## Part A: Explanatory Notes Pursuant to MFRS 134

### A1. Basis of preparation and accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This condensed report also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board (IASB). For the periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRSs).

This Condensed Report is the Group's first MFRS compliant Condensed Report and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied.

The MFRS are effective for the Group from 1 April 2012 and the date of transition to the MFRS framework for the purpose of the first MFRS compliant Condensed Report is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The adoption of the MFRS framework did not result in any substantial change to the Groups' accounting policies nor any significant impact on its financial statements, as the accounting policies adopted by the Group under the previous FRS framework are consistent with those of the MFRS framework.

**MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective**

At the date of authorisation of these interim financial statements, the following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:

| **MFRS, Amendments to MFRS and IC Interpretation** | | **Effective for annual periods beginning on or after** |
|---|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010) | 1 January 2015 |
| MFRS 10 | Consolidated Financial Statements | 1 January 2013 |
| MFRS 11 | Joint Arrangements | 1 January 2013 |
| MFRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| MFRS 13 | Fair Value Measurement | 1 January 2013 |
| MFRS 119 | Employee Benefits | 1 January 2013 |
| MFRS 127 | Separate Financial Statements | 1 January 2013 |
| MFRS 128 | Investments in Associates and Joint Ventures | 1 January 2013 |
| Amendments to MFRS 1 | Government Loans | 1 January 2013 |
| Amendments to MFRS 7 | Disclosures - Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to MFRS 101 | Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| Amendments to MFRS 132 | Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| IC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |

**A2. Auditor's report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 March 2012 was unqualified.

**A3. Comments about seasonal or cyclical factors**

The business operations of the Group are customarily affected by seasonal and festivity sales.

**A4. Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial year-to-date.

**A5. Significant estimates and changes in estimates**

There were no changes in estimates that had a material effect on the current quarter and financial year-to-date results.

**A6. Capital management, issuances, repurchases, and repayments of debt and equity instruments**

There were no issuances, repurchases and/or repayment of debt and equity instruments for the current quarter and financial year-to-date.

**A7. Dividends paid**

No dividend was paid during the financial year-to-date.

**A8. Segmental information**

| | Current Year Quarter Ended 31 December 2012 | | Current Year To Date Ended 31 December 2012 | |
|---|---|---|---|---|
| | Segment Revenue RM '000 | Segment Results RM '000 | Segment Revenue RM '000 | Segment Results RM '000 |
| Professional services and sales (Corporate Salon) | 20,103 | 1,073 | 56,179 | 1,941 |
| Product distribution | 21,935 | 3,665 | 58,308 | 5,777 |
| Others* | 1,250 | (410) | 4,095 | (630) |
| Total | 43,288 | 4,328 | 118,582 | 7,088 |
| Elimination | (7,157) | (523) | (18,040) | (341) |
| Consolidated | 36,131 | 3,805 | 100,542 | 6,747 |

* Others mainly comprise of investment holding, investment in properties, education and training and information communication technology.

**A9. Property, plant and equipment**

The property, plant and equipment of the Group are carried at cost less accumulated depreciation. Accordingly, no valuations have been brought forward from the previous annual financial statements.

**A10. Subsequent event**

There were no material events subsequent to the end of the current quarter and financial year-to-date.

**A11. Changes in composition of the Group**

There were no changes in the composition of the Group during the quarter and financial year-to-date.

**A12. Changes in contingent liabilities**

| | 31 December 2012 Limit (RM'000) | 31 December 2012 Utilised (RM'000) |
|---|---|---|
| Guarantees given to financial institutions for facilities granted to subsidiaries | 25,500 | 10,695 |
| Guarantee given to landlord to secure tenancy payments by subsidiaries of EIG for salons (annual rental) | - | 39 |
| | 25,500 | 10,734 |

**A13. Capital commitments**

| | 31 December 2012 RM'000 |
|---|---|
| **Property, plant and equipment** | |
| Approved and contracted for | 19,542 |
| Approved but not contracted for | - |
| | 19,542 |

**A14. Related party transactions**

There were no material related party transactions during the current financial period under review.

**Part B - Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. Review of performance**

## For quarter ended 31/12/12

The Group reported revenue of RM36.1 million for the financial quarter ended 31 December 2012, in comparison to RM36.5 million for the prior corresponding quarter, representing a marginal decrease of RM0.4 million or 1.1%. This decrease was mainly due to lower export sales for the Product Distribution segment to Vietnam and offset by an increase in Corporate Salon sales in Malaysia.

The Group reported a profit before tax of RM4.0 million for the current quarter under review as compared to a profit before tax of RM2.1 million for the prior corresponding quarter. The increase in profit before tax was mainly due to higher inventory write-off and staff remuneration of RM1.1 million and RM0.6 million respectively in the prior corresponding quarter .

The revenue contributed from the regional and export business of the Group for the current period under review was 40%.

## For financial year-to-date ended 31/12/12

The Group reported year-to-date revenue of RM100.5 million for the period ending 31 December 2012, in comparison to RM101.1 million for the prior year corresponding period, representing a marginal decrease of RM0.6 million or 0.6%. This marginal decrease was mainly due to lower export sales for the Product Distribution segment to Vietnam and the Group's business restructuring in Hong Kong. However, this was partially offset by an increase in Corporate Salon sales in Malaysia.

The Group reported year-to-date profit before tax of RM7.5 million for the current financial period under review as compared to a profit before tax of RM2.5 million for the prior year corresponding period. The increase was mainly due to the improvement in the operating results of the Product Distribution and Corporate Salon segments as a result of lower operating and overhead expenses. In additional, no significant impact on forex for current period, as compared to the net forex gain of RM0.7 million for the prior year corresponding period.

The revenue contributed from the regional and export business of the Group for the current period under review was 41%.

**B2. Material changes in the quarterly results compared to the results of the preceding quarter**

The Group recorded profit before tax of RM4.0 million from revenue of RM36.1 million, as compared to profit before tax of RM0.8 million from revenue of RM32.4 million in the preceding quarter ended 31 December 2012. The increase in sales is mainly due to the increase in Product Distribution in Malaysia and Corporate Salon sales from Malaysia and Singapore. The higher profit before tax recorded in the current quarter is in line with the above mentioned revenue increase and lower operating and overhead expenses.

**B3. Commentary on prospects**

The wellness and beauty industry is expected to continue to experience moderate growth for financial year ended 31 March 2013 with growth in consumer spending expected to remain modest as a result of the current global macro-economic uncertainty.

The Group's main growth and earnings drivers, both locally and regionally, for the financial year are as follows:

a) continuous extension of professional distribution channel and expansion of the Fast Moving Consumer Goods business;
b) increase in the number of Corporate Salons regionally;
c) extensive brand building exercises and various marketing exercises; and
d) introduction of strategic new lines of products and services;

Barring any adverse developments in local and regional market conditions, the Board is adopting focused and prudent strategies to consolidate the existing business operations and expand the geographic coverage of the Group to improve profitability.

**B4. Profit forecast**

The disclosure requirements for explanatory notes for the variance of actual profit after taxation and minority interest and forecast profit after taxation and minority interest are not applicable.

**B5. Profit before Tax**

| Profit before tax is arrived at after charging/(crediting): | **Current Year Quarter Ended 31 December 2012 RM'000** | **Current Year-to-date Ended 31 December 2012 RM'000** |
|---|---|---|
| Depreciation and amortization | 1,494 | 4,781 |
| Inventories written off | 255 | 872 |
| Bad debts (write back)/written off | (11) | 140 |
| Interest income | (246) | (854) |
| Loss/(gain) on disposal of property, plant and equipment | 6 | (154) |
| Loss on disposal of investment property | - | 8 |
| Net foreign exchange loss | 66 | 4 |
| Gain or loss on derivatives | - | - |

**B6. Taxation**

Taxation comprises the following:

| | **Current Year Quarter Ended 31 December 2012 RM'000** | **Current Year-to-date Ended 31 December 2012 RM'000** |
|---|---|---|
| *Current tax* | | |
| Malaysian | 1,351 | 3,350 |
| Overseas | - | - |
| *Deferred tax* | | |
| Malaysian | (439) | (792) |
| Overseas | 253 | 259 |
| | 1,165 | 2,817 |

The Group's effective tax rate for the current financial year-to-date presented above is disproportionate to the Malaysian statutory tax rate principally due to group tax relief not being available to off-set Group profits against certain loss making Malaysian and regional subsidiaries for the period.

## B7. Status of corporate proposal announced

(i) The status as at 27 February 2013 of the utilisation of proceeds arising from the Rights Issue of 52,800,000 new ordinary shares of RM0.50 each at an issue price of RM0.50 per share, which was completed on 10th January 2012 is as follows:

| Purposes | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Deviation RM'000 | Balance RM'000 | Timeframe for utilization of proceeds | Explanation |
|---|---|---|---|---|---|---|
| Capital expenditure | 15,000 | 6,174 | - | 8,826 | Within two (2) years | Note 1 |
| Working capital | 10,800 | 10,758 | 42 | - | Within one (1) year | Note 2 |
| Right Issue Expenses | 600 | 642 | (42) | - | Within one (1) month | Note 3, Note 4 |
| **Total** | 26,400 | 17,574 | - | 8,826 | | |

Notes:

(1) The amount allocated for capital expenditure shall be utilised for the opening of new Corporate Salons and DCPs locally and/or overseas as well as the potential acquisition of office space in countries such as Singapore, Thailand and Hong Kong where our Group is currently operating at prices deemed appropriate by our Group.

As at 27 February 2013, a total of RM6.17 million has been utilised for the renovation of 3 new outlets, namely Paradigm Mall, Setia Alam Mall and Dataran Palawan Melaka Megamall, refurbishment of aged salons, as well as the payment of the first 20% of the purchase consideration, together with GST and stamping fees, in respect of the acquisition of new office units in Singapore.

(2) The amount allocated for working capital has been used for payment to suppliers, payment of salaries and operating expenses, and production of skin care products.

(3) The expenses relating to the Rights Issue comprise of, amongst others, the professional fees and fees payable to the relevant authorities, expenses to convene the EGM, printing, dispatch and advertising expenses as well as other miscellaneous costs.

(4) The deviation in the defraying of expenses in relation to the Rights Issue mainly resulted from higher printing costs.

(5) The balance of unutilised proceeds has been placed in short term money market funds with investment management companies.

(ii) On 9 October 2012, the Company announced the discontinuation of its Guangzhou-based skincare product distribution operations in view of Dermalogica Inc.'s decision to suspend distribution of Dermalogica products in China due to challenges with product registration, and related challenges with product registration for Clinelle products. However, the Company will continue to support the Chinese market from Hong Kong.

The discontinuation of the yet to be profitable Guangzhou operations is not expected to have a material financial impact on the financial position and performance of EIG for the year ending 31 March 2013.

**B7. Status of corporate proposal announced (Continued)**

(iii) On 19 October 2012, Providence Capital Sdn Bhd ('PCSB' or 'Offeror') acquired 43,788,298 ordinary shares of RM0.50 in EIG ('EIG Shares') and 20,448,098 warrants 2012/2017 issued by EIG ('Warrants') at RM0.50 per EIG Share and RM0.12 per Warrant.

As the shareholding of PCSB in EIG had increased from 35.97% to 59.66%, the Company received on 19 October 2012 a notice of unconditional mandatory take-over offer ('Notice') from Maybank Investment Bank Berhad, on behalf of PCSB in compliance with Sections 9(1)(b), Part III of the Malaysian Code on Take-Overs and Mergers 2010, to acquire the following:

(a) all the remaining EIG Shares not already owned by the PCSB and the persons acting in concert with it (PACs);

(b) all the outstanding Warrants not already owned by the PCSB and the PACs; and

(c) all the new EIG Shares that may be issued prior to the Closing Date on 30 November 2012 arising from the exercise of outstanding Warrants,

for a cash offer price of RM0.50 per EIG Shares ('Shares Offer') and RM0.12 per Offer Warrant ('Warrants Offer') respectively which is collectively referred to as the "Offer".

As announced to Bursa Malaysia Securities Berhad, the Offer closed at 5.00pm on 30 November 2012, at which point the EIG Shares held by PCSB of 163,344,176 EIG Shares represented 88.39% of EIG's total issued and paid-up share capital.

In line with PCSB's stated intention to maintain the listing status of EIG, PCSB subsequently placed out 49.0 million EIG Shares in a series of off-market transactions on 6 December 2012 and 11 December 2012, following which PCSB's shareholding in EIG was 114,344,176 EIG Shares representing 61.87% of EIG's total issued and paid-up share capital.

Accordingly, EIG announced on 13 December 2011 that EIG's public shareholding spread based on the Record of Depositors of EIG dated 12 December 2012 was 50,445,702 EIG Shares representing 27.30% of the total EIG Shares held in the hands of 763 public shareholders, and that based on the foregoing, EIG has complied with the public shareholding spread requirement under Paragraph 8.02(1) of the Main Market Listing Requirements.

**B8. Borrowings and debt securities**

There were no borrowings or debt securities as at the reporting date.

**B9. Changes in material litigation**

There was no material litigation against the Group as at the reporting date.

**B10. Disclosure of realised and unrealised profits or losses of the Group**

| | As at 31/12/2012 RM | As at 31/3/2012 RM |
|---|---|---|
| Total retained profit of the Company and its subsidiaries: | | |
| - Realised | 12,943 | 7,142 |
| - Unrealised | 1,097 | 2,114 |
| | 14,040 | 9,256 |
| Total share of accumulated losses from associated companies: | | |
| - Realised | (1,342) | (1,230) |
| - Unrealised | - | - |
| | (1,342) | (1,230) |
| Total group retained profits as per consolidated accounts | 12,698 | 8,026 |

**B11. Dividends**

The Board of Directors does not recommend an interim dividend for the current financial year to preserve the Group's cash resources to fund future growth.

**B12. Basic earnings/ (loss) per share (Basis EPS)**

| Basis EPS | Current Year Quarter Ended | | Current Year To Date Ended | |
|---|---|---|---|---|
| | 31/12/2012 | 31/12/2011 | 31/12/2012 | 31/12/2011 |
| Profit/(Loss) attributable to equity holders of the Company (RM'000) | 2,838 | 1,231 | 4,672 | (320) |
| Weighted average number of ordinary shares in issue ('000) | 184,800 | 132,000 | 184,800 | 132,000 |
| Basic EPS (Sen) | 1.54 | 0.93 | 2.53 | (0.24) |

The diluted earnings per ordinary share is not presented as there is no dilutive effect noted during the year. The issue of warrants does not have a dilutive effect to the earnings per ordinary share as the average market price of ordinary shares as at the end of the reporting period was equivalent to the exercise price of the warrants.

**B13. Authorised for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 February 2013.