

## AHB HOLDINGS BERHAD (“AHB” OR THE “COMPANY”)

### PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS

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#### 1. INTRODUCTION

On behalf of the Board of Directors of AHB (“**Board**”), TA Securities Holdings Berhad (“**TA Securities**”) wishes to announce that the Company proposes to undertake a renounceable rights issue of up to 106,718,796 new ordinary shares of RM0.20 each in AHB (“**AHB Shares**”) (“**Rights Shares**”) on the basis of two (2) Rights Shares for every one (1) existing AHB Share held on an entitlement date to be determined later (“**Entitlement Date**”), together with up to 71,145,864 free detachable new warrants (“**New Warrants**”) on the basis of two (2) New Warrants for every three (3) Rights Shares subscribed by the entitled shareholders (“**Proposed Rights Issue of Shares with Warrants**”).

Further details of the Proposed Rights Issue of Shares with Warrants are set out in the ensuing sections.

#### 2. DETAILS OF THE PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS

##### 2.1 Details of the Proposed Rights Issue of Shares with Warrants

The Proposed Rights Issue of Shares with Warrants entails the issuance of up to 106,718,796 Rights Shares on the basis of two (2) Rights Shares for every one (1) existing AHB Share held, together with two (2) New Warrants for every three (3) Rights Shares subscribed by the shareholders of AHB whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date (“**Entitled Shareholders**”).

As at 28 October 2013, AHB has an issued and paid-up share capital of RM9,626,280 comprising 48,131,398 AHB Shares and 5,228,000 outstanding warrants 2004/2014 (“**Warrants 2004/2014**”), which are exercisable into 5,228,000 new AHB Shares. The Warrants 2004/2014 will be expiring on 21 March 2014.

For illustrative purposes only, the maximum number of 106,718,796 Rights Shares and 71,145,864 New Warrants were arrived at after taking into account the existing issued and paid-up share capital of AHB as at 28 October 2013 and assuming full exercise of the existing outstanding Warrants 2004/2014 prior to the Entitlement Date. Nonetheless, the actual number of the Rights Shares with New Warrants to be provisionally allotted to the Entitled Shareholders would depend on the issued and paid-up share capital of the Company on the Entitlement Date.

The entitlements for the Rights Shares with New Warrants are renounceable in full or in part. However, the Rights Shares and the New Warrants cannot be renounced separately. Should the Entitled Shareholders renounce all of their Rights Shares entitlements under the Proposed Rights Issue of Shares with Warrants, they will not be entitled to the New Warrants. However, if the Entitled Shareholders accept only part of their Rights Shares entitlements under the Proposed Rights Issue of Shares with Warrants, they shall be entitled to the New Warrants in proportion of their acceptances of the Rights Shares entitlements.

In determining shareholders' entitlements to the Rights Shares with New Warrants, fractional entitlements, if any, will be dealt with in such a manner as the Board may at its absolute discretion deem fit or expedient or in the best interests of the Company.

The New Warrants will be immediately detached from the Rights Shares upon issuance and separately traded on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). The New Warrants will be issued in registered form and constituted by a deed poll to be executed by the Company ("**Deed Poll**"). The indicative salient terms of the New Warrants are set out in **Appendix I** of this announcement.

The Rights Shares with New Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounee(s) (if applicable). It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

## **2.2 Basis of determining the issue price for the Rights Shares and the exercise price for the New Warrants**

### **(i) Rights Shares**

The final issue price of the Rights Shares will be determined and announced by the Board at a price-fixing date after obtaining approval from shareholders of AHB for the Proposed Rights Issue of Shares with Warrants but before the Entitlement Date. In any event, the final issue price of the Rights Shares shall not be lower than the par value of AHB Shares of RM0.20 each. The final issue price of the Rights Shares shall take into consideration the following:

- (a) the prevailing market condition;
- (b) the historical share price movement of AHB Shares;
- (c) the theoretical ex-rights price ("**TERP**") based on the five (5)-day volume weighted average price ("**5D-VWAP**") of AHB Shares; and
- (d) the par value of AHB Shares of RM0.20 each.

For illustrative purpose, based on the indicative issue price of RM0.20 per Rights Share, the TERP of AHB Shares is RM0.1803, which is the 5D-VWAP of AHB Shares up to and inclusive of 28 October 2013. As such, the indicative issue price of the Rights Shares at RM0.20 for each Rights Share represents a premium of 10.93% to the TERP of RM0.1803.

### **(ii) New Warrants**

The New Warrants are attached to the Rights Shares without any cost and will be issued only to the shareholders of AHB and/or their renounee(s) (if applicable) who successfully subscribed for the Rights Shares, and are exercisable into new AHB Shares. Each New Warrant will entitle its holder to subscribe for one (1) AHB Share at the exercise price to be determined later.

The final exercise price of the New Warrants shall be determined by the Board after obtaining approval from the shareholders of AHB for the Proposed Rights Issue of Shares with Warrants but before the Entitlement Date and taking into consideration the following:

- (a) the TERP of AHB Shares based on the 5D-VWAP of AHB Shares; and
- (b) the par value of AHB Shares of RM0.20 each.

For illustrative purposes, based on the indicative exercise price of RM0.20 per New Warrant, the exercise price represents the par value of AHB Shares. In any event, the exercise price of the New Warrants shall not be lower than RM0.20, being the par value of the AHB Shares.

### 2.3 Ranking of the Rights Shares and new AHB Shares arising from the exercise of the New Warrants and the outstanding Warrants 2004/2014

The holders of the New Warrants and the outstanding Warrants 2004/2014 will not be entitled to any voting right or participation in any form of distribution and/or offer of further securities in AHB until and unless such holders of the New Warrants and the outstanding Warrants 2004/2014 exercise their New Warrants and outstanding Warrants 2004/2014 into new AHB Shares.

The Rights Shares as well as the new AHB Shares to be issued pursuant to the exercise of the New Warrants and the outstanding Warrants 2004/2014 shall, upon allotment and issue, rank *pari passu* in all respects with the existing AHB Shares except that they will not be entitled to any dividends, rights, allotments and/or any other distributions, the entitlement date of which is prior to the date of allotment of the Rights Shares as well as the new AHB Shares to be issued pursuant to the exercise of the New Warrants and the outstanding Warrants 2004/2014.

### 2.4 Proposed set-off of amount owing by AHB and its subsidiaries (“AHB Group” or “Group”)

Dexx Technologies Sdn Bhd (Company No. 733966-V) (“Dexx”) and a director of AHB namely, Yong Yoke Keong (“YYK”) are both the substantial shareholders of AHB. As at 30 September 2013, the amount owing by the AHB Group to Dexx and YYK are approximately RM6.58 million and RM2.78 million, respectively (“Amount Owing”). The details of the Amount Owing are as below:

Name	Description	Amount outstanding as at 30 September 2013 (RM'000)
Dexx	Pursuant to the Debt Set Off and Repayment Agreement dated 20 June 2013 which was announced by AHB on the same day, the outstanding trade debt of approximately RM6.39 million owing by the AHB Group to Steelcase Inc. group of companies has been transferred and assigned to Dexx	6,579*
YYK	Advances to the AHB Group for working capital requirements since 2011	2,653
	Outstanding director’s fees since 2005	123

Note:

\* Inclusive of interest up to 30 September 2013 at 6.75% per annum.

AHB proposes to repay most of the Amount Owing by directly setting them off against the subscription monies due from DEXX and YYK in respect of their rights subscriptions pursuant to the Proposed Rights Issue of Shares with Warrants.

The Amount Owing has no fixed repayment terms, repayable on demand and is unsecured. The Amount Owing to YYK is non-interest bearing. However, the Amount Owing to DEXX is subject to an interest of 6.75% per annum. The set-off of Amount Owing will allow the Group to reduce its liabilities and to strengthen its financial position.

## 2.5 Minimum subscription level, undertakings and underwriting arrangement

The Proposed Rights Issue of Shares with Warrants will be implemented on a minimum level of subscription of 90,250,238 Rights Shares together with 60,166,825 New Warrants (“**Minimum Subscription Level**”).

To meet the Minimum Subscription Level, AHB has procured irrevocable written undertakings from its substantial shareholders, namely DEXX and YYK (collectively referred to as “**Undertaking Shareholders**”) that they are committed to subscribe in full for their respective entitlements for the Rights Shares with New Warrants and will not dispose any of their AHB Shares following this announcement up to the completion of the Proposed Rights Issue of Shares with Warrants and that they will subscribe in full for their respective entitlements for the Rights Shares with New Warrants. In addition, DEXX has undertaken that it will subscribe for 14,000,000 excess Rights Shares with 9,333,333 New Warrants which are not subscribed by the other shareholders of AHB. The Undertaking Shareholders have also irrevocably undertaken to authorise AHB to utilise the Amount Owing to set-off against their subscription monies pursuant to their undertakings to subscribe for the Rights Shares with New Warrants (collectively referred to as “**Undertakings**”).

For the remaining portion of the Rights Shares under the Minimum Subscription Level, the Board intends to procure an underwriting arrangement for 43,614,000 Rights Shares with 29,076,000 New Warrants (“**Underwriting**”), for which no unconditional and irrevocable written undertaking to subscribe has been obtained from other shareholders of AHB, so that the Minimum Subscription Level will be achieved.

Details of the Undertakings and Underwriting based on the Minimum Subscription Level are as follows:

Name	As at 28 October 2013		Entitlements of Rights Shares		Excess Rights Shares		Total Subscription Monies <sup>(1)</sup> (RM'000)
	No. of AHB Shares ('000)	%	No. of Rights Shares ('000)	% of Rights Shares	No. of Rights Shares ('000)	% of Rights Shares	
DEXX	9,352	19.43	18,704	20.72	14,000	15.51	6,541 <sup>(2)</sup>
YYK	6,966	14.47	13,932	15.44	-	-	2,786 <sup>(3)</sup>
Underwriter(s)	-	-	43,614	48.33	-	-	8,723

Notes:

(1) Based on the indicative issue price of RM0.20 for each Rights Share.

(2) As at 30 September 2013, the Amount Owing to DEXX amounting to approximately RM6.58 million of which RM6.54 million will be set-off against DEXX's obligation pursuant to its Undertakings.

- (3) *As at 30 September 2013, the Amount Owing to YYK amounting to approximately RM2.78 million will be set-off against YYK's obligation pursuant to his Undertakings.*

The Underwriting arrangement is only expected to be in place prior to the implementation of the Proposed Rights Issue of Shares with Warrants. Accordingly, the terms of the Underwriting arrangement have not been finalised at this juncture.

After considering the Undertakings and the Underwriting, the Company confirms that the abovementioned subscription of Rights Shares by the Undertaking Shareholders will not give rise to any consequences of mandatory general offer obligation pursuant to the Malaysian Code on Take-overs and Mergers, 2010.

In the event the Minimum Subscription Level cannot be achieved due to the Underwriting not being obtained, the Company will not continue with the implementation of the Proposed Rights Issue of Shares with Warrants. As a result, all monies received (if any) will be returned immediately to the shareholders of AHB and/or their renounee(s) (if applicable) who have submitted their applications for the subscriptions of the Rights Shares.

## **2.6 Listing of and quotation for the Rights Shares, the New Warrants as well as the new AHB Shares to be issued pursuant to the exercise of the New Warrants**

An application will be made to Bursa Securities for, amongst others, the admission of the New Warrants to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares, the New Warrants and the new AHB Shares to be issued pursuant to the exercise of the New Warrants on the Main Market of Bursa Securities.

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### 3. UTILISATION OF PROCEEDS

Based on the indicative issue price of RM0.20 per Rights Share, the gross proceeds will be utilised in the following manner based on the scenarios as illustrated below:

<b>Minimum Scenario</b>	:	Assuming none of the existing outstanding Warrants 2004/2014 is exercised into new AHB Share and only the Undertaking Shareholders and the underwriter(s) subscribe for their respective entitlements/Undertakings pursuant to the Proposed Rights Issue of Shares with Warrants under the Minimum Subscription Level
<b>Maximum Scenario</b>	:	Assuming all the existing outstanding Warrants 2004/2014 are exercised into new AHB Shares and all Entitled Shareholders subscribe for their respective entitlements pursuant to the Proposed Rights Issue of Shares with Warrants

		<b>Minimum Scenario</b>	<b>Maximum Scenario</b>	<b>Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)</b>
		<b>RM'000</b>	<b>RM'000</b>	
Working capital	(1)	3,484	6,778	Within thirty six (36) months
Repayment of bank borrowings	(2)	4,461	4,461	Within three (3) months
Set-off of Amount Owing to Dexe	(3)	6,541	3,741	Immediate
Payment to Dexe for part of Amount Owing	(4)	38	2,838	Within one (1) month
Set-off of Amount Owing to YYK	(5)	2,776	2,776	Immediate
Defray estimated expenses in relation to the Proposed Rights Issue of Shares with Warrants	(6)	750	750	Within one (1) month
<b>Total estimated proceeds</b>		<b>18,050</b>	<b>21,344</b>	

Notes:

(1) Details of the working capital are as follows:

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
Payment of trade and other creditors <sup>(a)</sup>	1,922	3,734
Purchase of raw materials <sup>(b)</sup>	521	1,015
Management, employees and marketing expenses <sup>(c)</sup>	1,041	2,029
<b>Total</b>	<b>3,484</b>	<b>6,778</b>

(a) Comprise payment to existing trade and other creditors for outstanding trade purchases and on-going costs.

(b) To finance the Group's purchases of raw materials such as aluminium, fabrics, furniture hardware and components and particle board materials. The Group has arrangements with its sub-contractors where it provides the necessary raw materials and the sub-contractors will then manufacture the components. AHB Group will then assemble the components to create the end product for their clients. The AHB Group has introduced a range of new, innovative and stylish products to help to penetrate into new

market segments. Furthermore, in view of the Group's intention to expand into India and Middle-East countries in which it already has business operations there since year 1998 as part of the business expansion plan, the expansion plan is expected to increase the sales of the Group. The increase of sales will consequently increase the amount of raw materials that will be purchased by the Group.

- (c) Comprise the Group's day-to-day operation expenses to support its existing business operations which shall include, but not limited to the payment of salaries to staff, administrative and marketing expenses. The Company has yet to determine the exact breakdown of the proceeds in respect of the management, employees and marketing expenses requirements.
- (2) As at 30 September 2013, the bank borrowings of the Group comprise term loans and term out loans from local banks amounting to RM4.46 million. The purpose of the bank borrowings is for working capital purposes of the Group. For *illustrative* purpose, the Group is expected to have an interest saving of approximately RM0.39 million per annum based on the interest rates of 7.6% per annum and 9.1% per annum for the term out loans and term loans respectively, as disclosed below:

Type of borrowings	Amount (RM'000)	Interest rate per annum (%)	Interest saving (RM'000)
Term out loan	1,161	7.6 <sup>(a)</sup>	88
Term loan	3,300	9.1 <sup>(b)</sup>	300
	<b>4,461</b>		<b>388</b>

Notes:

- (a) Based on the interest rate of 1% above the base lending rate. The current base lending rate is 6.6%.
- (b) Based on the interest rate of 2.5% above the base lending rate. The current base lending rate is 6.6%.
- (3) As disclosed in Section 2.4 of this announcement, the amount will be directly set-off against the subscription monies due from Dexx in respect of its Undertakings. The Amount Owing to Dexx bears interest at 6.75% per annum. For *illustrative* purpose, the Group is expected to have an interest saving of approximately RM0.45 million per annum based on the interest rate of 6.75% per annum.
- (4) Being the balance of the Amount Owing to Dexx after taking into consideration the Undertakings from Dexx to meet the Minimum Subscription Level. As the Amount Owing to Dexx is subject to an interest of 6.75% per annum, the interest due to Dexx from 1 October 2013 will be repaid from the AHB Group's internally generated funds and when the AHB Group has sufficient funds in the future.
- (5) As disclosed in Section 2.4 of this announcement, the amount will be directly set-off against the subscription monies due from YYK in respect of his Undertakings.
- (6) The expenses relating to the Proposed Rights Issue of Shares with Warrants comprise, amongst others, the estimated professional fees, fees payable to the relevant authorities, expenses to convene the extraordinary general meeting ("EGM"), printing, despatch and advertisement expenses and other ancillary expenses. If the actual expenses incurred are higher than the budgeted, the deficit will be funded from the portion allocated for the Group's working capital. Conversely, any surplus of funds following payment of expenses will be utilised as working capital for the Group.

The exact quantum of proceeds to be raised from the exercise of the New Warrants is dependent on the total number of the New Warrants to be exercised during the tenure of the New Warrants and the final exercise price for the New Warrants. The proceeds to be raised from the exercise of the New Warrants shall be utilised for the working capital requirements of the Group, the breakdown of which and the expected time frame for full utilisation cannot be determined by the Board at this juncture.

Pending utilisation of the proceeds from the Proposed Rights Issue of Shares with Warrants for the abovementioned purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments as the Board may deem fit. The interest derived from the deposits with the financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of the Group.

#### **4. RATIONALE FOR THE PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS**

The Group is principally involved in trading of office furniture and office interior products. The Group has been incurring losses since the financial year ended (“FYE”) 30 June 2012 and has been facing financial constraints. On 29 August 2013, the Company announced that it is an affected issuer under Practice Note 1 (“PN1”) of the Main Market Listing Requirements of Bursa Securities as the Group has defaulted on its loan repayment obligations.

After due consideration of the various methods to raise funds for purposes as stated in Section 3 above and in view of the Company’s PN1 status that the Group will not be able to obtain any new credit facilities from financial institutions, the Board is of the opinion that the Proposed Rights Issue of Shares with Warrants is currently an appropriate avenue of fund raising for AHB, after taking into consideration the following:

- (i) it allows AHB to raise immediate funds for its working capital requirement, to settle the Amount Owing and to repay bank borrowings which may result in interest savings and to release the Company from its PN1 status;
- (ii) it involves the issuance of new AHB Shares without diluting the existing shareholders’ equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlements;
- (iii) it enhances the cash flow of the Group and enables the Group to fund its plans for expansion into new markets and promotional campaign which are expected to contribute positively to the future earnings of the Group and improve its financial performance;
- (iv) it provides an opportunity for the existing shareholders to increase their equity participation in the Company by subscribing to the Rights Shares and exercising of the New Warrants;
- (v) The Undertakings allow the Undertaking Shareholders to extend their support for the Proposed Rights Issue of Shares with Warrants via the set-off of Amount Owing to facilitate the Group to reduce its liabilities without increasing the financial constraints of the Group; and
- (vi) the New Warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants will provide the shareholders of AHB with an attractive option to increase their equity participation in AHB at a predetermined price during the tenure of the New Warrants. In addition, proceeds from the exercise of the New Warrants, if any in the future will provide an additional source of funds to be used in the Group’s business.

The Proposed Rights Issue of Shares with Warrants is undertaken on the Minimum Subscription Level basis as the funds to be raised will be sufficient for the Group’s funding requirements based on the present cash flow position and level of operations of the Group. In the event the actual level of subscription for the Proposed Rights Issue of Shares with Warrants is higher than the Minimum Subscription Level, the Group will be able to fund the expansion plan with the additional working capital.

The Board is of the opinion that a stronger balance sheet and a healthier cash flow will enable the Group to finance the plans for business expansion which is expected to contribute positively to the future earnings of the Group and improve its financial performance.

## **5. INDUSTRY OVERVIEW AND OUTLOOK**

### **5.1 International economy**

The global economy continued to experience modest growth in the second quarter of 2013. In the advance economies, the US economy expanded at a moderate pace, while economic activity in the euro area remained weak amid austerity measures and ongoing sovereign debt concerns. In the emerging economies including several key economies in Asia, growth of several economies moderated in the second quarter, the prolonged weakness in the external environment had begun to affect domestic activity.

Going forward, the global economy continues to face downside risks, emanating from developments in several key economies. Policy uncertainties surrounding the US' QE program and the European sovereign debt concerns are expected to weigh on market sentiments and growth prospects. While overall growth performance in most emerging economies including in Asia, will be affected by these developments, domestic demand will continue to support the overall growth performance. The growth prospects are also being augmented by targeted policy measures.

*(Source: BNM, Quarterly Bulletin Second Quarter of 2013)*

### **5.2 Malaysian economy**

The Malaysian economy expanded by 4.3% in the second quarter of 2013, compared to 4.1% in the first quarter 2013. Domestic demand expanded by 7.3% in the second quarter (1Q 2013: 8.2%), due to increase in private and public consumption. Private consumption expanded by 7.2% in the second quarter (1Q 2013: 7.5%), supported by stable employment conditions and sustained wage growth in the domestic-oriented sectors. Public consumption growth improved by 11.1% in the second quarter (1Q 2013: 0.1%), reflecting mainly higher Government spending on supplies and services, and sustained spending on emoluments.

Gross fixed capital formation continued to grow as a result of investment activities of the private sector and public enterprises. While domestic demand remained firm, exports registered a larger decline, amid weakness across most export products. On the supply side, the major economic sectors expanded further in the second quarter, supported by the continued strength in domestic demand.

On the supply side, the services and manufacturing sectors continued to expand, driven largely by sub-sectors catering to the domestic market. Growth of the mining sector rebounded following higher production of both natural gas and crude oil. However, the agriculture sector moderated, weighed down by a sharp reduction in natural rubber output and slower growth in crude palm oil production. In the construction sector, growth remained firm, led by the civil engineering and residential sub-sectors.

For the Malaysian economy, the prolonged weakness in the external environment has affected the overall growth performance of the economy going forward. While domestic demand is expected to remain firm, supported by sustained private consumption, capital spending in the domestic-oriented industries and the ongoing implementation of infrastructure projects, the weak external sector in the first half of this year will affect the overall growth performance for the year. The overall growth of the economy for this year

has now been revised to 4.5 - 5.0%. Going forward, domestic demand is expected to remain on its steady growth trajectory and will continue to be supported by an accommodative monetary policy.

*(Source: BNM Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2013)*

### **5.3 The global furniture industry**

World furniture production grew by a compound annual growth rate (“CAGR”) of 3.5% from 2009 to 2012, from an estimated USD347 billion to USD385 billion. Following a temporary decline in world production from 2008 to 2009 as a result of the global financial crisis, the industry has been growing steadily over the last four (4) years. In 2010 and 2011, the global industry registered production of approximately USD363 billion and USD370 billion respectively.

World furniture trade likewise increased during the same period at a higher CAGR of 6.5% as a result of higher levels of worldwide furniture imports and exports compared to production. World furniture trade is defined as the average between total global furniture imports and total global furniture exports, and is a standard industry definition. In 2009, world furniture trade stood at about USD96 billion, which grew to an estimated USD116 billion in 2012.

The demand for furniture is generally driven by three (3) key factors, overall growth in world population, continued economic growth and rising urbanisation rates.

- Population growth

World population in 2012 was approximately 7.1 billion, having grown by 34% from 5.3 billion in 1990. Higher population growth rates were especially witnessed in developing countries, fuelling the need for housing, home furnishing and office furnishing. The demand for office furniture will continue to increase over the long term with the world’s rising population.

- Economic growth

The global economy has continually witnessed positive growth trends in recent decades, with the exception of periods of economic slowdown in 1997/98 and 2008/09. In line with global economic growth, there continues to be a strong demand for residential, commercial and industrial development, which directly leads to an increase in related office furnishing. The growth in per capita income worldwide has also led to higher overall purchasing power.

- Rising urbanisation

In 2010, the average world urbanisation rate, which is used here as an indicator for wealth, was estimated at approximately at 50.5%. The urbanisation rate for the more developed regions, less developed regions and least developed countries were 75.2%, 45.1% and 29.2% respectively. Moving forward, the forecast average world urbanisation rate is expected to be 68.7% in 2050. Higher rates of urbanisation will invariably result in stronger economic growth, and higher disposable incomes and expenditure, leading to greater demand for furniture products.

*(Source: Overview of the Furniture Industry dated October 2013 by SMZA Consulting Sdn Bhd)*

## **5.4 The furniture industry in Malaysia**

From largely cottage-based production in the 1980s, the furniture industry in Malaysia has grown into a multi-billion ringgit industry today with over 3,000 manufacturers employing over 60,000 employees in country. Furniture production in Malaysia is estimated to have grown from RM10.3 billion in 2009 to RM10.9 billion in 2012.

According to the Malaysian Furniture Promotion Council, Malaysia is one of the top ten (10) largest exporters of furniture worldwide, with a substantial percentage of furniture manufactured in Malaysia exported. Over the last four (4) years, an average 74.0% of production was exported, and the top five (5) destination countries were the United States, Japan, Singapore, Australia and the United Kingdom. In 2009, furniture exports in Malaysia was RM7.6 billion, which increased to just over RM8.0 billion in 2012, at a CAGR of 1.6%

*(Source: Overview of the Furniture Industry dated October 2013 by SMZA Consulting Sdn Bhd)*

## **5.5 Prospects and future plans of the Group**

The potential of the furniture industry is evidenced by its current industry size globally. The global production volume of USD385.0 billion is an indicator of the world consumption potential for furniture. The furniture industry currently boasts of high exports from Asia, while consumption of furniture, including office furniture, is highest in developed countries such as the United States and Europe. With their high levels of urbanisation and economic development, these developed countries are expected to continue to be the largest spenders in office furniture industry globally.

Demand for furniture is estimated to exhibit positive growth as a result of increased demand from both enterprises as well as individual consumers. The global industry is currently being driven by a number of factors, including the continuous growing population, development of the economies and growing urbanisation. All of this factors fuel the need for housing and commercial buildings, and thus consequently, home and office furnishing.

*(Source: Overview of the Furniture Industry dated October 2013 by SMZA Consulting Sdn Bhd)*

The Group has built a reputation for its design creativity and product differentiation, and it continues to deliver this differentiation at a more competitive price than the Western and Japanese competitors, at a much higher perceived value than emerging countries competitors. The Group's products have been successfully tested under various international product testing and accreditation, including American National Standards Institute, Business and Institutional Furniture Manufacturers Association and British Standard by independent test laboratories and are also produced at a consistent high quality level. The Group focuses on high value added activities such as quality assurance and production assembly process.

The Group has introduced several new product ranges namely System B2, System T1, System B3 and DWS Architectural Wall Systems in the last one (1) year. The Group is expecting that these new products will help to penetrate into the new market segments of desking and demountable wall systems. The DWS Architectural Wall Systems for executive and meeting areas have been introduced with successes of encouraging orders. On the other hand, System B3 for open office bench desking system has gained popularity and demand in banking and information technology customers while System

T1 and B2 are for executive bench desking, executive office desking and meeting solutions. Thus far, the new products have received positive responses with new orders from multinational corporations in the international market as well as locally. The introduction of these new furniture ranges will assist the Group to increase the revenue and improve the profit margins.

The Group plans to set up showrooms and to increase the sales force in major cities in ASEAN, India and the Middle-East countries. In addition, the Group plans to work on a joint venture in India and the Middle-East countries for assembly and manufacturing with the local partners to improve the Group's competitiveness by local sourcing of components and to improve customer satisfaction by reducing lead time.

In addition to the above, the Group is increasing its promotional efforts both locally and overseas. The Group's participation in Orgatec 2012, Cologne, Germany, has brought in some new prospects to be appointed as new dealers in new markets to improve its exposure/market awareness to the existing markets and customers. Orgatec is the world leading office furniture expo. AHB plans to fund the above promotional efforts from the portion allocated for the Group's working capital and also from the internally generated funds going forward.

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## 6. EFFECTS OF THE PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS

For illustrative purposes, the pro-forma effects of the Proposed Rights Issue of Shares with Warrants, based on the Minimum Scenario and the Maximum Scenario, are set out below:

### 6.1 Issued and paid-up share capital

The pro-forma effects of the Proposed Rights Issue of Shares with Warrants on the issued and paid-up share capital of AHB are as follows:

#### Minimum Scenario

	No. of AHB Shares ('000)	RM ('000)
Issued and paid-up share capital as at 28 October 2013	48,131	9,626
To be issued pursuant to the Proposed Rights Issue of Shares with Warrants	90,250	18,050
	138,381	27,676
To be issued upon full exercise of Warrants 2004/2014 <sup>(1)</sup>	5,228	1,046
To be issued upon full exercise of New Warrants	60,167	12,033
<b>Enlarged issued and paid-up share capital</b>	<b>203,776</b>	<b>40,755</b>

#### Maximum Scenario

	No. of AHB Shares ('000)	RM ('000)
Issued and paid-up share capital as at 28 October 2013	48,131	9,626
To be issued upon full exercise of Warrants 2004/2014	5,228	1,046
	53,359	10,672
To be issued pursuant to the Proposed Rights Issue of Shares with Warrants	106,719	21,344
	160,078	32,016
To be issued upon full exercise of the New Warrants	71,146	14,229
<b>Enlarged issued and paid-up share capital</b>	<b>231,224</b>	<b>46,245</b>

Note:

- (1) Based on 5D-VWAP of AHB Shares up to and inclusive of 28 October 2013 of RM0.1803 and the indicative issue price of RM0.20 for each Rights Share, the number and the exercise price of the outstanding Warrants 2004/2014 will not be adjusted pursuant to the deed poll dated 22 March 2004 constituting the Warrants 2004/2014.

## 6.2 NA and gearing

The pro-forma effects of the Proposed Rights Issue of Shares with Warrants on the NA and gearing of the Group are as follows:

### Minimum Scenario

	(Audited)	(I)	(II)
	As at 30 June 2012 (RM'000)	After par value reduction <sup>(1)</sup> (RM'000)	After the Proposed Rights Issue of Shares with Warrants (RM'000)
			After (I) and the full exercise of Warrants 2004/2014 (RM'000)
Share capital	48,131	9,626	27,676
Share premium	3,665	3,665	3,665
Capital reserve	-	21,397	21,397
Warrant reserve	-	-	8,423 <sup>(2)</sup>
Accumulated losses	(38,544)	(21,585)	(30,758) <sup>(3)</sup>
<b>Shareholders' funds / NA</b>	<b>13,252</b>	<b>13,103</b>	<b>30,403</b>
No. of Shares in issue ('000)	48,131	48,131	138,381
Nominal value of Shares (RM)	1.00	0.20	0.20
NA per Share (RM)	0.28	0.27	0.22
Total borrowings	4,595	4,595	134
Gearing (time)	0.35	0.35	Neg
		<b>(III)</b>	
		<b>After (II) and the full exercise of New Warrants (RM'000)</b>	
Share capital	40,755		
Share premium	3,665		
Capital reserve	21,397		
Warrant reserve	-		
Accumulated losses	(22,335)		
<b>Shareholders' funds / NA</b>	<b>43,482</b>		
No. of Shares in issue ('000)	203,776		
Nominal value of Shares (RM)	0.20		
NA per Share (RM)	0.21		
Total borrowings	134		
Gearing (time)	Neg		

*Notes:*

- (1) *The reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965 (“Act”) involving the cancellation of RM0.80 par value of all existing ordinary shares of RM1.00 each in the Company which was completed on 3 October 2012.*
- (2) *Arises from the issuance of the New Warrants pursuant to the Proposed Rights Issue of Shares with Warrants. For illustrative purposes, the New Warrants are assumed to have a fair value of RM0.14 each based on the Black Scholes Model.*
- (3) *After deducting estimated expenses of RM0.75 million for the Proposed Rights Issue of Shares with Warrants.*

*Neg: Negligible*

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**Maximum Scenario**

	(Audited)	(I)	(II)
	As at 30 June 2012 (RM'000)	After par value reduction <sup>(1)</sup> (RM'000)	After (I) and the Proposed Rights Issue of Shares with Warrants (RM'000)
		After the full exercise of Warrants 2004/2014 (RM'000)	
Share capital	48,131	9,626	32,016
Share premium	3,665	3,665	3,665
Capital reserve	-	21,396	21,396
Warrant reserve	-	-	9,960 <sup>(2)</sup>
Accumulated losses	(38,544)	(21,585)	(32,295) <sup>(3)</sup>
<b>Shareholders' funds / NA</b>	<b>13,252</b>	<b>13,102</b>	<b>34,742</b>
No. of Shares in issue ('000)	48,131	48,131	160,078
Nominal value of Shares (RM)	1.00	0.20	0.20
NA per Share (RM)	0.28	0.27	0.22
Total borrowings	4,595	4,595	134
Gearing (time)	0.35	0.35	Neg
	<b>(III)</b>		
	<b>After (II) and the full exercise of New Warrants (RM'000)</b>		
Share capital	46,245		
Share premium	3,665		
Capital reserve	21,396		
Warrant reserve	-		
Accumulated losses	(22,335)		
<b>Shareholders' funds / NA</b>	<b>48,971</b>		
No. of Shares in issue ('000)	231,224		
Nominal value of Shares (RM)	0.20		
NA per Share (RM)	0.21		
Total borrowings	134		
Gearing (time)	Neg		

*Notes:*

- (1) *The reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Act, involving the cancellation of RM0.80 par value of all existing ordinary shares of RM1.00 each in the Company which was completed on 3 October 2012.*
- (2) *Arises from the issuance of the New Warrants pursuant to the Proposed Rights Issue of Shares with Warrants. For illustrative purposes, the New Warrants are assumed to have a fair value of RM0.14 each based on the Black Scholes Model.*
- (3) *After deducting estimated expenses of RM0.75 million for the Proposed Rights Issue of Shares with Warrants.*

*Neg: Negligible*

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### 6.3 Substantial shareholders' shareholdings

The pro-forma effects of the Proposed Rights Issue of Shares with Warrants on the direct and indirect shareholdings of the substantial shareholders of AHB as at 28 October 2013 are as follows:

#### Minimum Scenario

Name	As at 28 October 2013				(I) After the Proposed Rights Issue of Shares with Warrants				(II) After (I) and the full exercise of Warrants 2004/2014			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of AHB Shares ('000)	%	No. of AHB Shares ('000)	%	No. of AHB Shares ('000)	%	No. of AHB Shares ('000)	%	No. of AHB Shares ('000)	%	No. of AHB Shares ('000)	%
YYK	6,966	14.47	-	-	20,898	15.10	-	-	20,898	14.55	-	-
Dexx	9,352	19.43	-	-	42,057	30.39	-	-	42,057	29.29	-	-
Underwriter(s)	-	-	-	-	43,614	31.52	-	-	43,614	30.37	-	-

  

Name	(III) After (II) and the full exercise of New Warrants			
	Direct		Indirect	
	No. of AHB Shares ('000)	%	No. of AHB Shares ('000)	%
YYK	30,185	14.81	-	-
Dexx	63,860	31.34	-	-
Underwriter(s)	72,690	35.67	-	-

**Maximum Scenario**

Name	As at 28 October 2013				(I) After the full exercise of Warrants 2004/2014				(II) After (I) and the Proposed Rights Issue of Shares with Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of AHB Shares (’000)	%	No. of AHB Shares (’000)	%	No. of AHB Shares (’000)	%	No. of AHB Shares (’000)	%	No. of AHB Shares (’000)	%	No. of AHB Shares (’000)	%
YYK	6,966	14.47	-	-	6,966	13.05	-	-	20,898	13.05	-	-
Dexx	9,352	19.43	-	-	9,352	17.53	-	-	28,057	17.53	-	-

  

Name	(III) After (II) and the full exercise of New Warrants			
	Direct		Indirect	
	No. of AHB Shares (’000)	%	No. of AHB Shares (’000)	%
YYK	30,185	13.05	-	-
Dexx	40,527	17.53	-	-

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## 6.4 Earnings and EPS

The Proposed Rights Issue of Shares with Warrants is not expected to have an immediate material effect on the consolidated earnings and EPS of AHB for the financial year ending 30 June 2014 as the Proposed Rights Issue of Shares with Warrants are only expected to be completed in the first (1<sup>st</sup>) quarter of 2014 whilst the proceeds to be raised are expected to be utilised within thirty six (36) months from the date of the listing of the Rights Shares. However, the Proposed Rights Issue of Shares with Warrants is expected to contribute positively to the future earnings of the Group when the benefits of the utilisation of proceeds are realised.

The surplus of proceeds, if any, raised beyond the Minimum Subscription Level will be utilised, *inter alia*, as additional working capital for the Group's business activities expansion. The Board is of the view that this will contribute positively to the Group's future earnings and improve its financial performance.

However, the EPS of the Group shall be correspondingly diluted as a result of the increase in the number of AHB Shares in issue pursuant to the issuance of the Rights Shares and the new AHB Shares arising from the exercise of the New Warrants in the future. The effect of any exercise of the New Warrants on the Company's consolidated EPS would be dependent on the returns generated by the Company from the utilisation of proceeds arising from the exercise of the New Warrants.

## 6.5 Convertible securities

As at 28 October 2013, the Company has 5,228,000 outstanding Warrants 2004/2014 which are exercisable into 5,228,000 new AHB Shares with an exercise price of RM0.20 per AHB Share.

Save for the Warrants 2004/2014, AHB does not have any other convertible securities in issue.

## 7. APPROVALS REQUIRED

The Proposed Rights Issue of Shares with Warrants are conditional upon the following approvals being obtained:

- (i) Bursa Securities for the following:
  - (a) listing of and quotation for the Rights Shares;
  - (b) admission to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the New Warrants; and
  - (c) listing of and quotation for the new AHB Shares to be issued pursuant to the exercise of the New Warrants;on the Main Market of Bursa Securities;
- (ii) the shareholders of AHB at an EGM to be convened for the Proposed Rights Issue of Shares with Warrants; and
- (iii) any other relevant authorities, if required.

## **8. CONDITIONALITY**

The Proposed Rights Issue of Shares with Warrants is not conditional upon any other corporate proposals undertaken or to be undertaken by AHB.

## **9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

Save as disclosed below, none of the Directors and/or substantial shareholders of AHB and/or persons connected with them have any interest, direct and indirect, in the Proposed Rights Issue of Shares with Warrants save for their respective entitlements as shareholders under the Proposed Rights Issue of Shares with Warrants for which all shareholders of AHB are entitled to including the right to apply for excess Rights Shares with New Warrants which are also available to all other shareholders of AHB.

Dexx, a substantial shareholder of AHB, will be receiving part of the proceeds from the Proposed Rights Issue of Shares with Warrants for the balance of the Amount Owing to Dexx after taking into consideration of its Undertakings. As such, Dexx is interested in the Proposed Rights Issue of Shares with Warrants. Accordingly, Dexx will abstain and will also undertake to ensure that persons connected with it will abstain from voting in respect of their direct and indirect shareholdings in AHB on the resolution to approve the Proposed Rights Issue of Shares with Warrants at an EGM to be convened.

## **10. DIRECTORS' STATEMENT**

The Board, after having considered all aspects of the Proposed Rights Issue of Shares with Warrants, including but not limited to, the rationale and effects of the Proposed Rights Issue of Shares with Warrants, is of the opinion that the Proposed Rights Issue of Shares with Warrants is in the best interests of the Group.

## **11. ADVISER**

TA Securities has been appointed as the Adviser in relation to the Proposed Rights Issue of Shares with Warrants.

## **12. APPLICATIONS TO THE RELEVANT AUTHORITIES**

Applications to the relevant authorities in respect of the Proposed Rights Issue of Shares with Warrants are expected to be submitted within one (1) month from the date of this announcement.

## **13. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities being obtained, the Board expects the Proposed Rights Issue of Shares with Warrants to be completed in the first (1<sup>st</sup>) quarter of 2014.

This announcement is dated 29 October 2013.

**Indicative salient terms of the New Warrants**

The indicative salient terms of the New Warrants are set out below:

<b>Terms</b>	<b>Details</b>
Issue size	: Up to 71,145,864 New Warrants.
Number of new AHB Shares to be issued upon exercise of the New Warrants	: Up to 71,145,864 new AHB Shares to be issued pursuant to the exercise of up to 71,145,864 New Warrants on the basis of one (1) new AHB Share for every one (1) New Warrant.
Form and denomination	: The New Warrants will be issued in registered form and will be constituted by the Deed Poll.
Issue price	: The New Warrants are to be issued free to all the Entitled Shareholders and/ or their renounees who subscribe to the Rights Shares.
Status of new AHB Shares arising from the exercise of the New Warrants	: The new AHB Shares to be allotted and issued upon exercise of the New Warrants will rank pari passu in all respects with the existing AHB Shares except that such new AHB Shares will not be entitled to any dividends, rights, allotments and/or distributions which may be declared, made or paid prior to the date of allotment of such new AHB Shares.
Board lot	: For the purpose of trading on Bursa Securities, a board lot for the New Warrants shall be one hundred (100) New Warrants carrying the right to subscribe for one hundred (100) new AHB Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities.
Commencement date	: The day of issuance of the New Warrants.
Expiry date	: The day falling immediately before the fifth (5 <sup>th</sup> ) anniversary of the date of issuance of the New Warrants.
Exercise rights	: Each New Warrant entitles the registered holder to subscribe for one (1) new AHB Share at any time during the exercise period at the exercise price (subject to adjustments in accordance with provisions of the Deed Poll).
Exercise period	: The New Warrants may be exercised at any time within five (5) years commencing on and including the date of issuance of the New Warrants. Any new Warrant not exercised during the exercise period will thereafter lapse and cease to be valid.
Exercise price	: To be determined by the Board after obtaining the approval from the shareholders of AHB for the Proposed Rights Issue of Shares with Warrants but before the Entitlement Date

- Mode of exercise : The registered holder of the New Warrants is required to lodge an exercise form, as set out in the Deed Pool, with the Company's registrar, duly completed, signed and stamped together with payment of the exercise price for the new AHB Shares subscribed for by banker's draft/cashier's order/money order/postal order in RM drawn on a bank or post office operating in Malaysia.
- Rights of the New Warrants : The registered holder of the New Warrants are not entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the Entitlement Date precedes the date of allotment and issuance of the new AHB Shares upon the exercise of the New Warrants. The New Warrants holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in the Company until and unless such New Warrants holders exercise their New Warrants into new AHB Shares.
- Adjustments to the exercise price and/or number of the New Warrants : The exercise price and/or number of unexercised New Warrants shall be adjusted in the event of alteration to the share capital, capital distribution or issue of AHB Shares in accordance with the provisions of the Deed Poll.
- Rights of the holders of the New Warrants in the event of winding-up, compromise and/or arrangement : If whilst any New Warrants remain capable of being exercised, a resolution has been passed for a member's voluntary winding up of the Company or where there is a compromise or scheme of arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then:
- (i) for the purpose of such winding-up, compromise or scheme of arrangement to which the New Warrants holders (or some person designated by them for such purposes by special resolution) shall be a party, the terms of such winding-up, compromise or scheme of arrangement shall be binding on all the New Warrants holders; and
  - (ii) in any other case, every New Warrants holder shall be entitled upon and subject to the conditions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within six (6) weeks after the granting of the court order approving the compromise or scheme of arrangement, by irrevocable surrender of his New Warrants to the Company by submitting the duly completed exercise form authorising the debiting of his New Warrants, together with payment of the relevant exercise monies, to elect to be treated as if he had immediately prior to the commencement of the winding up, compromise or scheme of arrangement exercised the exercise rights represented by such New Warrants to the extent specified in the exercise form

and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the new AHB Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.

- Listing status : The New Warrants will be listed and traded on the Main Market of Bursa Securities. An application will be made for the admission of the New Warrants to the Official List of the Main Market of Bursa Securities as well as for the listing of and quotation for the New Warrants and the new AHB Shares to be issued pursuant to the exercise of the New Warrants on the Main Market of Bursa Securities.
- Governing law : The laws of Malaysia.

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## 1. Historical financial data

The summary of the financial information for the Group for the FYE 30 June 2011 to FYE 30 June 2013 are as follows:

	Audited		Unaudited
	FYE 30 June 2011 RM'000	FYE 30 June 2012 RM'000	FYE 30 June 2013 RM'000
Revenue	21,285	17,391	12,500
Gross profit ("GP")	6,369	3,471	2,305
Profit/ (Loss) before tax ("PBT/ LBT")	793	(2,872)	(7,964)
Profit/ (Loss) after tax ("PAT/ LAT")	793	(2,872)	(8,864)
GP margin (%)	29.92	19.96	8.86
PBT/ (LBT) margin (%)	3.73	(16.51)	(63.71)
PAT/ (LAT) margin (%)	3.73	(16.51)	(63.71)
Number of AHB Shares in issue	48,131	48,131	48,131
Gross earnings per share ("EPS") (RM)	0.13	(0.06)	(0.17)
Net EPS (RM)	0.02	(0.06)	(0.18)
Paid-up share capital	48,131	48,131	9,626
Shareholders' funds / Net asset ("NA")	16,125	13,252	4,388
NA per AHB Share	0.34	0.28	0.09
Current ratio	1.69	1.50	1.11
Total borrowings	5,264	4,595	4,461
Gearing ratio	0.33	0.35	1.02

### Commentaries:

#### (a) FYE 30 June 2011

For the FYE 30 June 2011, revenue decreased by RM5.95 million or 21.85% to RM21.29 million compared to RM27.24 million for the FYE 30 June 2010. The decrease was mainly due to the reduction in marketing programs and product launches as the Group was facing cash flow constraints as a result of scheduled repayment of bank borrowings. Correspondingly, the GP decreased by RM1.56 million or 19.63% to RM6.37 million compared to RM7.93 million for the FYE 30 June 2010.

In line with the decrease in the GP, the PBT and PAT decreased by RM0.17 million or 17.22% to RM0.79 million for the financial year under review.

#### (b) FYE 30 June 2012

Revenue decreased from RM21.29 million in the FYE 30 June 2011 to RM17.39 million in the FYE 30 June 2012, representing a decrease of RM3.89 million or 18.29%. The decreased revenue was due to lower sales registered from middle east and south central asia region as a result of slowdown in demand in export sales which was affected by the continuing financial uncertainties.

GP decreased by RM2.90 million or 45.50% to RM3.47 million for the FYE 30 June 2012 mainly due to the reduction in GP margin to 19.96% for the FYE 30 June 2012 compared to 29.92% for the FYE 30 June 2011. The decrease in GP margin was mainly due to higher pricing of raw materials as AHB Group was facing cash flow constraints which had limited its negotiation abilities in terms of raw materials due to decrease in volume of raw materials purchased. In addition, the increase in labour cost also directly affected the GP margin.

The Group recorded loss after tax of RM2.87 million for the FYE 30 June 2012 due to the slowdown in export sales as a result of the effect of the global financial uncertainties which had affected many of the Group's clients.

**(c) Unaudited FYE 30 June 2013**

For the FYE 30 June 2013, revenue decreased significantly by RM4.89 million or 28.12% to RM12.50 million compared to RM17.39 million for the FYE 30 June 2012 mainly due to lack of investment in marketing programs as the Group was facing cash flow constraints. In line with the decrease in revenue, GP decreased by RM1.17 million or 33.59% to RM2.31 million for the FYE 30 June 2013.

The Group recorded loss after tax of RM8.86 million due to the decrease in revenue coupled with a significant impairment loss on doubtful receivables of RM12.75 million even though it recorded other income of RM11.49 million arising from the settlement of profit guarantee given to the Group as announced on 20 June 2013.

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