

**A. COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS**

**1. Basis of Preparation**

These condensed consolidated interim financial statements (Condensed Report) 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.

This condensed report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014. The audited financial statements of the Group for the year ended 31 December 2014 were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2014, except for the adoption of the following:

<b>Description</b>	<b>Effective date</b>
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to MFRS 2 Share Based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 8 Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 13 Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 116 Property, Plant & Equipment	1 July 2014
Amendments to MFRS 138 Intangible Assets (Annual Improvements to MFRSs 2010-2013 Cycle)	1 July 2014
Amendments to MFRS 124 Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 140 Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014

The adoption of the above Amendments and Annual improvements to Standards, did not have any material financial impact to the Group.

## **2. Audit Report of Preceding Annual Financial Statements**

The audit report of the annual financial statements of the Group for the financial year ended 31 December 2014 was not subject to any qualification.

## **3. Seasonal or Cyclical Factors**

There were no major seasonal or cyclical factors that affected operations.

## **4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence during the quarter and financial period ended 30 June 2015.

## **5. Changes in Estimates**

There were no changes in the nature and estimates of amounts reported in prior financial years that have had any material effect in the quarter and financial period ended 30 June 2015.

## **6. Issues, Repurchases, and Repayments of Debt and Equity Securities**

There were no issuances, repurchases, or repayments of debt and equity securities during the quarter and financial period ended 30 June 2015.

## **7. Dividend Paid**

During the quarter under review, an interim single tier dividend of 10.0 sen net per share, amounting to RM16,438,565 was paid on 17 June 2015 in respect of the financial year ending 31 December 2015.

## **8. Operating Segment Information**

As in the prior financial year, the Group operates solely in the direct selling industry and distributes its products in Malaysia and Brunei. The results and total assets of the subsidiary in Negara Brunei Darussalam are insignificant to the Group. Accordingly, information on geographical and business segments of the Group's operations is not presented with the adoption of MFRS 8.

## 9. Events after the Interim Period

There was no material event subsequent to the current quarter and the financial period ended 30 June 2015 up to the date of this report.

## 10. Effects of Changes in the Composition of the Group

There were no changes in the composition of the Group, including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, or discontinued operations during the quarter ended 30 June 2015.

## 11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 30 June 2015 are as follows:

	RM'000
Approved and contracted for	197
Approved and not contracted for	18
	<u>215</u>
Contracted Commitments are analyzed as follows:	
Purchase of Equipment and Software	<u>197</u>

## 12. Related Party Transactions

Significant related party transactions are as follows:

<u>RM'000</u>	<u>Quarter ended</u>		<u>Year-to-date ended</u>	
	<u>30/6/2015</u>	<u>30/6/2014</u>	<u>30/6/2015</u>	<u>30/6/2014</u>
Sales of goods	738	786	1,088	1,315
Purchases of goods	(62,337)	(55,319)	(170,155)	(106,980)
Services provided	3,510	4,218	7,020	6,644
Services received	(5,150)	(3,312)	(8,531)	(6,900)
Royalties expense	(440)	(368)	(1,010)	(695)

## **B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS**

### **1. Performance Review**

Group revenue for the six months ended 30 June 2015 increased by 25.4% over the same period in 2014 due mainly to a strong buy up in Q1 2015 ahead of Goods & Services Tax (GST) implementation on 1 April 2015. Profit before tax for the six months ended 30 June 2015 decreased by 8.9% over the same period last year due mainly to higher import costs (primarily caused by a weaker Ringgit and transfer price impacts), as well as product mix impacts and higher sales incentive provisions driven by higher sales. These impacts were partially offset by the higher sales.

For the three months ended 30 June 2015, Group revenue was 2.9% lower compared to the same period in 2014 due primarily to post-GST demand impact. Profit before tax was 62.2% lower compared to Q2 2014 due to adjustments made to reflect higher incentive provisions as a result of higher sales for the six-month period ended 30 June 2015. Another contributing reason was an exceptionally low cost base in Q2 2014 as a result of an inter-period adjustment.

### **2. Comparison with Preceding Quarter's Results**

For the three months ended 30 June 2015, Group revenue decreased 41.6% compared to Q1 2015 due mainly to a strong buy up in Q1 2015 ahead of GST implementation on 1 April 2015. Profit before tax decreased by 73.4% due mainly to adjustments made to reflect higher sales incentive provisions as a result of higher sales.

### **3. Commentary on Prospects for the Current Financial Year**

Despite a higher than expected Group revenue in the first six months, the Board expects 2015 to remain a challenging year from the perspectives of higher import costs and adjustment in market demand post-GST implementation. We will continue to focus our efforts in supporting our Business Owners to grow their business through various sales and marketing initiatives.

### **4. Profit Forecast or Profit Guarantee**

There was no profit forecast or profit guarantee issued by the Group.

## 5. Income Tax Expense

RM'000	Quarter ended		Year ended	
	30/6/2015	30/6/2014	30/6/2015	30/6/2014
<b>Tax charges/(credits) comprise:</b>				
Current income tax	12,010	10,866	25,213	20,498
Deferred tax	(8,940)	(1,789)	(8,940)	(2,562)
<b>Total</b>	<b>3,070</b>	<b>9,077</b>	<b>16,273</b>	<b>17,936</b>

The effective tax rate of the Group for the current quarter was lower than the statutory tax rate, mainly due to over provision of tax related to prior year. The effective tax rate of the Group for the financial year-to-date 30 June 2015 was higher than the statutory tax rate, mainly due to certain expenses that were disallowed for tax purposes.

## 6. Realised and Unrealised Profits/(Losses)

RM'000	As at	
	30/6/2015	31/12/2014
Realised	47,985	67,177
Unrealised	13,853	4,892
	61,838	72,069
Less: Consolidation adjustments	(7,465)	(7,228)
<b>Total Group Retained Profits</b>	<b>54,373</b>	<b>64,841</b>

## 7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 19 August 2015.

## 8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 June 2015.

## 9. Gains and Losses arising from Fair Value Changes of Financial Liabilities

Not Applicable.

## 10. Material Litigation

There was no material litigation as at 19 August 2015.

## 11. Dividends

- i) A second interim single tier dividend of 10.0 sen net per share has been declared on 19 August 2015, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each.
- ii) For the previous year corresponding quarter, a second interim single tier dividend of 10.0 sen net per share was declared on 13 August 2014, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each.
- iii) In respect of deposited securities, entitlement to the second interim single dividend will be determined based on shareholders registered in the record of depositors as at 4 September 2015. The payment date will be on 15 September 2015.

The total dividend declared for the financial year ending 31 December 2015 as follows:

- i) First interim single tier dividend of 10.0 sen net per share, based on the share capital of 164,385,645 ordinary shares of RM1.00 each.
- ii) Second interim single tier dividend of 10.0 sen net per share, based on the share capital of 164,385,645 ordinary shares of RM1.00 each.

## 12. Earnings Per Share

The basic earnings per share for the current quarter is calculated by dividing the profit for the quarter amounting RM10,229,000 by the number of shares in issue of 164,385,645.

## 13. Notes to the Statements of Comprehensive Income

RM'000	Quarter ended		Year-to-date ended	
	30/6/2015	30/6/2014	30/6/2015	30/6/2014
Depreciation of property, plant and equipment	1,920	2,018	3,727	4,013
Allowance/(writeback) for inventories	1,314	(797)	1,291	(357)
Inventories written off	44	31	66	220
Net foreign exchange (gain)/loss	(58)	59	(219)	63
Interest income	(1,784)	(1,292)	(3,325)	(2,626)
Loss/(gain) on disposal of plant and equipment	17	1	20	(270)

No other income or loss, including investment income, gain/(loss) on disposal of quoted or unquoted investments or properties, gain/(loss) on derivatives, provision for and write off of receivables, impairment of assets, or interest expense was recognized for the current quarter or financial year-to-date 30 June 2015.