

ESTHETICS INTERNATIONAL GROUP BERHAD
 (Company No : 408061-P)

Unaudited Condensed Statements of Comprehensive Income
For The Six Months Period Ended 30 September 2017

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/09/2017 (RM'000)	Prior Year Quarter Ended 30/09/2016 (RM'000)	Current Year To Date 30/09/2017 (RM'000)	Prior Year-To-Date 30/09/2016 (RM'000)
Revenue	40,260	41,290	80,979	78,941
Cost of sales / services	(16,389)	(16,995)	(33,226)	(32,065)
Gross profit	23,871	24,295	47,753	46,876
Other income	91	148	208	734
Other (losses) / gains	(928)	780	(2,271)	1,589
Other expenses	(22,143)	(21,298)	(43,884)	(41,521)
Results from operating activities	891	3,925	1,806	7,678
Finance costs	(189)	(125)	(315)	(221)
Interest income	675	556	1,324	1,092
Share of results after tax of equity accounted associates	(245)	(299)	(442)	(447)
Profit before tax	1,132	4,057	2,373	8,102
Tax expense	(812)	(1,011)	(1,287)	(2,139)
Profit for the financial period attributable to the owners of the Company	320	3,046	1,086	5,963
Other comprehensive expenses, net of tax Item that may be subsequently reclassified to profit or loss:				
Foreign currency translation	193	470	187	779
Total comprehensive income for the period/year attributable to the owners of the Company	513	3,516	1,273	6,742
Earnings per share attributable to owners of the Company:				
Basic (sen)	0.13	1.31	0.46	2.56
Diluted (sen)	0.13	1.30	0.46	2.55

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the Interim Financial Statements)

Esthetics International Group Berhad (408061-P)

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Esthetics International Group Berhad
(Company No : 408061-P)

Unaudited Condensed Consolidated Statements of Financial Position
As At 30 September 2017

	As at 30/09/2017 (Unaudited) (RM '000)	As at 31/03/2017 (Audited) (RM '000)
ASSETS		
Non-current assets		
Property, plant and equipment	104,193	107,983
Intangible assets	1,514	1,549
Investment properties	1,055	1,055
Investments in associates	88	520
Receivables	11,732	11,293
Deferred tax assets	4,094	3,626
	122,676	126,026
Current assets		
Inventories	31,272	30,303
Receivables, deposits and prepayments	25,358	25,011
Tax recoverable	1,914	1,168
Short term cash investments	41,529	40,983
Cash and bank balances	31,505	32,963
	131,578	130,428
TOTAL ASSETS	254,254	256,454
EQUITY AND LIABILITIES		
Share capital	128,768	128,768
Reserves	289	102
Retained earnings	52,585	51,499
TOTAL EQUITY/EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	181,642	180,369
Non-current liabilities		
Borrowings	18,429	18,946
Deferred tax liabilities	126	234
	18,555	19,180
Current liabilities		
Deferred revenue	24,924	26,454
Payables and accruals	21,370	21,409
Borrowings	6,735	7,457
Taxation	1,028	1,585
	54,057	56,905
TOTAL LIABILITIES	72,612	76,085
TOTAL EQUITY AND LIABILITIES	254,254	256,454
Net assets per share attributable to owners of the Company (RM)	0.77	0.76

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017 and the accompanying explanatory notes attached to the Interim Financial Statements)

Esthetics International Group Berhad
(Company No : 408061-P)

Unaudited Condensed Consolidated Statements of Cash Flows
For The Six Months Period Ended 30 September 2017

	Current Year To Date (RM '000)	Prior Year-To-Date (RM '000)
Cash flows from operating activities		
Profit before tax	2,373	8,102
<i>Adjustments for : -</i>		
Depreciation of property, plant and equipment	3,995	4,482
Amortisation of development cost	32	42
Gain on disposal of property, plant and equipment	(15)	(25)
Interest expense	315	221
Income from short term money market	(747)	(629)
Interest income	(577)	(463)
Property, plant and equipment written off	2	4
Inventories written off	763	567
Impairment loss on trade receivables	4	-
Share of results of equity accounted associates	442	447
Unrealised loss/(gain) on foreign exchange	3,201	(1,761)
Operating profit before working capital changes	9,788	10,987
Changes in working capital		
Inventories	(1,732)	3,602
Receivables, deposits and prepayments	(3,507)	1,192
Payables and accruals	(39)	(1,892)
Deferred revenue	(1,530)	(1,219)
Cash generated from operating activities	2,980	12,670
Tax paid	(3,166)	(3,444)
Net cash from operating activities	(186)	9,226
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(2,421)	(2,338)
Acquisition of intangible assets	-	(58)
Advances to associates	(439)	(636)
Proceeds from disposal of property, plant and equipment	15	34
Placement in short term cash investments	(546)	(7,629)
Interest and short term money market income received	1,324	1,092
Net cash used in investing activities	(2,067)	(9,535)
Cash flows used in financing activities		
Proceed from issuance of ordinary shares pursuant to warrants	-	883
Interest paid	(315)	(221)
Repayment of term loan	(569)	(590)
Net cash (used in)/generated from financing activities	(884)	72
Net decrease in cash and cash equivalents	(3,137)	(237)
Effect of exchange rate changes	1,679	353
Cash and cash equivalents at beginning of financial period	32,963	28,648
Cash and cash equivalents at end of financial period	31,505	28,764

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2017 and the accompanying explanatory attached to the Interim Financial Statements)

Esthetics International Group Berhad
(Company No : 408061-P)

Unaudited Condensed Consolidated Statements of Changes in Equity
For The Six Months Period Ended 30 September 2017

	<-----Non-distributable----->			<i>Distributable</i> Retained Earnings	Attributable to Owners Of The Company/Total Equity (RM '000)	
	Share Capital (RM '000)	Share Premium (RM '000)	Warrant Reserve (RM '000)			Translation Reserve (RM '000)
At 1 April 2017	128,768	-	-	102	51,499	180,369
Profit for the financial period	-	-	-	-	1,086	1,086
Other comprehensive expenses, net of tax - Exchange differences on translation of the financial statements of foreign entities	-	-	-	187	-	187
Total comprehensive income for the period	-	-	-	187	1,086	1,273
At 30 September 2017	128,768	-	-	289	52,585	181,642
At 1 April 2016	116,200	9,751	456	(222)	45,749	171,934
Profit for the financial period	-	-	-	-	5,963	5,963
Other comprehensive expenses, net of tax - Exchange differences on translation of the financial statements of foreign entities	-	-	-	779	-	779
Total comprehensive income for the period	-	-	-	779	5,963	6,742
Transactions with owners						
Issuance of ordinary shares pursuant to warrant	883	155	(155)	-	-	883
At 30 September 2016	117,083	9,906	301	557	51,712	179,559

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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 issued by the Malaysian Accounting Standards Board and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2017. The accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted in the financial statements of the Group for the financial year ended 31 March 2017 except for the adoption of the following standards applicable to the Group's financial year beginning 1 April 2017:

Amendments/Improvements to MFRSs

<u>Amendments/Improvements to MFRSs</u>		Effective Date
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017

The adoption of the above new and amendments/improvements to MFRSs, are not expected to have any material financial impact to the current financial year upon their initial adoption.

New and amendments/improvement to MFRSs that are issued, but not yet effective

<u>New MFRSs</u>		Effective for financial periods beginning on or after
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 128	Investments in Associates and Joint Ventures	Deferred/1 January 2018
MFRS 140	Investment Property	1 January 2018

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A1. Basis of preparation and accounting policies (cont'd)

New and amendments/improvement to MFRSs that are issued, but not yet effective (cont'd)

		Effective for financial periods beginning on or after
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and New IC Int, the financial effects of their adoption are currently being assessed by the Group.

A2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Group for the financial year ended 31 March 2017 was not subject to any qualification.

A3. Seasonal or cyclical factors

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

A4. Exceptional Items

There were no exceptional items during the quarter under review.

A5. Material changes in accounting estimates

There were no changes in estimates of amounts reported in the annual financial statements of the Group for the financial year ended 31 March 2017 that may have a material effect on the current quarter ended 30 September 2017.

A6. Issuance and / or repayment of debt and equity instruments

There was no issuance, repurchase and/or repayment of debt and equity instruments for the current quarter ended 30 September 2017.

A7. Dividends paid

The shareholders of the Company approved a final single-tier dividend of 1.75 sen per ordinary share in respect of previous financial year ended 31 March 2017 at the Annual General Meeting on 22 August 2017. The dividend was paid on 20 October 2017.

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A8. Segmental information

Quarter ended 30 September

	Professional services and sales		Product distribution		Others *		Total	
	RM'000		RM'000		RM'000		RM'000	
Revenue	2017	2016	2017	2016	2017	2016	2017	2016
Total revenue	23,081	24,581	24,318	21,726	2,500	7,139	49,899	53,446
Inter-segment revenue	-	-	(7,410)	(5,151)	(2,229)	(7,005)	(9,639)	(12,156)
External revenue	<u>23,081</u>	<u>24,581</u>	<u>16,908</u>	<u>16,575</u>	<u>271</u>	<u>134</u>	<u>40,260</u>	<u>41,290</u>
Segment results	1,054	3,178	(850)	372	687	375	891	3,925
Finance costs							(189)	(125)
Interest income							675	556
Share of results of equity accounted associates							(245)	(299)
Profit before tax							<u>1,132</u>	<u>4,057</u>
Taxation							(812)	(1,011)
Profit after tax							<u>320</u>	<u>3,046</u>

Year ended 30 September

	Professional services and sales		Product distribution		Others *		Total	
	RM'000		RM'000		RM'000		RM'000	
Revenue	2017	2016	2017	2016	2017	2016	2017	2016
Total revenue	47,177	47,843	46,978	42,449	4,977	9,039	99,132	99,331
Inter-segment revenue	-	-	(13,781)	(11,581)	(4,372)	(8,809)	(18,153)	(20,390)
External revenue	<u>47,177</u>	<u>47,843</u>	<u>33,197</u>	<u>30,868</u>	<u>605</u>	<u>230</u>	<u>80,979</u>	<u>78,941</u>
Segment results	2,432	5,948	(816)	1,590	190	140	1,806	7,678
Finance costs							(315)	(221)
Interest income							1,324	1,092
Share of results of equity accounted associates							(442)	(447)
Profit before tax							<u>2,373</u>	<u>8,102</u>
Taxation							(1,287)	(2,139)
Profit after tax							<u>1,086</u>	<u>5,963</u>

* Others mainly consist of investment holding, education, training and e-commerce.

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A9. Valuation of property, plant and equipment

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

A10. Subsequent events

There were no significant events subsequent to the end of the current quarter up to the date of this report that have not been reflected in the financial statements for the current quarter under review.

A11. Changes in composition of the Group

There were no other material changes in the composition of the Group for the current quarter ended 30 September 2017.

A12. Changes in contingent liabilities and contingent assets

There were no major contingent liabilities or contingent assets as at 30 September 2017.

A13. Commitments

(a) Capital commitments

	As at 30/9/2017 RM'000	As at 31/3/2017 RM'000
Property, plant and equipment		
Approved and contracted for	840	273
Approved but not contracted for	274	752
	<u>1,114</u>	<u>1,025</u>

(b) Non-cancellable operating lease commitments in respect of certain rented premises by subsidiaries as follows:

	As at 30/9/2017 RM'000	As at 31/3/2017 RM'000
Less than one year	18,998	19,162
Between one and five years	20,108	19,972
	<u>39,106</u>	<u>39,134</u>

A14. Related party transactions

There were no material related party transactions during the current quarter ended 30 September 2017.

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

B1. Review of performance

Quarter ended 30 September 2017 ('2Q18') compared with quarter ended 30 September 2016 ('2Q17')

The Group recorded revenue of RM40.3 million for 2Q18, which was 2.5% lower than 2Q17, due to the challenging trading conditions as consumer sentiment remained weak across the region. The Group's profit before tax was lower by RM2.9 million to RM1.1 million, which was mainly due to net foreign exchange losses of RM0.9 million recognised in 2Q18 as compared to net foreign exchange gains of RM0.8 million in 2Q17, as well as higher inventory costs due to the stronger US Dollar. Excluding the net foreign exchange losses, the Group would have recognised a profit before tax of RM2.1 million for 2Q18 as compared to RM3.3 million for 2Q17.

Professional Services and Sales (Corporate Outlets) revenue of RM23.1 million was 6.1% lower than 2Q17, while operating profit was lower by RM2.1 million to RM1.1 million due to the lower revenue, higher product costs from the stronger US Dollar as well as brand building and promotional activities during the quarter. The Group's network of Corporate Outlets comprised of 67 AsterSpring professional skin care salons, retail kiosks and department store concession counters across Malaysia, Singapore, Hong Kong, Thailand and Indonesia as at 30 September 2017.

Product Distribution (Professional Distribution and Fast Moving Consumer Goods (FMCG)) revenue of RM16.9 million was 2.0% higher than 2Q17. However, the segment recorded an operating loss of RM0.9 million in 2Q18 as compared to an operating profit of RM0.4 million in 2Q17. This was mainly due to a net foreign exchange loss of RM0.6 million incurred in 2Q18 as compared to a net foreign exchange gain of RM0.5 million in 2Q17, in addition to higher inventory costs due to the stronger US Dollar and brand building and promotional activities required in the current environment.

On a geographic basis, the proportion of revenue from the regional and export business against the domestic business of the Group was 40% and 60% respectively.

Half year ended 30 September 2017 ('1H18') compared with half year ended 30 September 2016 ('1H17')

Group revenue increased by RM2.0 million or 2.6% to RM81.0 million for 1H18, while profit before tax of RM2.4 million was lower by RM5.7 million due to net foreign exchange losses of RM2.3 million in 1H18 as compared to net foreign exchange gains of RM1.6 million in 1H17, as well as higher inventory costs due to the stronger US Dollar.

Professional Services and Sales (Corporate Outlets) revenue was 1.4% lower to RM47.2 million for 1H18, while profit before tax of RM2.4 million was RM3.5 million lower than 1H17. The Group's network of Corporate Outlets comprised of 67 AsterSpring professional skin care salons, retail kiosks and department store concession counters across Malaysia, Singapore, Hong Kong, Thailand and Indonesia as at 30 September 2017.

Product Distribution (Professional Distribution and FMCG) revenue for 1H18 was 7.5% higher at RM33.2 million. However, the segment reported an operating loss of RM0.8 million as compared to profit before tax of RM1.6 million in 1H17 due to net foreign exchange losses of RM1.0 million as compared to net foreign exchange gains of RM1.0 million for 1H17, in addition to higher

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inventory costs due to the stronger US Dollar and brand building and promotional activities required with competitors continuing aggressive discounting and promotions in the current environment.

The revenue contributed from the regional and export business against domestic business of the Group was 39% and 61% respectively.

B2. Material changes in the quarterly results compared to the results of the immediate preceding quarter ended 30 June 2017 ('1Q18')

The Group recorded revenue of RM40.3 million and profit before tax of RM1.1 million for 2Q18, which is not materially different to the revenue of RM40.7 million and profit before tax of RM1.2 million for 1Q18.

B3. Commentary on prospects

The beauty and wellness industry in the Group's markets is expected to achieve moderate growth over the longer term. However, should economic conditions continue to deteriorate further, consumer spending, including spending for the beauty and wellness industry in the Group's markets, may continue to be impacted over the short term.

Barring any adverse developments in local and regional market conditions, the Board continues to adopt focused and prudent strategies to execute the Group's strategic long-term priorities to grow the core brands and businesses of the Group.

B4. Profit forecast

The Group does not provide profit forecasts.

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B5. Profit before Tax

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/9/2017 RM'000	Prior Quarter Ended 30/9/2016 RM'000	Current Year-To- Date 30/9/2017 RM'000	Prior Year-To- Date 30/9/2016 RM'000
Profit before tax is arrived at after charging/(crediting):				
Depreciation of property, plant and equipment	1,988	2,262	3,995	4,482
Amortisation of development cost	16	21	32	42
Gain on disposal of property, plant and equipment	-	(25)	(15)	(25)
Property, plant and equipment written off	-	2	2	4
Inventories written off	348	423	763	567
Loss/(gain) on foreign exchange:				
- realised	(809)	(1)	(917)	193
- unrealised	1,737	(759)	3,201	(1,761)
Interest expense	189	125	315	221
Interest income from short term money market	(381)	(278)	(747)	(629)
Interest income	(294)	(278)	(577)	(463)
Rental expense	5,771	5,810	11,714	11,373
Rental income from investment properties	(12)	(14)	(27)	(27)

Save as disclosed above, the other items required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

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B6. Tax expense

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/9/2017 RM'000	Prior Quarter Ended 30/9/2016 RM'000	Current Year-To- Date 30/9/2017 RM'000	Prior Year-To- Date 30/9/2016 RM'000
Current tax				
- For the financial period	1,127	1,302	1,838	2,004
	1,127	1,302	1,838	2,004
Deferred tax	(315)	(291)	(551)	135
Tax expense	812	1,011	1,287	2,139

The Group's effective tax rate for the current quarter ended 30 September 2017 was higher than the Malaysian statutory income tax rate due to non deductibility of certain expenses.

B7. Status of corporate proposal announced

There were no new corporate proposals announced but not completed as at the date of this report.

B8. Borrowings and debt securities

	As at 30/9/2017 RM'000	As at 31/3/2017 RM'000
Short Term Borrowings		
Secured :		
Hong Kong Dollar	6,147	6,749
Singapore Dollar	588	708
	<u>6,735</u>	<u>7,457</u>
Long Term Borrowings:		
Secured :		
Singapore Dollar	18,429	18,946
Total Borrowings	<u>25,164</u>	<u>26,403</u>

The borrowings as at 30 September 2017 were solely for the part financing of the Group's corporate offices in Hong Kong and Singapore.

There was no unsecured debt as at end of the reporting period. Borrowings denominated in foreign currencies are stated at Ringgit Malaysia equivalent as at the reporting date.

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B9. Changes in material litigation

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

B10. Realised and unrealised Profits/Losses Disclosure

	As at 30/09/2017 RM'000	As at 30/09/2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	56,146	47,824
- unrealised	1,366	5,777
	<u>57,512</u>	<u>53,601</u>
Share of accumulated losses from associates		
- realised	(4,197)	(3,169)
	<u>53,315</u>	<u>50,432</u>
Less: Consolidation adjustments	(730)	1,280
	<u>52,585</u>	<u>51,712</u>
Total retained earnings of the Group	<u><u>52,585</u></u>	<u><u>51,712</u></u>

B11. Dividend proposed or declared

The Board is pleased to declare and approve an interim single-tier dividend of 1.25 sen per ordinary share in respect of the financial year ending 31 March 2018.

The interim dividend shall be payable on 12 January 2018.

A Depositor shall qualify for entitlement to the interim dividend only in respect of:

- (i) Shares transferred into the Depositor's Securities Account on 15 December 2017 in respect of ordinary transfers; and
- (ii) Shares bought on Bursa Securities on a cum entitlement basis according to the Main Market Listing Requirements of Bursa Securities.

The total dividend for the 6 months ended 30 September 2017 is 1.25 sen per ordinary share (2016: 1.25 sen)

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B12. Basic and diluted earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30/9/2017 RM'000	Prior Year Quarter Ended 30/9/2016 RM'000	Current Year-To-Date 30/9/2017 RM'000	Prior Year-To-Date 30/9/2016 RM'000
Basic earnings per share				
Profit attributable to owners of the Company (RM'000)	320	3,046	1,086	5,963
Number of shares in issue at beginning of the financial year ('000)	237,194	232,401	237,194	232,401
Effect of exercise of warrants ('000)	-	648	-	326
Weighted average number of ordinary shares in issue ('000)	237,194	233,049	237,194	232,727
Basic earnings per ordinary share (sen)	0.13	1.31	0.46	2.56
Diluted earnings per share				
Profit attributable to owners of the Company (RM'000)	320	3,046	1,086	5,963
Weighted average number of ordinary shares in issue ('000)	237,194	233,049	237,194	232,727
Effect of dilutive potential ordinary shares – Warrants ('000)	-	1,406	-	1,367
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	237,194	234,455	237,194	234,094
Diluted earnings per ordinary share (sen)	0.13	1.30	0.46	2.55

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 28 November 2017.