

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 should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. The audited financial statements of the Group for the year ended 31 December 2019 were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2019, except for the adoption of the following:

Description	Effective for annual periods beginning on or after
MFRS 101 and MFRS 108 : Definition of Material (Amendments to MFRS 101 and 108)	1 January 2020
MFRS 3 : Definition of Business (Amendments to MFRS 3)	1 January 2020
MFRS 9, MFRS 139 and MFRS 7 : Interest Rate benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)	1 January 2020
Conceptual Framework : Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above Amendments 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 2019 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 31 March 2020.

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 31 March 2020.

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 31 March 2020.

7. Dividend Paid

Dividend paid during the financial period ended 31 March 2020 are as follows:

- i) Fourth single tier interim dividend of 5.0 sen net per share and a special single tier interim dividend of 7.5 sen net per share totaling RM20,548,204 in respect of financial year ended 31 December 2019 were paid on 27 March 2020.

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 31 March 2020 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 and the financial period ended 31 March 2020.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 March 2020 are as follows:

	RM'000
Approved and contracted for	8,746
Approved and not contracted for	3,354
	<u>12,100</u>

Contracted Commitments are analyzed as follows:
System Development costs, Building Improvement,
Motor Vehicles and Purchase of Equipment

8,746

12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter and Year-to-date ended	
	31/3/2020	31/3/2019
Sales of goods	56	108
Purchases of goods	(92,813)	(91,995)
Services provided	-	188
Services received	(4,488)	(10,700)
Royalties expense	(606)	(539)

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

1. Performance Review

	Quarter and Year-to-date ended		Changes
	31/03/2020 (RM'000)	31/03/2019 (RM'000)	
Revenue	234,636	247,491	(5.2) %
Cost of Sales	(184,490)	(188,568)	(2.2) %
Gross Profit	50,146	58,923	(14.9) %
Profit Before Tax	13,884	14,323	(3.1) %
Profit After Tax	10,205	10,615	(3.9) %

Group revenue for both the quarter and year-to-date ended 31 March 2020 was 5.2 % lower than the same period of last year due to shop closure following the government's imposition of Movement Control Order (“MCO”) to control the pandemic outbreak of COVID-19.

The Group’s profit before tax for the period decreased by 3.1% as compared to the same period last year due to lower sales and higher import cost arising from unfavorable foreign exchange impact in Quarter 1, partially offset by lower operating expenses.

2. Comparison with the Preceding Quarter’s Results

	Current Quarter ended	Preceding Quarter ended	Changes
	31/03/2020 (RM'000)	31/12/2019 (RM'000)	
Revenue	234,636	252,998	(7.3) %
Cost of Sales	(184,490)	(190,056)	(2.9) %
Gross Profit	50,146	62,942	(20.3) %
Profit Before Tax	13,884	11,500	20.7 %
Profit After Tax	10,205	11,440	(10.8) %

Group revenue for the current quarter ended 31 March 2020 was lower than the preceding quarter by 7.3% due to shop closure following the government's imposition of Movement Control Order (“MCO”) to control the pandemic outbreak of COVID-19.

Despite lower revenue, the Group’s profit before tax increased by 20.7% as compared to the preceding quarter due to lower operating expenses.

3. Commentary on Prospects

In light of the current COVID-19 pandemic, the restrictions imposed during Movement Control Order (“MCO”), and the limitations post MCO on social gatherings, shop operations, as well as overall negative economic impacts to purchasing power, confidence, and cash flow of consumers, the Group anticipates that sales will be flat for the year. Nevertheless, the Group foresees this maybe partially offset by increased demand for health supplements, cleansers, air treatment and similar products.

3. Commentary on Prospects (continued)

During the period of MCO, the Group announced various support measures to help ABOs shift their business completely online in this challenging time. Some of these support programs extend beyond the MCO period, as ABOs and society adjusts to new norms from the COVID-19 pandemic. The Group will continue to invest in critical eCommerce related infrastructure/experiences as well as a more attractive incentives-linked growth strategy to better serve the ABOs and place them in a stronger position to take advantage of the future megatrends. The Group anticipates that the COVID-19 support measures, investment in infrastructure for social commerce experiences, and the economic impact of COVID-19 will exert pressure on its operating margins.

4. Financial Forecast or Profit Guarantee

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

5. Revenue

Set out below is the disaggregation of the Group's revenue from contract with customers :

(RM'000)	Quarter and Year-to-date ended	
	31/03/2020	31/03/2019
Sales of consumer products	231,140	243,695
Sign up and renewal fees and other service fees	3,496	3,796
Total	234,636	247,491
Timing of revenue recognition :		
At point in time	231,266	243,838
Over time	3,370	3,653
Total	234,636	247,491

6. Income Tax Expense

(RM'000)	Quarter and Year-to-date ended	
	31/03/2020	31/03/2019
Tax charges/(credits) comprise:		
Current income tax	4,348	3,939
Deferred tax	(669)	(231)
Total	3,679	3,708

The effective tax rate of the Group for the current quarter and financial year-to-date ended 31 March 2020 was higher than the statutory tax rate mainly due to certain expenses are not deductible for tax purposes.

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 23 June 2020.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 March 2020.

9. Material Litigation

There was no material litigation as at 23 June 2020.

10. Dividends

i) A first single tier interim dividend of 5.0 sen net per share has been declared on 23 June 2020.

In respect of deposited securities, entitlement to the first single tier interim dividend will be determined based on shareholders registered in the record of depositors as at 8 July 2020. The payment date will be on 24 July 2020.

ii) For the previous year corresponding quarter, a first single tier interim dividend of 5.0 sen net per share was declared on 29 May 2019.

The total dividend declared for the financial year ending 31 December 2020 as follows:

i) First single tier interim dividend of 5.0 sen net per share.

11. Earnings Per Share

	Quarter and Year-to-date ended	
	31/03/2020	31/03/2019
Profit after tax attributable to owners of the parent (RM'000)	10,205	10,615
Numbers of shares in issue ('000)	164,386	164,386
Basic earnings per share (sen)	6.21	6.46

12. Notes to the Condensed Consolidated Statements of Comprehensive Income

RM'000	Quarter and Year-to-date ended	
	31/03/2020	31/03/2019
Depreciation of property, plant and equipment	1,174	1,693
Depreciation of right-of-use assets	789	695
Amortisation of intangible assets	69	-
(Reversal)/allowance for inventory obsolescence	(1,614)	1,686
Inventories written off	208	331
Net changes in provision for assurance-type warranties	265	164

12. Notes to the Condensed Consolidated Statements of Comprehensive Income (continued)

RM'000	Quarter and Year-to-date ended	
	31/03/2020	31/03/2019
Net allowance/(reversal) of expected credit loss	3	(90)
Realised foreign exchange loss/(gain)	114	(3)
Unrealised foreign exchange (gain)/loss	(115)	48
Finance costs	165	129
Interest income	(1,240)	(1,494)
Property, plant and equipment written off	7	2

No other income or loss, including investment income, gain/(loss) on disposal of quoted or unquoted investments or properties, impairment of assets, gain/(loss) on derivatives was recognized for the current quarter or financial year-to-date ended 31 March 2020.