management of the Group are reported in the local newspapers and information on the Group and its business activities is available at the company's website at www.asiabrands.com.my.

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relations section enhances the Investor Relations function by including analyst reports, all announcements made by the Company, annual reports as well as the corporate and governance structure of the Company.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

(I) COMMUNICATION WITH STAKEHOLDERS (cont'd)

11. Continuous Communication between the Company and Stakeholders (cont'd)

11.1 Effective, Transparent and Regular Communication (cont'd)

11.1.2 Shareholder Communication Policy

The Board has put in place a Shareholder Communication Policy to facilitate the effective exercise of those rights by ensuring that the Company communicates effectively with its shareholders.

This Policy aims to promote effective communication with shareholders and encourage effective participation by shareholders at the Company's general meetings. To ensure a high quality of communication and level of clarity with all investors and other stakeholders, whilst complying with its statutory disclosure obligations, the Company endeavors to provide shareholders with ready and widespread access on a timely basis to matters that affect their investment in the Company; communicate in a clear, accurate and easy to understand manner with investors and other stakeholders.

The communication channels for shareholders are as follows:-

(i) Corporate Website

The Company believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of disseminating information in a timely and convenient manner. The Company's website (www.asiabrands.com.my) has a dedicated "Investor Relations" section which carries information available to the shareholders.

(ii) Shareholders' Meeting

Annual general meetings ("AGM") and extraordinary general meetings ("EGM") of the Company is the primary forum for communication with shareholders, where they are encouraged to participate in general meetings or to appoint proxies to attend, speak and vote at meetings for and on their behalf if they are unable to attend the meetings.

(iii) Shareholders' Enquiries

Shareholders and investors may at any time request the Company's public information. The Company provides a designated email address (info@asiabrands.com.my) for shareholders to make inquiries.

(iv) Annual Report

Annual Report is the key communication channel for all the shareholders. The Annual Report is made easily available to shareholders and other stakeholders in a timely manner. Shareholders can elect to receive a hard copy or an electronic copy of the Annual Report.

The Annual Report is available at the Company's website www.asiabrands.com.my.

The Shareholders Communication Policy will be reviewed regularly by management to ensure that it reflects the current regulatory, community and investor requirements.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

(II) CONDUCT OF GENERAL MEETINGS

12. Shareholders' Participation at General Meetings

12.1 Annual General Meeting ("AGM")

In compliance with Practice 12.1 of the MCCG, the Company gives its shareholders of at least twenty-eight (28) days' notice prior to the AGM.

The Company's Forty-Third AGM ("43rd AGM") is scheduled to be held on 27 September 2018 and Notice of 43rd AGM was sent to the shareholders on 27 July 2018, which is not less than 28 days prior to the 43rd AGM.

The Company have conducted poll voting for all resolutions set out in the Notice of Forty-Second AGM ("42nd AGM") of the Company held on 25 August 2017. The Company appointed an independent scrutineer to validate the votes cast at the 42nd AGM. The poll results were announced by the Company to Bursa Securities on the same day.

12.2 Attendance of Directors at General Meetings

All the Directors attended the 42nd AGM and Extraordinary General Meeting held on 25 August 2017 and 1 March 2018 respectively and addressed questions from the shareholders.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board dated 2 July 2018.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee comprises the following members:-

Kong Sau Kian	*Chairman/ Senior Independent Non-Executive Director*
Lim Kim Meng	*Member/ Independent Non-Executive Director*
Dato' Sri Tan Thian Poh	*Member/ Non-Independent Non-Executive Director (appointed on 11 April 2018)*

MEETINGS

The number of Audit Committee meetings held during the financial year ended 31 March 2018 and the attendance of each Audit Committee member are as follows:-

	No. of meetings attended
Kong Sau Kian	4/4
Lim Kim Meng	4/4
Ng Chin Huat *(ceased on 11 April 2018)*	4/4
Dato' Sri Tan Thian Poh *(appointed on 11 April 2018)*	–

ROLE OF THE AUDIT COMMITTEE

The role of the Audit Committee is to oversee the Company's financial reporting process, corporate governance process and provide the Board with assurance of the quality and reliability of financial information used by the Board and of the financial information issued publicly by the Company. The Audit Committee assumes the following fundamental responsibilities in the Company:-

- assessing the risks and control environment;
- overseeing financial reporting;
- evaluating the internal and external audit processes; and
- reviewing conflict of interest situations and related party transactions.

The Terms of Reference of the Audit Committee is available at the Company's website at www.asiabrands.com.my

SUMMARY OF WORK

During the financial year ended 31 March 2018, the Audit Committee carried out its duties as set out in its Terms of Reference. The main work carried out by the Audit Committee are as follows:-

- Reviewed all the unaudited quarterly reports on consolidated financial results of the Company and Group during the financial year ended 31 March 2018 before recommending to the Board for consideration and approval.

- Reviewed the reports and the audited financial statements of the Company and of the Group prior to recommending to the Board for approval.

- Reviewed the Audit Planning Memorandum of the external auditors in respect of the audit for the financial statements of the Company and the Group for the financial year ended 31 March 2018.

- Reviewed and discussed the external auditors' audit report and areas of concern highlighted in the Management letter, including Management's response to the concerns raised by the external auditors.

- Evaluated the performance of the external auditors and made recommendations to the Board on their reappointment and remuneration.

- Questioned Management as to whether there are any recurrent related party transactions or related party transaction within the Group on a quarterly basis.

SUMMARY OF WORK (cont'd)

- Discussed the significant accounting and auditing issues, affecting the Group, namely:-

  - Stock movement;
  - Going concern;
  - Stock planning;
  - Impairment assessment on goodwill and intangible assets with indefinite life; and
  - Inventories valuation and provision.

- Reviewed the related party transactions of the Group prior to tabling to the Board.

- Reviewed the internal audit plan, programme of resource requirement for the year and assessed the performance of the internal auditors, reviewed the internal audit reports, which highlighted the audit issues, recommendations and the Management's responses and directed action to be taken by the Management to rectify and improve the system of internal control.

- Monitored the implementation of recommendations made by the internal auditors arising from its audits in order to obtain assurances that all key risks and control concerns have been fully addressed.

INTERNAL AUDIT FUNCTION

The Audit Committee is aware of the fact that an adequately resourced internal audit function is essential to provide independent and objective advice on the effectiveness of the Group's internal controls to the Audit Committee and thereafter to the Management.

For the financial year ended 31 March 2018, the Company has an Internal Audit Department which reports directly to the Audit Committee, and assist the Audit Committee in monitoring and evaluating the adequacy, efficiency and effectiveness of the risk management, Company's internal control and governance processes in anticipating key business process exposure to risk.

The internal auditors assessed and evaluated the adequacy of the risk management practices, operational controls, compliance with regulatory requirements, Management efficiency to ensure that the internal control system is sound and satisfactory. The internal auditors carried out audits in accordance with the internal audit plan approved by the Audit Committee and other significant areas recommended by the Management to the Audit Committee. The results of the internal audit reviews and recommendations for enhancement of existing controls were presented at Audit Committee meetings.

This report is made in accordance with a resolution of the Board dated 2 July 2018.

The Code requires the Board of Directors to establish and maintain a sound system of risk management and internal control to safeguard shareholders' investment and assets of the Group.

The Main LR requires the Board to disclose in the annual report, the state of the Group's risk management and internal control system. For preparation of this Statement, the Board took into consideration the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies.

Board's Responsibilities

The Board is committed to maintain an effective system of internal controls to safeguard the shareholders' investment and the Group's assets.

The Board is responsible for the Group's system of internal control and risk management, which include the establishment of an appropriate control environment and framework as well as reviewing the adequacy and integrity of maintaining a sound system of risk management and internal control. The control structure and process which have been established throughout the Group include governance, risk management, financial, organizational, operational and compliance control.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The process has been in place during the year and is subject to regular review by the Board. However, in view of the limitations inherent in any system of risk management and internal control, the system is designed to provide reasonable but not absolute assurance against material misstatement or loss, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The process it has applied to deal with material internal control aspects of any significant problems will be disclosed in the annual report and financial statements, if any.

Senior Management will assist the Board in implementing the approved policies and procedures on risk and control by identifying and analysing risk information, designing, operating suitable internal controls to manage and control risks and monitoring effectiveness of risk management and control activities.

Risk Management Framework

The Board's primary objective and direction in managing the Group's principal business risks are to enhance the Group's ability to achieve its business objective. The risk management framework encompasses the following key elements:-

- Risks identified were individually assessed and ranked as either extreme, high, medium or low based on their respective magnitude of impact and likelihood of occurrence within the Group; and

- Individual risk profiles created from the above assessment were endorsed by the Board and subsequently cascaded to Senior Management of the Group for implementation of action plans required to mitigate or maintain the risk impact of the Group at an acceptable level.

Statement of Internal Control

The following elements of the system of internal controls are present in the Group:

- **Strategic Business Direction**

  The Group's business objectives are communicated throughout the organisation through its Business Plan, management meetings and interaction between the GMD, management and employees.

- **Risk Identification**

  The Board is fully aware of the principal risks faced by the Company and Group and has put in place the appropriate controls to identify, evaluate and manage these risks through the involvement of the GMD in the day-to-day operations of the Group. The performance of the Company and Group is monitored through strategic, management and operational level meetings. Significant matters identified during these meetings are highlighted to the Board on a timely basis.

- **Audit Committees**

  The Audit Committee is tasked with responsibilities on accounting and reporting practices, review of internal and external audit reports, and ensuring the adequacy of administrative, operating and accounting controls. The minutes of meetings of the Audit Committee are tabled to the Board for notation. The Terms of Reference of the Audit Committee are set-out in the Company's website at www.asiabrands.com.my.

Statement of Internal Control (cont'd)

- **Internal Audit Function**

  The Company has an Internal Audit Department that reports directly to the Audit Committee. The Audit Committee reviews the annual internal audit plan, which was co-developed by the Internal Audit Department and Management. Applying a risk-based approach, periodic internal audit visits have been carried out to review the adequacy and integrity of key internal controls of the Group's business to provide an independent assurance on the systems of internal control.

- **Policies and Procedures**

  Continuing from the last financial period's Group-wide restructuring efforts and review of the cash management process, the internal audit function carried out a business process review for inventories movement and control procedures during the financial year ended 31 March 2018.

- **Organisation Structure**

  The current organisational structure enables a clear reporting line from lower management level up to the Board. Job functions and areas of responsibilities of certain employees are outlined in job descriptions and authority chart. The Group practices an "open-door" policy that allows matters to be identified and resolved in a timely and efficiently manner.

  Additional key features of the Company's system of internal controls include the following:

  ➢ Internal control procedures are set out in a series of standard operating policies and procedures. These procedures are the subject of regular reviews and improvements to reflect changing risks or to resolve operational deficiencies.-
  ➢ Audit Committee holds regular meetings with management on the actions taken on internal control issues identified through reports prepared by the internal auditors, external auditors and/or management.
  ➢ Preparation of quarterly and yearly financial results; and key business indicators, as announced or otherwise published to shareholders.
  ➢ Meetings involving the GMD, senior management and heads of department are regularly held and any significant matters are escalated to the Board.

The Board together with the Management will continuously assess the suitability, adequacy and effectiveness of the Group's system of internal controls and will take corrective measures to enhance the system, as and when necessary.

Assurance Provided by the Group Managing Director and Chief Financial Officer

In line with the Guidelines, the GMD and Chief Financial Officer have provided assurance to the Board that the Group's risk management and internal control system have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

Review of this Statement

The External Auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 31 March 2018, and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

Conclusion

The Board is of the view that the Group's risk management and internal control systems are in place for the year under review, and up to the date of approval of this Statement, is sound and adequate to safeguard the shareholders' investment, the interests of customers, regulators, employees and other stakeholders, and the Group's assets. Notwithstanding this, on-going reviews are continuously carried out to ensure the effectiveness of the system. The Board is committed towards operating a sound system of internal controls and effective risk management throughout the Group. The Board is also cognisant of the fact that the system of internal controls and risk management practices must continuously evolve to support the type of business and size of operations. As such, the Board will, when necessary, put in place appropriate action plans to rectify any potential weaknesses or further enhance the system of internal controls.

This Statement is made in respect of the financial year ended 31 March 2018 and in accordance with a resolution passed on 2 July 2018.

1) Status of utilisation of proceeds raised from any corporate proposal

The status of utilisation of proceeds raised from corporate proposal during the financial year ended 31 March 2018 are as follows:-

	Status of utilisation	Amount utilised (RM)	Amount unutilised (RM)
Repayment of Islamic Medium-term Notes	Fully Utilised	27,570,080	Nil

2) Audit and Non-audit fees paid to external auditors for the financial year

The amount of audit fees and non-audit fees incurred by the Company and on a Group basis respectively are as follows:-

	Company	Group
Audit Fees	RM51,000	RM155,000
Non-Audit Fees	RM9,500	RM55,900

The non-audit fee incurred above were not significant.

3) Material contracts entered into by the Company and subsidiary companies with Directors and/or major shareholders

There were no material contracts involving the interests of Directors or major shareholders that are still subsisting.

4) Contracts relating to loan with Directors and/or major shareholders

There were no contracts relating to a loan by the Company and/or its subsidiary companies involving Directors and/or major shareholders during the financial year under review.

This report is made in accordance with a resolution of the Board of Directors dated 2 July 2018.

FINANCIAL STATEMENTS

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Loss for the financial year attributable to owners of the Company	19,196,832	2,135,932

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year.

Issue of Shares and Debentures

During the financial year, the Company issued 37,206,586 new ordinary shares of RM0.741 at RM27,570,080 for a total cash consideration of RM27,570,080 for repayment of Islamic Medium Term Note due on 16 March 2018.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors

The Directors in office during the financial year until the date of this report are:

Ng Chin Huat*
Cheah Yong Hock*
Kong Sau Kian*
Lim Kim Meng
David Tan Chin Wee *(Alternate Director to Dato' Sri Tan Thian Poh, appointed on 30 Apr 2018)*
Dato' Sri Tan Thian Poh *(Appointed on 11 Apr 2018)*

Directors (Cont'd)

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year until the date of this report are:

Kok Tai Meng
Lee Yean Fung
Chua Hooi Yee
Kong Sau Kian *(Resigned on 11 Apr 2018)*

* Director of the Company and its subsidiary companies

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and make a part hereof.

Directors' Interests in Shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.4.2017	**Bought**	**Sold**	**At 31.3.2018**
Interests in the Company				
Direct interests :				
Cheah Yong Hock	625,600	–	–	625,600
Indirect interests :				
Ng Chin Huat [(a)]	47,237,477	–	(8,680,000)	38,557,477
Interests in the holding company				
Direct interests :				
Ng Chin Huat	1	–	–	1
Indirect interests :				
Ng Chin Huat [(b)]	1	–	–	1

Notes:

[(a)] Deemed interest by virtue of interests held by Everest Hectare Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

[(b)] Deemed interest by virtue of interests held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

By virtue of his interest in the shares of the Company, Ng Chin Huat is also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act 2016.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 27 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Group and of the Company were RM3,000,000 and RM8,500 respectively. There were no indemnity and insurance costs effected for auditors of the Group and of the Company during the financial year.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

  (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

  (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

  (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;

  (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in the notes to the financial statements; and

  (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Holding Company

The holding company is Everest Hectare Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 5 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 24 to the financial statements.

Auditors

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 5 July 2018.

NG CHIN HUAT	**KONG SAU KIAN**

KUALA LUMPUR

Statement By Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 47 to 98 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 5 July 2018.

NG CHIN HUAT	**KONG SAU KIAN**

KUALA LUMPUR

Statutory Declaration
Pursuant to Section 251(1) of the Companies Act 2016

I, KOK TAI MENG (MIA Membership No. CA30027), being the Officer primarily responsible for the financial management of Asia Brands Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 47 to 98 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 5 July 2018.

KOK TAI MENG

Before me,
MOHAN A.S. MANIAM
W710
Commissioner for Oaths

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Asia Brands Berhad, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 98.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the financial statements, which indicates that the Group and the Company incurred a net loss of RM19,196,832 and RM2,135,932 respectively during the financial year ended 31 March 2018 and, as of that date, the Group and the Company had a net current liabilities of RM32,182,620 and RM6,830,450 respectively. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that there is a material uncertainty on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment on goodwill and intangible assets with indefinite life Please refer to Note 2(d) Significant Accounting Judgements, Estimates and Assumptions, Note 3(j) Significant Accounting Policies and Note 6 Intangible Assets. The carrying values of goodwill and intangible assets of the Group as at 31 March 2018 are RM26.7 million and RM131 million respectively. Goodwill and intangible assets with indefinite life are subject to annual impairment testing. We focused on these areas as the determination of recoverable amounts of cash-generating-unit based on value-in-use calculations by management involved a significant degree of judgement and assumptions.	Our procedures performed in relation to management's impairment assessment and testing included the following: • Assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results; • Assessed the key assumptions on which the cash flow projections are based, by amongst others, comparing them against business plans, historical results and market data; • Evaluated the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset. • Performed sensitivity analysis on key assumptions to evaluate impact on the impairment assessment; and • Assessed the adequacy and reasonableness of the disclosures in the financial statements. Based on the procedures performed, we noted no significant exceptions.
Inventories valuation and provision The carrying amount of finished goods of the Group as at 31 March 2018 is RM46.1 million. As described in the Accounting Policies in Note 3(h) to the financial statements, inventories are carried at the lower of cost and net realisable value. Assessing valuation of inventories is an area of significant judgement as there is a risk in estimating the net realisable value of the inventories, as well as assessing which items may be slow-moving or obsolete. Due to the significance of inventories and the corresponding uncertainty inherent in such an estimate, we considered this as a key audit matter. Please refer to Note 2(d) Significant Accounting Judgements, Estimates and Assumptions and the disclosures of inventories in Note 8 to the financial statements.	Our audit procedures included, amongst others: • Reviewing the historical ageing of inventories; • Checking the effectiveness of controls associated with the existence and condition of inventories by attending inventory counts at financial year end in selected locations; • Identifying and assessing a sample of aged and obsolete inventories; • Analysing the level of slow-moving inventories and the associated provision; • Testing the expected volume and price of future sales of inventories by reviewing the price of a sample of inventories sold after the balance sheet date; • Reviewing the historical accuracy of inventory provisioning and the level of inventory write-offs during the financial year; and • Assessed the adequacy and reasonableness of the disclosures in the financial statements. Based on the above procedures performed, we did not note any significant exceptions.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

TIO SHIN YOUNG
Approved Number: 3355/02/2020(J)
Chartered Accountant

KUALA LUMPUR
5 July 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
Non-Current Assets					
Plant and equipment	4	7,350,759	9,620,741	–	5,750
Investments in subsidiary companies	5	–	–	249,521,600	243,535,800
Intangible assets	6	157,704,868	161,904,868	–	–
Deferred tax assets	7	11,915,000	11,915,000	–	–
		176,970,627	183,440,609	249,521,600	243,541,550
Current Assets					
Inventories	8	46,072,441	62,701,818	–	–
Trade receivables	9	23,569,807	37,615,108	–	–
Other receivables	10	5,873,580	11,000,745	14,364	9,368
Amounts due from subsidiary companies	11	–	–	568,718	–
Tax recoverable		7,252,506	7,179,386	3,600	12,663
Fixed deposit with licensed bank	12	5,628	5,484	5,628	5,484
Cash and bank balances	13	8,615,482	13,565,830	85,169	24,775
		91,389,444	132,068,371	677,479	52,290
Total Assets		268,360,071	315,508,980	250,199,079	243,593,840
EQUITY					
Share capital	14	158,000,681	130,430,601	158,000,681	130,430,601
(Accumulated losses)/ Retained earnings		(13,463,372)	5,733,460	84,690,469	86,826,401
Total equity attributable to owners of the Company		144,537,309	136,164,061	242,691,150	217,257,002
LIABILITIES					
Non-Current Liabilities					
Finance lease payable	15	243,298	–	–	–
Deferred tax liabilities	7	7,400	24,700	–	–
		250,698	24,700	–	–
Current Liabilities					
Trade payables	16	13,798,423	16,664,613	–	–
Other payables	17	6,075,134	7,131,236	208,417	194,081
Amounts due to subsidiary companies	11	–	–	7,299,512	22,774,045
Amounts due to holding company	18	1,200,000	20,103,658	–	3,365,000
Finance lease payable	15	34,877	3,712	–	3,712
Islamic medium term notes	19	90,000,000	120,000,000	–	–
Bank borrowings	20	12,452,000	15,417,000	–	–
Tax payables		11,630	–	–	–
		123,572,064	179,320,219	7,507,929	26,336,838
Total Liabilities		123,822,762	179,344,919	7,507,929	26,336,838
Total Equity and Liabilities		268,360,071	315,508,980	250,199,079	243,593,840

The accompanying notes form an integral part of the financial statements.

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Continuing operations					
Revenue	21	150,588,294	165,551,254	–	–
Cost of sales		(81,435,081)	(98,521,090)	–	–
Gross profit		69,153,213	67,030,164	–	–
Other income		4,922,292	4,327,942	236,986	348,579
Selling and distribution expenses		(77,298,876)	(105,041,717)	–	–
Administrative expenses		(6,815,779)	(8,943,147)	(2,372,898)	(33,209,364)
Loss from operations		(10,039,150)	(42,626,758)	(2,135,912)	(32,860,785)
Finance costs		(7,959,818)	(7,716,537)	(20)	(683)
Loss before tax		(17,998,968)	(50,343,295)	(2,135,932)	(32,861,468)
Taxation	22	(1,197,864)	11,050,389	–	(61)
Loss from continuing operations		(19,196,832)	(39,292,906)	(2,135,932)	(32,861,529)
Discontinued operation					
Loss from discontinuing operation, net of tax	23	–	(19,200,747)	–	–
Loss for the financial year attributable to:					
Owners of the Company	24	(19,196,832)	(58,493,653)	(2,135,932)	(32,861,529)
Total comprehensive loss attributable to:					
Owners of the Company		(19,196,832)	(58,493,653)	(2,135,932)	(32,861,529)
Loss per share	25				
Basic and diluted loss per ordinary share (sen):					
from continuing operations		(23.71)	(49.66)		
from discontinuing operation		–	(24.27)		
		(23.71)	(73.93)		

The accompanying notes form an integral part of the financial statements.

Group	Note	Attributable to Owners of the Parent		
		<Non-Distributable>	<Distributable>	
		Share Capital	Retained Earnings/ (Accumulated Losses)	Total
		RM	RM	RM
At 1 April 2017		130,430,601	5,733,460	136,164,061
Issuance of shares	14	27,570,080	–	27,570,080
Net loss for the financial year, representing total comprehensive loss for the financial year		–	(19,196,832)	(19,196,832)
At 31 March 2018		158,000,681	(13,463,372)	144,537,309

Group	Note	Attributable to Owners of the Parent			
		<Non-Distributable>		<Distributable>	
		Share Capital	Share Premium	Retained Earnings	Total
		RM	RM	RM	RM
At 1 April 2016		79,117,214	51,313,387	64,227,113	194,657,714
Adjustments for effect of Companies Act 2016	14	51,313,387	(51,313,387)	–	–
Net loss for the financial year, representing total comprehensive loss for the financial year		–	–	(58,493,653)	(58,493,653)
At 31 March 2017		130,430,601	–	5,733,460	136,164,061

Company	Note	Attributable to Owners of the Parent		
		<Non-Distributable>	<Distributable>	
		Share Capital	Retained Earnings	Total
		RM	RM	RM
At 1 April 2017		130,430,601	86,826,401	217,257,002
Issuance of shares	14	27,570,080	–	27,570,080
Net loss for the financial year, representing total comprehensive loss for the financial year		–	(2,135,932)	(2,135,932)
At 31 March 2018		158,000,681	84,690,469	242,691,150

Company	Note	Attributable to Owners of the Parent			
		<Non-Distributable>		<Distributable>	
		Share Capital	Share Premium	Retained Earnings	Total
		RM	RM	RM	RM
At 1 April 2016		79,117,214	51,313,387	119,687,930	250,118,531
Adjustments for effect of Companies Act 2016	14	51,313,387	(51,313,387)	–	–
Net loss for the financial year, representing total comprehensive loss for the financial year		–	–	(32,861,529)	(32,861,529)
At 31 March 2017		130,430,601	–	86,826,401	217,257,002

The accompanying notes form an integral part of the financial statements.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows From Operating Activities				
Loss before tax from:				
- Continuing operations	(17,998,968)	(50,343,295)	(2,135,932)	(32,861,468)
- Discontinuing operation	–	(19,200,747)	–	–
	(17,998,968)	(69,544,042)	(2,135,932)	(32,861,468)
Adjustments for:				
Bad debts written off on:				
- Trade receivables	971,746	563,405	–	–
Bad debts recovered	(77,853)	–	–	–
Waiver of debt on subsidiary	–	–	–	(40,829)
Depreciation of plant and equipment	4,345,268	7,027,668	5,749	69,000
Impairment losses on:				
- Goodwill	4,200,000	–	–	–
- Investments in subsidiary companies	–	–	14,200	7,472,700
- Trade receivables	272,397	4,070,103	–	–
- Other receivables	–	7,117,149	–	6,226,229
- Amount due from subsidiary companies	–	–	3,428,500	3,143,500
Interest expense	7,959,818	9,374,310	20	683
Inventories written down	1,121,917	17,007,706	–	–
Inventories written off	9,812,937	8,265,498	–	–
Reversal of inventories written down	(3,004,395)	(226,387)	–	–
Plant and equipment written off	–	639,815	–	–
Loss on disposal of trademark	–	735,438	–	–
Gain on disposal of plant and equipment	(72,074)	(661,829)	(84,905)	–
Loss on disposal of subsidiary companies	–	5,980,308	-	15,591,391
Interest income	(284,114)	(284,942)	(143)	(245)
Reversal of impairment losses on				
- trade receivables	(2,773,751)	(7,851,800)	–	–
- other receivables	(1,932,791)	(748,281)	(367,889)	–
- Amount due from subsidiary companies	–	–	(1,489,000)	–
Operating gain/ (losses) before working capital changes	2,540,137	(18,535,881)	(629,400)	(399,039)
Changes in working capital				
Inventories	8,698,918	41,787,045	–	–
Receivables	22,712,718	5,305,046	362,893	(6,228,336)
Payables	(3,922,292)	3,817,569	14,336	(36,130)
	27,489,344	50,909,660	377,229	(6,264,466)
Cash generated from/(used in) operations	30,029,481	32,373,779	(252,171)	(6,663,505)
Interest paid	(7,959,818)	(9,374,310)	(20)	(683)
Income tax paid	(1,276,654)	(943,898)	9,063	(2,808)
	(9,236,472)	(10,318,208)	9,043	(3,491)
Net cash generated from/(used in) operating activities	20,793,009	22,055,571	(243,128)	(6,666,996)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash Flows From Investing Activities				
Advances to subsidary companies	–	–	(2,508,218)	(2,534,700)
Interest received	284,114	284,942	143	245
Purchase of plant and equipment (Note 4(b))	(1,887,118)	(1,013,702)	–	–
Net cash outflow on acquisition of a subsidiary company (Note 5)	–	–	–	(2)
Net cash inflow on disposal of subsidiary companies	–	13,648,698	–	14,408,609
Withdrawal of deposit with licensed bank	–	4,115,000	–	–
Proceeds from disposal of trademark	–	2	–	–
Proceeds from disposal of plant and equipment	164,906	1,081,030	84,906	–
Increase in investment in a subsidiary	–	–	(6,000,000)	(20,000,000)
Net cash (used in)/generated from investing activities	(1,438,098)	18,115,970	(8,423,169)	(8,125,848)
Cash Flows From Financing Activities				
(Repayment to)/Advance from holding company	(18,903,658)	1,138,658	(3,365,000)	(3,800,000)
(Repayment to)/Advance from subsidiary companies	-	-	(15,474,533)	18,624,477
Proceeds from issue of shares	27,570,080	-	27,570,080	-
Repayment of Islamic Medium Term Notes	(30,000,000)	(10,000,000)	-	-
Repayment of finance lease payable	(6,537)	(21,769)	(3,712)	(21,769)
Repayment of banker acceptance	(2,965,000)	(20,583,000)	-	-
Net cash (used in)/ from financing activities	(24,305,115)	(29,466,111)	8,726,835	14,802,708
Net (decrease)/increase in cash and cash equivalents	(4,950,204)	10,705,430	60,538	9,864
Cash and cash equivalents at beginning of the financial year	13,571,314	2,865,884	30,259	20,395
Cash and cash equivalents at end of the financial year	8,621,110	13,571,314	90,797	30,259
Cash and cash equivalents at the end of the financial year comprise:				
Cash and bank balances	8,615,482	13,565,830	85,169	24,775
Fixed deposits with licensed banks	5,628	5,484	5,628	5,484
	8,621,110	13,571,314	90,797	30,259

The accompanying notes form an integral part of the financial statements.

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The principal place of business and the registered office of the Company are at Lot 10449, Jalan Nenas, Batu 4½, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

The holding company is Everest Hectare Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

2. Basis of Preparation

(a) Statement of Compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

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 in Note 30. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, IC Interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based PaymentTransactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018*
Amendments to MFRS 15	Classifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019

2. Basis of Preparation (Cont'd)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards:		
• Amendments to MFRS 2 *Share-Based Payment*		1 January 2020
• Amendments to MFRS 3 *Business Combinations*		1 January 2020
• Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*		1 January 2020
• Amendments to MFRS 14 *Regulatory Deferral Accounts*		1 January 2020
• Amendments to MFRS 101 *Presentation of Financial Statements*		1 January 2020
• Amendments to MFRS 108 *Accounting Policies, Change is Accounting Estimates and Errors*		1 January 2020
• Amendments to MFRS 134 *Interim Financial Reporting*		1 January 2020
• Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*		1 January 2020
• Amendments to MFRS 138 *Intangible Assets*		1 January 2020
• Amendments to IC Interpretation 12 *Service Concession Arrangements*		1 January 2020
• Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*		1 January 2020
• Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*		1 January 2020
• Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*		1 January 2020
• Amendments to IC Interpretation 132 *Intangible Assets Web Site Costs*		1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sales or contribution of Assets between an Investor and its Associates or Joint Venture	Deferred until further notice

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group and the Company intend to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

2. Basis of Preparation (Cont'd)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) *(Cont'd)*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Financial assets and financial liabilities of the Group and of the Company which are currently carried at amortised costs and fair value through profit or loss ("FVTPL") respectively under MFRS 139 will continue to be measured on the same basis. Any equity investments which are currently categorised as available-for-sale under MFRS139 will be categorised as FVTPL under MFRS 9 and the Group may consider making an irrevocable election to present subsequent changes in fair value of equity instrument in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The expected impact from implementation of MFRS 9 and the determination of expected credit loss will have relatively insignificant impact on trade receivables and profit or loss before tax as the current policy on impairment on trade receivables are considered reasonably consistent with MFRS 9.

- There will be no impact arising from the new general hedge accounting requirements as the Group and the Company do not adopt hedge accounting.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 Revenue, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following area that will be affected:

Revenue relating to sales of good will be recognised when control of the products has transferred, being the point when the products are delivered to the customer or sold from the customer's premise. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sale of good under MFRS 15 is unlikely to be materially different from its current practice.

2. Basis of Preparation (Cont'd)

(a) Statement of Compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

MFRS 17 *Insurance Contracts*

MFRS 17 which will supersede MFRS 4 Insurance Contracts is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as MFRS 9 and MFRS 15 are also applied. An entity identifies as *insurance contracts* those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. MFRS 17 requires to separate specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts, as well as to divide the contracts into groups that an entity will recognise and measure. MFRS 17 also include an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 and on the assumption that the Group and the Company are going concern.

During the financial year ended 31 March 2018, the Group and the Company incurred a net loss of RM19,196,832 (2017: RM58,493,653) and RM2,135,932 (2017: RM32,861,529) respectively and, as of that date, the Group and the Company had a net current liabilities of RM32,182,620 (2017: RM47,251,848) and RM6,830,450 (2017: RM26,284,548) respectively. The Group had a net current liabilities due to the reclassification of Islamic Medium Term Notes ("IMTN") to current liability as a results of non-compliance with financial covenants as required in IMTN. The non-compliance of financial covenants as required is mainly due to losses incurred. These conditions indicate that there is a material uncertainty on the Group's and the Company's ability to continue as a going concern.

The Group and the Company are currently exploring various options to address these conditions, amongst which, include further streamlining of operations to achieve cost savings and increasing product fairs and products range to achieve higher revenue and better margins.

In view of the above, the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful execution of the abovementioned plans, continued support of banks and its holding company and the achievement of future profitable operations by the Group. Accordingly, the financial statements of the Group and of the Company do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities that may be necessary should the going concern basis for the preparation of the financial statements of the Group and of the Company be not appropriate.

2. Basis of Preparation (Cont'd)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

(d) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of plant and equipment

The Group regularly reviews the estimated useful lives of plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of plant and equipment would increase the recorded depreciation and decrease the value of plant and equipment. The carrying amount at the reporting date for plant and equipment is disclosed in Note 4.

Going concern

As disclosed in Note 2(b) to the financial statements, judgement is made by the Directors whether the Group and the Company will be able to continue as a going concern. The financial statements of the Group and of the Company have been prepared on a going concern basis.

Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 5.

Impairment of goodwill and trademarks

The Group tests annually whether goodwill and trademarks have suffered any impairment in accordance with the accounting policy in Note 3(j)(i) on impairment of non-financial assets. When value in use calculations are undertaken, management estimates the expected future cash flows from the cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment losses. Further details of the key assumptions applied in the impairment assessment of goodwill and trademarks are given in Note 6.

2. Basis of Preparation (Cont'd)

(d) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

<u>Deferred tax assets</u>

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 7.

<u>Income taxes</u>

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 March 2018, the Group and the Company have tax recoverable of RM7,252,506 (2017: RM7,179,386) and RM3,600 (2017: RM12,663) respectively.

<u>Inventories valuation</u>

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

<u>Impairment on loans and receivables</u>

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 9, 10 and 11 respectively.

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(j)(i) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(j)(i) to the financial statements on impairment of non-financial assets.

(b) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(j)(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life.

Plant and equipment are depreciated based on the principal annual rates as follows:

Computer equipment	30%
Display counters	20%
Office equipment	10%
Renovation	20%
Motor vehicles	20%

3. Significant Accounting Policies (Cont'd)

(b) Plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the plant and equipment.

(c) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(d) Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. Significant Accounting Policies (Cont'd)

(d) Intangible assets (Cont'd)

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(j)(i) to the financial statements on impairment of non-financial assets for intangible assets.

(e) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition into loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchase or sale of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

(f) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

3. Significant Accounting Policies (Cont'd)

(f) Financial liabilities (Cont'd)

The Group and the Company classify their financial liabilities at initial recognition into the following categories:

(i) Financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h) Inventories

Finished goods are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis and comprises the purchase price and incidental costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

3. Significant Accounting Policies (Cont'd)

(j) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than investments in subsidiary companies are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

3. Significant Accounting Policies (Cont'd)

(j) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(k) Share capital

(i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceed received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(ii) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

(l) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(m) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

3. Significant Accounting Policies (Cont'd)

(m) Employee benefits (Cont'd)

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised net of goods and service tax and discounts upon transfer of the significant risks and rewards of ownership to the buyer. In the case of consignment sales, revenue is recognised when the goods are sold by the consignee to a third party. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iv) Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

3. Significant Accounting Policies (Cont'd)

(p) Income taxes (Cont'd)

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) Where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisitionof the asset or as part of the expense item as applicable; and

(ii) Receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(r) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(s) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

3. Significant Accounting Policies (Cont'd)

(t) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group). Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary company acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-represented as if the operation had been discontinued from the start of the comparative period.

(v) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Plant and Equipment

Group	Computer Equipment RM	Display Counters RM	Office Equipment RM	Renovation RM	Motor Vehicles RM	Total RM
2018						
Cost						
At 1 April	1,423,144	19,833,339	368,649	3,961,213	988,687	26,575,032
Additions	–	1,817,284	2,279	–	348,555	2,168,118
Disposals	–	–	–	–	(567,795)	(567,795)
At 31 March	1,423,144	21,650,623	370,928	3,961,213	769,447	28,175,355
Accumulated depreciation						
At 1 April	1,274,703	11,547,332	86,606	3,245,742	799,908	16,954,291
Charge for the financial year	107,114	3,604,067	37,102	490,426	106,559	4,345,268
Disposals	–	–	–	–	(474,963)	(474,963)
At 31 March	1,381,817	15,151,399	123,708	3,736,168	431,504	20,824,596
Carrying amount						
At 31 March	41,327	6,499,224	247,220	225,045	337,943	7,350,759
2017						
Cost						
At 1 April	4,631,729	40,730,377	700,341	5,749,383	1,225,773	53,037,603
Additions	–	1,013,702	–	–	–	1,013,702
Disposals	–	(348,178)	–	–	(237,086)	(585,264)
Written off	(3,208,585)	(11,509,074)	(4,290)	(1,788,170)	–	(16,510,119)
Disposals of subsidiary	–	(10,053,488)	(327,402)	–	–	(10,380,890)
At 31 March	1,423,144	19,833,339	368,649	3,961,213	988,687	26,575,032
Accumulated depreciation						
At 1 April	4,263,769	24,416,848	122,119	4,287,605	766,907	33,857,248
Charge for the financial year	211,574	5,806,086	67,293	743,651	199,064	7,027,668
Disposals	–	–	–	–	(166,063)	(166,063)
Written off	(3,200,640)	(10,882,998)	(1,152)	(1,785,514)	–	(15,870,304)
Disposals of subsidiary	–	(7,792,604)	(101,654)	–	–	(7,894,258)
At 31 March	1,274,703	11,547,332	86,606	3,245,742	799,908	16,954,291
Carrying amount						
At 31 March	148,441	8,286,007	282,043	715,471	188,779	9,620,741

4. Plant and Equipment (Cont'd)

	Motor vehicles RM
Company	
2018	
Cost	
At 1 April/31 March	345,000
Disposal	(345,000)
At 31 March	–
Accumulated depreciation	
At 1 April	339,250
Charge for the financial year	5,749
Disposal	(344,999)
At 31 March	–
Carrying amount	
At 31 March	–
2017	
Cost	
At 1 April/31 March	345,000
Accumulated depreciation	
At 1 April	270,250
Charge for the financial year	69,000
At 31 March	339,250
Carrying amount	
At 31 March	5,750

(a) Assets held under finance leases

The net carrying amount of plant and equipment of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Motor vehicles	336,937	5,750	–	5,750

Leased assets are pledged as security for the related finance lease liabilities (see Note 15).

4. Plant and Equipment (Cont'd)

(b) Purchase of plant and equipment

The aggregate cost for the plant and equipment of the Group and the Company during the financial year under finance lease and cash payments are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Aggregate costs	2,168,118	1,013,702	–	–
Less: finance lease financing	(281,000)	–	–	–
Cash payments	1,887,118	1,013,702	–	–

5. Investments in Subsidiary Companies

	Company	
	2018 RM	2017 RM
Unquoted equity shares, at cost	277,098,098	271,098,098
Less: Allowance for impairment losses	(27,576,498)	(27,562,298)
	249,521,600	243,535,800

Movements in the allowances for impairment losses on investments in subsidiary companies are as follows:

	Company	
	2018 RM	2017 RM
At 1 April	27,562,298	20,089,598
Impairment loss recognised	14,200	7,472,700
At 31 March	27,576,498	27,562,298

The Company conducted a review of the recoverable amounts of its investments in certain subsidiary companies of which its carrying amount of investments exceeded net assets of the respective subsidiary companies at the reporting date. The recoverable amounts were based on fair value less cost of disposal and value in use as described below:

Fair value less cost of disposal approach

The review gave rise to the recognition of an impairment loss of investment in subsidiary company of RM14,200 (2017: RM7,472,700) based on recoverable amounts of RM751,300 (2017: RM760,700). The impairment loss was recognised in 'administrative expenses' in statements of profit or loss and other comprehensive income. The recoverable amounts are determined using the fair value less costs of disposal approach, and this is derived using adjusted net assets of the respective subsidiary companies as at the end of the reporting period. The fair values are within level 3 of the fair value hierarchy.

Included in the investments in subsidiary companies is RM189,300,000 (2017: RM183,300,000) pledged for credit facilities granted to a subsidiary company as disclosed in Note 19 to the financial statements.

5. Investments in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest 2018 %	Effective interest 2017 %	Principal activities
Direct holding:				
Diesel Marketing Sdn. Bhd. ("Diesel Marketing")	Malaysia	100	100	Dormant.
Ubay Marketing Sdn. Bhd. ("Ubay Marketing")	Malaysia	100	100	Dormant.
Audrey Sdn. Bhd. ("AUSB")	Malaysia	100	100	Trading and retailing in lingerie and ladies wear, care and related products through Heavy Traffic Outlets ("HTO"), distributors as well as retailing boutique outlets.
Anakku Sdn. Bhd. ("AKSB")	Malaysia	100	100	Trading and retailing in baby wear, care and related products througwh HTO, distributors as well as retailing boutique outlets.
Asia Brands Global Sdn. Bhd. ("ABG")	Malaysia	100	100	Dormant.
Antioni Sdn. Bhd. ("Antioni")	Malaysia	100	100	Dormant.
Asia Brands Assets Management Sdn. Bhd. ("ABAM")	Malaysia	100	100	Dormant.
Asia Brands HR Services Sdn. Bhd. ("ABHR")	Malaysia	100	100	Providing share services function including finance, human resources, IT, administrative and others.
Bumcity Sdn. Bhd. ("Bumcity")	Malaysia	100	100	Dormant.
Mickey Junior Sdn. Bhd. ("MJSB")	Malaysia	100	100	Dormant.
Generasi Prestasi Sdn. Bhd. ("GPSB") (Note c)	Malaysia	100	100	Trading and retailing in baby and children wear, care and related products through HTO, distributors as well as retailing boutique outlets and providing sub-licensing.
Bontton Sdn. Bhd. ("Bontton") (Note a)	Malaysia	–	–	Dormant.

5. Investments in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest 2018 %	Effective interest 2017 %	Principal activities
B.U.M. Marketing (Malaysia) Sdn. Bhd. ("BUMM") (Note b)	Malaysia	–	–	Trading and retailing in adult and children wear, care and related products through HTO, distributors as well as retailing boutique outlets.
Held through AKSB				
Baby Palace Sdn. Bhd. ("BPSB")	Malaysia	100	100	Trading and retailing in baby and children wear, care and related products through boutique outlets.
Generasi Prestasi Sdn. Bhd. ("GPSB") (Note c)	Malaysia	–	–	Trading and retailing in baby and children wear, care and related products through HTO, distributors as well as retailing boutique outlets and providing sub-licensing.
Held through BPSB				
Astra Brands Sdn. Bhd. ("ABSB")	Malaysia	100	100	Wholesale distribution of baby and infant products.
Held through AUSB				
Generasi Dinasti Sdn. Bhd. ("GDSB")	Malaysia	100	100	Providing sub-licensing.
Held through BUMM				
Generasi Cerdas Sdn. Bhd. ("GCSB") (Note b)	Malaysia	–	–	Dormant.
Generasi Fesyen Aktif Sdn. Bhd. ("GFASB") (Note b)	Malaysia	–	–	Not commenced business since its incorporation.

Current Financial Year

Acquisition of subsidiary company

On 30 March 2018, AKSB, a wholly-owned subsidiary company of the Company, has increased its issued and paid-up share capital from 11,000,000 to 17,000,000 ordinary shares of RM1.00 each. The Company has subscribed for an additional of 6,000,000 ordinary shares of RM1.00 each in AKSB by way of cash.

The Group's effective equity interest remained unchanged.

5. Investments in Subsidiary Companies (Cont'd)

Previous Financial Year

Disposal of subsidiary companies

a) On 1 October 2016, the Company disposed of its entire equity interest in Bontton for a cash consideration of RM2, which had resulted a gain of RM2.

The effect of the disposal of Bontton on the financial position of the Group as at the date of disposal was as follows:

	RM
Gain on disposal of subsidiary company	2
Sales proceeds from disposal of subsidiary company	2
Less: Cash and cash equivalents of subsidiary disposed	–
Net cash inflow on disposal of subsidiary	2

b) On 6 March 2017, the Group disposed of its entire equity interest in BUMM and its subsidiaries. The details of the disposal are disclosed in Note 23.

c) Acquisition of subsidiary company

On 1 September 2016, the Company acquired 1,000,000 ordinary shares of RM1 each representing 100% equity interest in GPSB, for a total cash consideration of RM2 from AKSB. As this represented an internal restructuring, the Group's effective equity interest remained unchanged.

6. Intangible Assets

	Goodwill RM	Trademarks RM	Total RM
Group			
Cost			
At 1 April 2017/31 March 2018	36,068,397	131,000,000	167,068,397
Accumulated impairment loss			
At 1 April 2017	5,163,529	–	5,163,529
Impairment loss during the year	4,200,000	–	4,200,000
At 31 March 2018	9,363,529	–	9,363,529
Carrying amount			
At 31 March 2018	26,704,868	131,000,000	157,704,868

6. Intangible Assets (Cont'd)

	Goodwill RM	Trademarks RM	Total RM
Group			
Cost			
At 1 April 2016	36,068,397	140,592,775	176,661,172
Disposal during the year	–	(1,442,000)	(1,442,000)
Disposal of subsidiary	–	(8,150,775)	(8,150,775)
At 31 March 2017	36,068,397	131,000,000	167,068,397
Accumulated impairment loss			
At 1 April 2016	5,163,529	2,354,400	7,517,929
Disposal during the year	–	(706,560)	(706,560)
Disposal of subsidiary	–	(1,647,840)	(1,647,840)
At 31 March 2017	5,163,529	–	5,163,529
Carrying amount			
At 31 March 2017	30,904,868	131,000,000	161,904,868

(a) Description of material intangible assets

Intangible assets represent the trademarks for the brands of "Anakku" and "Audrey" for the Group's specialised wear, care and related products through HTO that were acquired in business combinations. The useful lives of the trademarks are estimated to be indefinite because based on the current market share of the brands, management believes there is no foreseeable limit to the period over which brands are expected to generate net cash inflow for the Group.

(b) Impairment testing for cash-generating units ("CGU") containing goodwill and trademarks

For the purpose of impairment testing, goodwill and trademarks are allocated to the Group's operating divisions which represent the lowest CGU level within the Group at which the goodwill and trademarks are monitored for internal management purposes.

The aggregate carrying amounts of goodwill and trademarks allocated to each CGU are as follows:

	2018 Goodwill RM	2018 Trademarks RM	2017 Goodwill RM	2017 Trademarks RM
Baby wear	13,237,911	113,000,000	17,437,911	113,000,000
Lingerie wear	13,466,957	18,000,000	13,466,957	18,000,000
	26,704,868	131,000,000	30,904,868	131,000,000

Key assumptions used in value in use calculations

The recoverable amounts of the CGUs in respect of goodwill and trademarks were determined using the value in use approach. Cash flow projections used were based on financial budgets approved by the management covering a 10-year period for baby wear CGU and a 5-year period for lingerie wear CGU. The growth rate used to extrapolate the cash flows of the CGUs beyond the 5-year period is 3% for lingerie wear and 8% for baby wear that are same as the long-term average growth rate for the industry. Management believes that a forecast period greater than 5 years was justified due to the long-term nature of the goodwill and trademarks.

6. Intangible Assets (Cont'd)

(b) Impairment testing for cash-generating units ("CGU") containing goodwill and trademarks (Cont'd)

Key assumptions used in value in use calculations (Cont'd)

The key assumptions used for the value in use calculations are:

	Gross Margin		Growth Rate		Discount Rate	
	2018	2017	2018	2017	2018	2017
Baby wear	50%	49.8%	5 - 13%	5 - 22.5%	6.98%	7.5%
Lingerie wear	60%	62.8%	3 - 4%	3 - 14.8%	7.37%	7.5%

The key assumptions used by management in the determination of the impairment testing of the goodwill and trademarks are as follows:-

(i) Budgeted gross margin

The basis used to determine the budgeted gross margin is the average gross margins achieved in recent years immediately before the budgeted year and after incorporating the effects of merchandising improvement and new marketing strategies.

(ii) Growth rate

The basis used to determine the growth rate is the revenue growth achieved in recent years taking into account the increase in consumers spending as a result of merchandising improvement and new marketing strategies.

(iii) Discount rate (pre-tax)

Reflects specific risks relating to the relevant operating segments.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

Based on the impairment test, impairment losses of RM4,200,000 was recognised on goodwill allocated to AKSB, respectively in "Administrative Expenses" line item of the statements of profit or loss and other comprehensive income as the subsidiary company incurred losses during the current financial year.

Sensitivity to changes in assumptions

Cost of goods sold price inflation

Management has considered the possibility of greater than budgeted cost of goods sold. The Group believes that it will be able to pass on the effect of increase in cost of goods sold to its customers through increase in selling prices which will be supported by product improvements.

The Directors believe that there is no reasonable possible change in the key assumptions applied that is likely to materially cause the respective cash-generating unit's carrying amount to exceed its recoverable amount in the current financial year.

7. Deferred Tax Assets/(Liabilities)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 April	11,890,300	(26,000)	–	–
Recognised in profit or loss	17,300	11,916,300	–	–
At 31 March	11,907,600	11,890,300	–	–

7. Deferred Tax Assets/(Liabilities) (Cont'd)

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax assets	11,915,000	11,915,000	–	–
Deferred tax liabilities	(7,400)	(24,700)	–	–
	11,907,600	11,890,300	–	–

The components and movements of deferred tax assets are as follows:

	Unused tax losses RM	Unabsorbed capital allowances RM	Provisions RM	Total RM
Group				
2018				
At 1 April/ 31 March	10,280,291	774,828	859,881	11,915,000
2017				
At 1 April	–	–	–	–
Recognised in profit or loss	10,280,291	774,828	859,881	11,915,000
At 31 March	10,280,291	774,828	859,881	11,915,000

The components and movements of deferred tax liabilities are as follows:

	Accelerated Capital Allowance RM	Provisions RM	Total RM
Group			
2018			
At 1 April	24,700	–	24,700
Recognised in profit or loss	(17,300)	–	(17,300)
At 31 March	7,400	–	7,400
2017			
At 1 April	26,000	–	26,000
Recognised in profit or loss	(1,300)	–	(1,300)
At 31 March	24,700	–	24,700

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018 RM	2017 RM
Unutilised tax losses	27,220,111	18,866,074
Unabsorbed capital allowances	5,821,167	874,068
Other deductible differences	1,978,386	327,512
	35,019,664	20,067,654

7. Deferred Tax Assets/(Liabilities) (Cont'd)

Deferred tax assets have not been recognised in respect of the following items: (Cont'd)

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

8. Inventories

	Group	
	2018 RM	2017 RM
Finished goods	46,072,441	62,701,818

	Group	
	2018 RM	2017 RM
Recognised in profit or loss:		
Inventories recognised as cost of sales	81,435,081	135,302,079
Inventories written down	1,121,917	17,007,706
Reversal of inventories written down	(3,004,395)	(226,387)
Inventories written off	9,812,937	8,265,498

The reversal of inventories written down was made during the year when the related inventories were sold above their carrying amounts.

9. Trade Receivables

	Group	
	2018 RM	2017 RM
Trade receivables	24,111,494	40,658,149
Less: Allowance for impairment losses	(541,687)	(3,043,041)
	23,569,807	37,615,108

The Group's normal credit terms range from 30 to 120 days (2017: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	2018 RM	2017 RM
At 1 April	3,043,041	7,261,147
Additions during the financial year	272,397	4,070,103
Reversal during the financial year	(2,773,751)	(7,851,800)
Disposal of a subsidiary company	–	(436,409)
At 31 March	541,687	3,043,041

9. Trade Receivables (Cont'd)

Analysis of the trade receivables ageing as at the end of the financial year is as follow:

	Group	
	2018 RM	2017 RM
Neither past due nor impaired	14,099,590	27,233,516
Past due but not impaired:		
Less than 30 days	6,014,040	5,356,073
31 to 60 days	1,721,960	2,581,250
61 to 90 days	1,275,485	2,228,399
More than 90 days	458,732	215,870
	9,470,217	10,381,592
Impaired	541,687	3,043,041
	24,111,494	40,658,149

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

At the end of the reporting period, trade receivables that are individually impaired amounting to RMNil (2017: RM1,285,244). These relate to customers that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

10. Other Receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	88,936	9,225,618	–	6,226,229
Less: Allowance for impairment losses	–	(7,791,131)	–	(6,226,229)
	88,936	1,434,487	–	–
Deposits	5,219,385	6,600,937	1,500	1,500
Prepayments	184,085	910,390	–	3,644
GST Claimable	381,174	2,054,931	12,864	4,224
	5,873,580	11,000,745	14,364	9,368

Movements in the allowance for impairment losses of other receivables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 April	7,791,131	1,814,842	6,226,229	–
Impairment loss recognised	–	7,117,149	–	6,226,229
Impairment loss reversed	(1,932,791)	(748,281)	(367,889)	–
Bad debt written off	(5,858,340)	–	(5,858,340)	–
Disposal of subsidiary	–	(392,579)	–	–
At 31 March	–	7,791,131	–	6,226,229

At the end of the reporting period, other receivables that are individually impaired amounting to RMNil (2017: RM7,791,131). These relate to receivables that are in significant financial difficulties and/or have defaulted on payments.

11. Amounts due from/(to) Subsidiary Companies

	Company 2018 RM	2017 RM
Amount due from subsidiary companies		
Non-trade related		
Non-interest bearing	6,805,718	4,297,500
Less: Allowance for impairment losses	(6,237,000)	(4,297,500)
	568,718	–
Amount due to subsidiary companies		
Non-trade related		
Non-interest bearing	7,299,512	22,774,045

Movements in the allowance for impairment losses are as follows:

	Company 2018 RM	2017 RM
At 1 April	4,297,500	1,154,000
Impairment loss recognised	3,428,500	3,143,500
Impairment loss reversed	(1,489,000)	–
At 31 March	6,237,000	4,297,500

The amounts due from/(to) subsidiary companies are unsecured and repayable on demand.

During the financial year, the Company has recognised an impairment loss of RM3,428,500 on an amount due from a subsidiary company as the amount may not be recoverable based on management's assessment on the cash flows projections of the subsidiary company.

12. Fixed Deposits with Licensed Bank

The fixed deposit with licensed bank of the Group and of the Company at the end of the reporting period bore effective interest rates at 0.21% (2017: 0.21%) per annum and 0.22% (2017: 0.21%) per annum, respectively. The fixed deposit has maturity periods at 31 days (2017: 31 days) and 31 days (2017: 31 days) for the Group and the Company, respectively.

13. Cash and Bank Balances

Included in the cash and bank balances of the Group amounting to RM3,863,971 (2017: RM4,392,983) is pledged for credit facilities granted to a subsidiary company as disclosed in Note 19 to the financial statements.

14. Share Capital

	Group and Company			
	2018	2017	2018	2017
	Number of Shares		RM	RM
Issued and fully paid shares				
Ordinary share with no par value				
At 1 April	79,117,214	79,117,214	130,430,601	79,117,214
Adjustments for effect of Companies Act 2016	–	–	–	51,313,387
Issuance of new shares	37,206,586	–	27,570,080	–
At 31 March	116,323,800	79,117,214	158,000,681	130,430,601

During the financial year, the Company issued 37,206,586 new ordinary shares of RM0.741 at RM27,570,080 for a total cash consideration of RM27,570,080 for repayment of Islamic Medium Term Note due on 16 March 2018.

The new Companies Act 2016 (the "Act") which come into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. In the previous financial year, the amounts standing to the credit of the share premium account of RM51,313,387 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM51,313,387 for purposes as set out in Sections 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

15. Finance Lease Payable

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Minimum lease payments:				
Within one year	46,560	3,732	–	3,732
Later than one year and not later than two years	46,560	–	–	–
Later than two year and not later than five years	139,680	–	–	–
After five years	89,167	–	–	–
	321,967	3,732	–	3,732
Less: Future finance charge	(43,792)	(20)	–	(20)
Present value of minimum lease payments	278,175	3,712	–	3,712
Present value of minimum lease payments:				
Within one year	34,877	3,712	–	3,712
Later than one year and not later than two years	36,686	–	–	–
Later than two year and not later than five years	120,912	–	–	–
After five years	85,700	–	–	–
	278,175	3,712	–	3,712

The finance lease payable of the Group and of the Company bore an effective interest rate ranged from 2.28% to 4.64% (2017: 4.64%) per annum at the end of the reporting period.

16. Trade Payables

Credit terms of trade payables of the Group ranged from 30 to 60 days (2017: 30 to 60 days) from date of invoice.

17. Other Payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	1,113,700	2,500,477	20,467	6,631
Accruals	4,679,689	4,240,455	187,950	187,450
GST - Payable	281,745	390,304	–	–
	6,075,134	7,131,236	208,417	194,081

18. Amount Due to Holding Company

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-trade related				
Interest bearing	–	4,017,806	–	–
Non-interest bearing	1,200,000	16,085,852	–	3,365,000
	1,200,000	20,103,658	–	3,365,000

The amount due to holding company is unsecured, interest free and repayable on demand except for amount of RMNil (2017: RM4,017,806) which bear interest at rate of Nil (2017: 5.75%) per annum.

19. Islamic Medium Term Notes

(A) Details of the Islamic medium term notes ("IMTN") repayment schedule at the end of the reporting period are as follows:-

Tranche	Series	Nominal value (RM million)	Issue Date	Maturity Date	Tenure
1	2	30	16 March, 2015	16 March, 2018	3
1	3	40	16 March, 2015	16 March, 2019	4
1	4	20	16 March, 2015	16 March, 2020	5
2	5	10	16 April, 2015	16 March, 2020	5
3	6	10	16 May, 2015	16 March, 2020	5
4	7	10	16 June, 2015	16 March, 2020	5

The IMTN bore a weighted average effective interest rate of 6.48% (2017: 6.10%) per annum at the end of the reporting period and are secured by:-

(a) a security trust deed;

(b) corporate guarantee by the Company and AUSB;

19. Islamic Medium Term Notes (Cont'd)

(A) Details of the Islamic medium term notes ("IMTN") repayment schedule at the end of the reporting period are as follows (Cont'd):-

(c) a first party first ranking debenture on the assets of AKSB;

(d) a third party first ranking debenture on the assets of AUSB;

(e) a first party first ranking legal charge and assignment over the Finance Service Reserve Account of AKSB;

(f) a first party first ranking legal charge and assignment over the Disbursement Account of AKSB;

(g) a first party legal assignment of Master Inter-Company Financing Agreement of AKSB; and

(h) Memorandum of Deposit of Shares in relation to the following:-

a) 17,000,000 issued and fully paid up ordinary shares in the issued share capital of AKSB comprising 100% of the issued share capital of AKSB which are legally and beneficially owned by Asia Brands Berhad ("ABB");

b) 2,500,000 issued and fully paid up ordinary shares in the issued share capital of AUSB comprising 100% of the issued share capital of AUSB which are legally and beneficially owned by ABB.

The IMTN contained the following financial covenants which the Group need to comply with, are as follows:-

(i) Finance to Equity Ratio ("F:E Ratio"); and

(ii) Finance Service Cover Ratio ("FSCR").

(B) On 7 March 2018, the requirement to comply FSCR has been waived with the consent granted from sukukholders through Extraordinary Circular Resolutions.

During the financial year, the Group's F:E ratio and FSCR ratio were lower than the required ratio under the terms of the IMTN. The management is currently negotiating with the financial institutions for further extention of time. The entire IMTN was remained in the current liabilities of the financial statements.

20. Bank Borrowing

	Group 2018 RM	Group 2017 RM
Secured		
Bankers' acceptance	12,452,000	15,417,000
Current		
Bankers' acceptance	12,452,000	15,417,000

The bankers' acceptance is secured by the following:

a) a negative pledge over certain subsidiary companies' present and future assets; and
b) a corporate guarantee of the Company

The interest rates per annum are as follows:

	Group 2018 %	Group 2017 %
Bankers acceptance	4.89% - 5.40%	4.71% - 5.07%

21. Revenue

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Continuing Operations				
Sales of goods	146,977,820	160,370,820	–	–
Royalty income	3,610,474	5,180,434	–	–
	150,588,294	165,551,254	–	–
Discontinued Operation (Note 23)				
Sales of goods	–	42,338,986	–	–
Royalty income	–	1,373,196	–	–
	–	43,712,182	–	–
	150,588,294	209,263,436	–	–

22. Taxation

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Tax expense/ (benefit) on continuing operations (Note 23)	1,197,864	(11,050,389)	–	61
Tax expenses recognised in profit or loss				
Current tax	1,191,830	862,000	–	–
Under provision in prior years	23,334	3,911	–	61
	1,215,164	865,911	–	61
Deferred tax (Note 7):				
Origination and reversal of temporary differences	(17,300)	(11,916,300)	–	–
Total tax expense/(benefit)	1,197,864	(11,050,389)	–	61

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profits for the financial year.

22. Taxation (Cont'd)

A reconciliation of income tax expenses applicable to loss before tax at the statutory tax rate to income tax expenses at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Loss before tax:				
Continuing operations	(17,998,968)	(50,343,295)	(2,135,932)	(32,861,468)
Discontinuing operations	–	(19,200,747)	–	–
	(17,998,968)	(69,544,042)	(2,135,932)	(32,861,468)
At Malaysian statutory tax rate of 24% (2017: 24%)	(4,319,752)	(16,690,570)	(512,624)	(7,886,752)
Expenses not deductible for tax purposes	1,905,800	6,858,271	512,624	7,886,752
Income not subject to tax	–	(903,572)	–	–
Deferred tax assets not recognised during the financial year	3,611,332	3,344,547	–	–
Deferred tax assets recognised during the financial year on previously unrecognised deferred tax assets	–	(3,518,641)	–	–
Utilisation of deferred tax assets previously not recognised	(22,850)	(144,335)	–	–
Under provision of taxation in prior years	23,334	3,911	–	61
	1,197,864	(11,050,389)	–	61

The Group and the Company have the following estimated unutilised tax losses and unutilised capital allowances available for set-off against future taxable profit. The said amounts are subject to approval by the tax authorities.

	Group	
	2018 RM	2017 RM
Unutilised tax losses	73,318,858	54,978,038
Unabsorbed capital allowances	5,821,167	4,085,179
	79,140,025	59,063,217

23. Discontinued Operations and Disposal of Subsidiary Companies

On 6 March 2017, the Group disposed of its entire equity interest in BUMM and its subsidiary companies. Accordingly, the results of BUMM and its subsidiary companies have been classified as discontinued operation in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Comparative consolidated statements of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

23. Discontinued Operations and Disposal of Subsidiary Companies (Cont'd)

Loss attributable to the discontinued operation was as follows:

Results of discontinued operation

	Note	Group 2017 RM
Revenue	21	43,712,182
Expenses		(56,932,619)
Results from operating activities, net of tax		(13,220,437)
Loss on sales of discontinued operation		(5,980,310)
Loss for the year		(19,200,747)

The loss from discontinued operation of RM19,200,747 in previous financial year was attributable entirely to the owners of the Company.

Cash flows generated from discontinued operation

	Group 2017 RM
Cash flows generated from discontinued operation/ disposal of subsidiary	
Net cash generated from operating activities	44,397,252
Net cash generated from investing activities	1,014,111
Net cash used in financing activities	(41,839,609)
Effect on cash flows	3,571,754

Effect of disposal on the financial position of the Group

	RM
Plant and Equipment	2,486,632
Trademark	6,502,935
Inventories	6,729,903
Trade receivables	11,023,966
Other receivables	5,848,462
Tax recoverable	740,594
Amount owing by related companies	161,520
Cash and bank balances	759,911
Trade payables	(6,244,716)
Other payables	(535,344)
Amount owing to holding company	(6,883,800)
Amount owing to related companies	(201,146)
Net identified assets and liabilities	20,388,917
Less: Loss on disposal of subsidiary companies	(5,980,310)
Sales proceeds from disposal of subsidiary companies	14,408,607
Less: Cash and cash equivalents of subsidiary disposed	(759,911)
Net cash inflow on disposal of subsidiary companies	13,648,696

Loss on disposal of subsidiary companies Discontinued operation	
- Attributable to loss on disposed interest	(5,980,310)

24. Loss for the Financial Year

Loss for the financial year is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration				
- current financial year	155,000	157,500	51,000	50,500
- under provision in prior years	–	500	–	–
Non-statutory audit	–	60,000	–	–
Bad debts written off				
- trade receivables	971,746	563,405	–	–
Bad debts recovered	(77,853)	–	–	–
Waiver of debt from a subsidary company	–	–	–	(40,829)
Depreciation of plant and equipment	4,345,268	7,027,668	5,749	69,000
Impairment losses on				
- goodwill	4,200,000	–	–	–
- investments in subsidary companies	–	–	14,200	7,472,700
- trade receivables	272,397	4,070,103	–	–
- other receivables	–	7,117,149	–	6,226,229
- amount due from subsidiary companies	–	–	3,428,500	3,143,500
Interest expense on				
- bankers' acceptance	641,047	1,206,512	–	–
- loan from holding company	20,313	42,172	–	–
- bank overdrafts	25	91,987	–	–
- finance lease	1,075	683	20	683
- Islamic medium term notes	7,297,358	8,032,956	–	–
Inventories written down	1,121,917	17,007,706	–	–
Inventories written off	9,812,937	8,265,498	–	–
Reversal of inventories written down	(3,004,395)	(226,387)	–	–
Plant and equipment written off	–	639,815	–	–
Rental expenses on:				
- premises	13,463,172	19,960,723	–	–
Royalty expense	2,600,019	3,819,282	–	–
Realised gain on foreign exchange	(34,646)	(27,837)	–	–
Loss on disposal of trademark	–	735,438	–	–
Loss on disposal of subsidiaries	–	5,980,308	–	15,591,391
Gain on disposal of plant and equipment	(72,074)	(661,829)	(84,905)	–
Interest income	(284,114)	(284,942)	(143)	(245)
Reversal of impairment loss				
- trade receivables	(2,773,751)	(7,851,800)	–	–
- other receivables	(1,932,791)	(748,281)	(367,889)	–
- amount due from subsidiary companies	–	–	(1,489,000)	–

25. Loss per Share

Basic loss per ordinary share

The basic loss per share are calculated based on the consolidated loss for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2018 RM	**2017 RM**
Loss attributable to owners of the Company		
- from continuing operations	(19,196,832)	(39,292,906)
- from discontinued operation	–	(19,200,747)
	(19,196,832)	(58,493,653)
Weighted average number of ordinary shares in issue on 1 April	79,117,214	79,117,214
Effect of ordinary shares issued during the financial year	1,834,845	–
Weighted average number of ordinary shares in issue on 31 March	80,952,059	79,117,214
Basic loss per ordinary share (in sen):		
Loss from continuing operations	(23.71)	(49.66)
Loss from discontinued operations	–	(24.27)
	(23.71)	(73.93)

Diluted loss per ordinary share

The diluted loss per ordinary share is the same as the basic loss per ordinary share of the Group, as the Group has no dilutive potential ordinary shares during the current and prior financial years.

26. Employee Benefit Expenses

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Salaries, wages and others	9,877,542	13,627,062	132,000	132,000
EPF	1,184,152	1,630,711	–	–
Other related expenses	550,989	363,198	893	1,393
	11,612,683	15,620,971	132,893	133,393

The employee benefits expenses including key management personnel are disclosed in Note 27.

27. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors of the Company and certain members of senior management of the Group and of the Company.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	2018 RM	2017 RM
Group		
Interest expenses to holding company	20,313	42,172

(c) Compensation of key management personnel

The key management personnel compensation is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	360,852	360,794	–	–
EPF	43,200	43,200	–	–
	404,052	403,994	–	–
Benefits in kind	9,900	17,400	–	–
	413,952	421,394	–	–
Non-Executive:				
Fees	132,000	132,000	132,000	132,000
	545,952	553,394	132,000	132,000

27. Related Party Disclosures (Cont'd)

(c) Compensation of key management personnel (Cont'd)

The key management personnel compensation is as follows (Cont'd):

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Other Directors (on board of subsidiary companies)				
Executive:				
Salaries and other emoluments	401,104	345,588	–	–
EPF	47,928	41,280	–	–
	449,032	386,868	–	–
Benefits in kind	21,000	21,000	–	–
	470,032	407,868	–	–
Total of directors' remuneration	1,015,984	961,262	132,000	132,000
Other key management personnel				
Salaries and other emoluments	828,774	821,347	–	–
EPF	88,872	98,322	–	–
	917,646	919,669	–	–

28. Operating Lease Commitments

The future minimum lease payments under the non-cancellable operating leases are as follows:

	Group 2018 RM	Group 2017 RM
Not more than 1 year	6,316,202	6,786,821
Later than 1 year and not later than 5 years	2,910,037	2,765,207
	9,226,239	9,552,028

29. Operating Segments

(a) Operating segments information is not provided as the Group is principally engaged in wholesale, retail and distribution of ready-made casual wear, baby and children wear, lingerie and ladies wear and their related accessories which are substantially within a single business segment.

(b) Geographical information

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segments is not presented.

(c) Major customer

There is no single customer that contributed 10% or more to the Group's revenue.

30. Reconciliation of liabilities arising from financing activities

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

Group	At 1 April 2017 RM	Financing cash flows (i) RM	Non-cash changes New finance lease Note 4(b) RM	At 31 March 2018 RM
Finance lease payable (Note 15)	3,712	(6,537)	281,000	278,175
Islamic Medium Term Loan (Note 19)	120,000,000	(30,000,000)	–	90,000,000
Bank borrowing (Note 20)	15,417,000	(2,965,000)	–	12,452,000
	135,420,712	(32,971,537)	281,000	102,730,175

Company	At 1 April 2017 RM	Financing cash flows (i) RM	At 31 March 2018 RM
Finance lease payable (Note 15)	3,712	(3,712)	–

(i) The cash flows from loans and borrowings make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.

31. Financial Instruments

(a) Classification of financial instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Financial Assets			
2018			
Trade receivables	23,569,807	–	23,569,807
Other receivables	5,308,321	–	5,308,321
Fixed deposits with licensed banks	5,628	–	5,628
Cash and bank balances	8,615,482	–	8,615,482
Total financial assets	37,499,238	–	37,499,238
2017			
Trade receivables	37,615,108	–	37,615,108
Other receivables	8,035,424	–	8,035,424
Fixed deposits with licensed banks	5,484	–	5,484
Cash and bank balances	13,565,830	–	13,565,830
Total financial assets	59,221,846	–	59,221,846

31. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis (Cont'd):

Group	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Financial Liabilities			
2018			
Trade payables	–	13,798,423	13,798,423
Other payables	–	5,793,389	5,793,389
Amount due to holding company	–	1,200,000	1,200,000
Finance lease payable	–	278,175	278,175
Islamic medium term notes	–	90,000,000	90,000,000
Bank borrowing	–	12,452,000	12,452,000
Total financial liabilities	–	123,521,987	123,521,987
2017			
Trade payables	–	16,664,613	16,664,613
Other payables	–	6,740,932	6,740,932
Amount due to holding company	–	20,103,658	20,103,658
Finance lease payable	–	3,712	3,712
Islamic medium term notes	–	120,000,000	120,000,000
Bank borrowing	–	15,417,000	15,417,000
Total financial liabilities	–	178,929,915	178,929,915
Company			
Financial Assets			
2018			
Other receivables	1,500	–	1,500
Amount owing by subsidiary companies	568,718	–	568,718
Fixed deposits with licensed banks	5,628	–	5,628
Cash and bank balances	85,169	–	85,169
Total financial assets	661,015	–	661,015
2017			
Other receivables	1,500	–	1,500
Fixed deposits with licensed banks	5,484	–	5,484
Cash and bank balances	24,775	–	24,775
Total financial assets	31,759	–	31,759

31. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis (Cont'd):

Company	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Financial Liabilities			
2018			
Other payables	–	208,417	208,417
Amount due to subsidiary companies	–	7,299,512	7,299,512
Finance lease payable	–	–	–
Total financial liabilities	–	7,507,929	7,507,929
2017			
Other payables	–	194,081	194,081
Amount due to holding company	–	3,365,000	3,365,000
Amount due to subsidiary companies	–	22,774,045	22,774,045
Finance lease payable	–	3,712	3,712
Total financial liabilities	–	26,336,838	26,336,838

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from advances to subsidiary companies and financial guarantees given to financial institutions and banks for credit facilities granted to certain subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to banks and financial institutions for credit facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks and financial institutions for credit facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM102,452,000 (2017: RM135,417,000) representing the outstanding credit facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary companies would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was immaterial.

The Group's major concentration of credit risk relates to the amounts owing by 3 customers (2017: 4 customers) which constituted approximately 42% (2017: 26%) of its trade receivables at the end of the reporting period.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group' exposure to liquidity risk arises primarily from its various payables.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements and prudently balances its portfolio of short term funding requirements.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

Group	On demand or within 1 year	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
2018						
Non-derivative financial liabilities						
Trade payables	13,798,423	–	–	–	13,798,423	13,798,423
Other payables	6,075,134	–	–	–	6,075,134	6,075,134
Amount due to holding company	1,200,000	–	–	–	1,200,000	1,200,000
Finance lease payable	46,560	46,560	139,680	89,168	321,968	278,715
Islamic medium term notes	99,489,699	–	–	–	99,489,699	90,000,000
Bank borrowing	12,452,000	–	–	–	12,452,000	12,452,000
	133,061,816	46,560	139,680	89,168	133,337,224	123,804,272
2017						
Non-derivative financial liabilities						
Trade payables	16,664,613	–	–	–	16,664,613	16,664,613
Other payables	7,131,236	–	–	–	7,131,236	7,131,236
Amount due to holding company	20,103,658	–	–	–	20,103,658	20,103,658
Finance lease payable	3,732	–	–	–	3,732	3,712
Islamic medium term notes	135,142,397	–	–	–	135,142,397	120,000,000
Bank borrowings	15,417,000	–	–	–	15,417,000	15,417,000
	194,462,636	–	–	–	194,462,636	179,320,219

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

Company	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
2018			
Non-derivative financial liabilities			
Other payables	208,417	208,417	208,417
Amount due to subsidiary companies	7,299,512	7,299,512	7,299,512
Financial guarantees*	102,452,000	102,452,000	–
	109,959,929	109,959,929	7,507,929
2017			
Non-derivative financial liabilities			
Other payables	194,081	194,081	194,081
Amount due to subsidiary companies	22,774,045	22,774,045	22,774,045
Amount due to holding company	3,365,000	3,365,000	3,365,000
Finance lease payable	3,732	3,732	3,712
Financial guarantees*	135,417,000	135,417,000	–
	161,753,858	161,753,858	26,336,838

* Being corporate guarantees granted for credit facilities of certain subsidiary companies, which will only be encashed in the event of default by these entities.

(iii) Market risks

(a) Foreign currency exchange risk

The Group is exposed to foreign currency risk through normal trading activities on sales transactions that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD), Brunei Dollar (BND) and Hong Kong Dollar (HKD). Foreign currency risk is monitored closely on an ongoing basis to ensure the net exposure is at an acceptable level.

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	USD RM	BND RM	HKD RM	Total RM
2018				
Financial Assets				
Trade receivables	256,568	442,161	135,747	834,476
2017				
Financial Assets				
Trade receivables	–	901,432	–	901,432
Financial Liabilities				
Other payables	201,898	–	–	201,898

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency exchange risk (Cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD, BND and HKD exchange rates against RM, with all other variables held constant.

Group	Change in currency rate	Effect on loss before tax 2018 RM	2017 RM
USD	Strengthened 5%	(12,828)	10,095
	Weakened 5%	12,828	(10,095)
BND	Strengthened 5%	(22,108)	(45,072)
	Weakened 5%	22,108	45,072
HKD	Strengthened 5%	(6,787)	–
	Weakened 5%	6,787	–

(b) Interest rate risk

The Group's fixed rate deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in market interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in market interest rate.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's and of the Company's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

Group	2018 RM	2017 RM
Floating rate instruments		
Financial Liabilities		
- Islamic medium term note	90,000,000	120,000,000
- Bank borrowings	12,452,000	15,417,000
	102,452,000	135,417,000
Fixed rate instruments		
Financial Liabilities		
- Finance lease payable	278,175	3,712
- Amount due to holding company	–	4,017,806
	278,175	4,021,518

Company	2018 RM	2017 RM
Fixed rate instruments		
Financial Liabilities		
- Finance lease payable	–	3,712

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in market interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 0.25% (2017: 0.25%) interest rate at the end of the reporting period would have increased/(decreased) the Group' loss before tax by RM256,130 (2017: RM338,543) respectively, arising mainly as a result of lower/higher interest expense on floating rate financial instruments. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of receivables and payables, cash and cash equivalents, IMTN and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

32. Capital Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group monitors capital using debt-to-equity ratio. The Group's policy is to maintain a prudent level of debt-to-equity ratio that complies with regulatory requirements. The debt-to-equity ratios at end of the reporting period are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Debt		
Finance lease payable	278,175	3,712
Islamic medium term notes	90,000,000	120,000,000
Bank borrowings	12,452,000	15,417,000
	102,730,175	135,420,712
Less: Fixed deposits with licensed banks	(5,628)	(5,484)
Less: Cash and bank balances	(8,615,482)	(13,565,830)
Net debt	94,109,065	121,849,398
Total Equity	144,537,309	136,164,061
Debt-to-equity ratio	0.65	0.89

32. Capital Management (Cont'd)

There were no changes in the Group's approach to capital management during the financial year.

The Group complies with Bursa Malaysia Securities Berhad Main Market Listing Requirement to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) of more than 25% of the issued and paid up capital and maintain such shareholders' equity at not less than RM40.0 million.

33. Significant events during the financial year

On 12 December 2017, the Company entered into a Share Subscription Agreement with Trackland Sdn. Bhd. for the purpose of issuing of 37,206,586 new ordinary shares in the capital of the Company on the basis of RM0.741 per subscription share for a total subscription price of RM27,570,080.

The Proposed Share Issuance had been completed following the issuance and allotment of 37,206,586 ABB Shares which were listed and quoted on the Main Market of Bursa Securities with effect from 15 March 2018.

34. Subsequent events

On 2 July 2018, the Company announced on proposals to undertake the following:

(i) proposed renounceable rights issue of up to 116,323,800 new ordinary shares of ABB at an issue price of RM0.35 per Rights Share on the basis of one Rights Share for every one existing ABB share; and

(ii) 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.

35. Date of authorisation for issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 5 July 2018.

Total Number of Issued Shares	:	116,323,800
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF ISSUED CAPITAL
1 - 99	399	35.28	12,859	0.01
100 – 1,000	121	10.70	71,480	0.06
1,001 - 10,000	494	43.68	1,798,080	1.55
10,001 – 100,000	88	7.78	2,611,660	2.25
100,001 – 5,816,189*	26	2.30	26,787,400	23.03
5,816,190 and above**	3	0.27	85,042,321	73.11
TOTAL	**1,131**	**100.00**	**116,323,800**	**100.00**

* Less than 5% of Issued Holdings
** 5% and above of Issued Holdings

DIRECTORS' SHAREHOLDINGS

The Directors' shareholdings based on the Register of Directors' Shareholdings of the Company are as follows:-

Name of Directors	Nationality/ Incorporated in	No. of shares beneficially held Direct	%	Indirect	%
Dato' Sri Tan Thian Poh	Malaysian	1,000	*	^37,206,586	31.99
Ng Chin Huat	Malaysian	–	–	#38,557,477	33.15
Kong Sau Kian	Malaysian	–	–	–	–
Lim Kim Meng	Malaysian	–	–	–	–
Cheah Yong Hock	Malaysian	625,600	0.54	–	–
David Tan Chin Wee *(Alternate Director to Dato' Sri Tan Thian Poh)*	Malaysian	–	–	–	–
Total Shareholdings		**625,600**	**0.54**	**75,764,063**	**65.13**

* Negligible
^ Deemed interested by virtue of his direct interest in Trackland Sdn. Bhd. via Section 8 of the Company Act 2016.
# Deemed interested by virtue of his direct interest in Everest Hectare Sdn. Bhd. via Section 8 of the Company Act 2016.

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders based on the Register of Substantial Shareholders of the Company and their shareholdings are as follows:-

Name of Shareholders	Nationality/ Incorporated in	No. of shares beneficially held Direct	%	Indirect	%
Everest Hectare Sdn. Bhd.	Malaysia	38,557,477	33.15	–	–
Ng Chin Huat	Malaysian	–	–	#38,557,477	33.15
Yap Su P'ing	Malaysian	–	–	#38,557,477	33.15
Trackland Sdn. Bhd.	Malaysia	37,206,586	31.99	–	–
Dato Sri Tan Thian Poh	Malaysian	1,000	*	^37,206,586	31.99
Ng Tiong Seng Corporation Sdn. Bhd.	Malaysia	10,366,258	8.91	–	–

* Negligible
# Deemed interested by virtue of his/ her direct interest in Everest Hectare Sdn. Bhd. via Section 8 of the Companies Act 2016.
^ Deemed interested by virtue of his direct interest in Trackland Sdn. Bhd. via Section 8 of the Companies Act 2016.

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
1.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR EVEREST HECTARE SDN. BHD.	38,557,477	33.15
2.	TRACKLAND SDN. BHD.	37,206,586	31.99
3.	NG TIONG SENG CORPORATION SDN. BHD.	9,278,258	7.98
4.	PEMBINAAN TEKNIKHAS SDN. BHD.	5,780,000	4.97
5.	CHOO BAY SEE	5,180,000	4.45
6.	HABA ENTITY SDN. BHD.	2,857,400	2.46
7.	CHANG WAI PONG	2,559,000	2.20
8.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM HAN WENG	2,385,800	2.05
9.	CHONG CHEA CHEA	1,382,000	1.19
10.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB FOR SOO HENG CHIN (PB)	1,300,000	1.12
11.	NG TIONG SENG CORPORATION SDN. BHD.	1,088,000	0.94
12.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WONG LOKE YOONG	474,100	0.41
13.	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR ZURICH INSURANCE MALAYSIA BERHAD (GROWTH FUND)	455,500	0.39
14.	CHEAH YONG HOCK	425,600	0.37
15.	LIM PENG JIN	324,100	0.28
16.	LEE YEAN FUNG	300,000	0.26
17.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR KYO VOON JET (MY1488)	265,000	0.23
18.	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR ZURICH INSURANCE MALAYSIA BERHAD (VULTURE FUND)	250,000	0.21
19.	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) TRUSTEE BHD FOR ZURICH INSURANCE MALAYSIA BERHAD (BALANCED FUND)	220,000	0.19
20.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR CHEAH YONG HOCK (M12099)	200,000	0.17
21.	QIU KAIHUI	200,000	0.17
22.	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG AIK SERN	180,000	0.15
23.	RHB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LOH YONG HUAT	173,000	0.15

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS (Cont'd)

NO.	NAME	NO. OF SHARES BENEFICIALLY HELD	%
24.	TEO KWEE HOCK	161,700	0.14
25.	KOK TAI MENG	150,000	0.13
26.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR TANG CHOON EE (M78030)	134,000	0.12
27.	SALLY CHEOK SWEE LING	127,200	0.11
28.	KHOO HENN KUAN	110,000	0.09
29.	BONG ZHEN KANG	105,000	0.09
30.	CHOI YU LOONG	90,860	0.08

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ASIA BRANDS

ASIA BRANDS BERHAD (Company No. 22414-V)
(Incorporated in Malaysia)

PROXY FORM

(Please refer to the notes below before completing this form)

Number of shares held	
CDS Account No.	

I/We... NRIC No..
(FULL NAME IN BLOCK LETTERS)

of...
(FULL ADDRESS)

being a member of **Asia Brands Berhad** hereby appoints..

.... NRIC No..
(FULL NAME IN BLOCK LETTERS)

of...
(FULL ADDRESS)

or failing him/her,... NRIC No..
(FULL NAME IN BLOCK LETTERS)

of...
(FULL ADDRESS)

or failing him/ her, the CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Forty-Third Annual General Meeting of the Company to be held at the Conference Room of the Company at Lot 10449, Jalan Nenas, Batu 4 ½, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan on Thursday, 27 September 2018 at 9:00 a.m. or any adjournment thereof, in the manner as indicated below:-

	RESOLUTIONS	FOR	AGAINST
Resolution 1	To approve the payment of Directors' fees for the financial year ended 31 March 2018.		
Resolution 2	To approve the payment of Directors' fees for the period from 1 April 2018 to the next Annual General Meeting of the Company in year 2019.		
Resolution 3	To re-elect Mr. Kong Sau Kian as a Director of the Company.		
Resolution 4	To re-elect Dato' Sri Tan Thian Poh as a Director of the Company.		
Resolution 5	To re-appoint Messrs. UHY as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
Resolution 6	As Special Business Ordinary Resolution 1 - Authority to issue and allot shares pursuant to the Companies Act 2016.		
Resolution 7	Ordinary Resolution 2 - Proposed Renewal of Authority for Share Buy Back of up to Ten Percent (10%) of the total number of issued shares the Company.		
Resolution 8	Ordinary Resolution 3 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue and/or Trading Nature.		

(Please indicate with an "X" in the appropriate boxes above how you wish your vote to be casted. If you do not do so, your proxy shall vote as he thinks fit, or at his/their discretion.)

Dated this .... day of 2018

....
Signature of Shareholder

Notes:

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 September 2018 ("General Meeting Record of Depositors") shall be entitled to attend, speak and vote at this Meeting.*
2. *A member entitled to attend and vote at this Meeting is entitled to appoint any person as his proxy to attend and vote instead of him. A proxy appointed to attend and vote at this Meeting shall have the same rights as the member to speak at the Meeting*
3. *Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member is an authorised nominee as defined in the Securities Industry (Central Depository) Act, 1991, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
6. *If a corporation is a member of the Company, it may vote by any person authorized by resolution of its directors or other governing body to act as its representative at any meeting in accordance with Article 75 of the Company's Articles of Association.*
7. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor be a corporation, under its common seal or under the hand of an officer or attorney of the corporation duly authorised and shall be deposited with the power of attorney or other authority (if any) at the registered office of the Company at Lot 10449, Jalan Nenas, Batu 4½, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding this Meeting or adjourned meeting at which the person named in such proxy proposes to vote and in default the proxy shall not be treated as valid. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointor.*

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ASIA BRANDS BERHAD
(Company No.: 22414-V)

Lot 10449, Jalan Nenas
Batu 4½, Kampung Jawa
4100 Klang, Selangor Darul Ehsan

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