

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, International Accounting Standards 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 2021. The audited financial statements of the Group for the year ended 31 December 2021 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 2021, except for the adoption of the following which is applicable to the Group:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 116: Proceeds Before Intended Use	1 January 2022
Annual Improvements to MFRS: MFRS 9 Financial Instruments - Fees in the ‘10 Percent Test’ for Derecognition of Financial Liabilities	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022

The adoption of the amendments and annual improvements to published standards above 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 2021 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 year ended 31 December 2022.

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 year ended 31 December 2022.

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 year ended 31 December 2022.

7. Dividends Paid

Dividends paid during the financial year ended 31 December 2022 are as follows:

- i) Fourth single tier interim dividend of 5.0 sen net per share and a special single tier interim dividend of 4.0 sen net per share totalling RM14,795,000 in respect of financial year ended 31 December 2021 was paid on 25 March 2022;
- ii) First single tier interim dividend of 5.0 sen net per share amounting to RM8,219,282 in respect of financial year ended 31 December 2022 was paid on 24 June 2022;
- iii) Second single tier interim dividend of 5.0 sen net per share amounting to RM8,219,282 in respect of financial year ended 31 December 2022 was paid on 23 September 2022; and
- iv) Third single tier interim dividend of 5.0 sen net per share amounting to RM8,219,282 in respect of financial year ended 31 December 2022 was paid on 16 December 2022.

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.

9. Events after the Interim Period

There was no material event subsequent to the current quarter and the financial year ended 31 December 2022 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 year ended 31 December 2022.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 December 2022 are as follows:

	31/12/2022
	RM'000
Approved and contracted for	271
Approved and not contracted for	22,867
	<u>23,138</u>
Contracted commitments are analysed as follows:	
Purchase of equipment	<u>271</u>

12. Related Party Transactions

Significant related party transactions with related companies are as follows:

RM'000	Quarter ended		Year-to-date ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Sales of goods	280	7	334	64
Purchases of goods	(84,408)	(151,248)	(523,423)	(465,205)
Royalties expense	(1,277)	(1,172)	(4,908)	(5,035)
Sale of property, plant and equipment	-	-	161	-
	<u>-</u>	<u>-</u>	<u>161</u>	<u>-</u>

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

1. Performance Review

	Quarter ended		Changes	Year ended		Changes
	31/12/2022 (RM'000)	31/12/2021 (RM'000)		31/12/2022 (RM'000)	31/12/2021 (RM'000)	
Revenue	397,136	392,414	1.2%	1,514,774	1,485,912	1.9%
Cost of Sales	(317,131)	(330,889)	(4.2%)	(1,204,020)	(1,219,619)	(1.3%)
Gross Profit	80,005	61,525	30.0%	310,754	266,293	16.7%
Profit Before Tax	31,929	1,772	1,701.9%	103,102	49,728	107.3%
Profit After Tax	22,977	852	2,596.8%	76,881	36,781	109.0%

Group revenue for the quarter ended 31 December 2022 was higher than the same period last year by 1.2% mainly driven by new launches such as XS Ignite and Artistry Vitamin C+HA3 serum as well as stronger sales from personal care products, along with its' pre-price increase buy-up.

The Group's profit before tax for the quarter ended 31 December 2022 rose by RM30 million compared to the same period last benefited by price increase, normalisation of ABO incentives and ABO incentive trip cancellation.

Group revenue for the financial year ended 31 December 2022 was higher than last year by 1.9% mainly driven by strong demand towards health and wellness, personal care products as well as new launches, supported by growth in buyer base.

For the financial year ended 31 December 2022, the Group recorded a 107.3% increase in profit before tax compared to last year driven by sales growth, price increase and normalisation of ABO sales incentives as aforementioned.

2. Comparison with the Preceding Quarter's Results

	Current Quarter ended 31/12/2022 (RM'000)	Preceding Quarter ended 30/09/2022 (RM'000)	Changes
Revenue	397,136	371,790	6.8%
Cost of Sales	(317,131)	(282,992)	12.1%
Gross Profit	80,005	88,798	(9.9%)
Profit Before Tax	31,929	24,488	30.4%
Profit After Tax	22,977	18,754	22.5%

Group revenue for the current quarter ended 31 December 2022 was 6.8% higher than the preceding quarter mainly driven by new launches.

The Group's profit before tax for the current quarter ended 31 December 2022 increased by 30.4% compared to the preceding quarter mainly attributed by higher sales, ABO incentive normalisation and ABO incentive trip cancellation.

3. Commentary on Prospects

The Group has delivered modest revenue growth for financial year 2022 on the back of solid initiatives and fundamentals established in 2021 and 2022. The ongoing global supply chain disruption and rising inflation coupled with geopolitical crises will continue to put pressure on global economic growth. Despite these economic headwinds, the Group is cautiously optimistic to continue delivering modest revenue growth for 2023.

In line with the higher sales, normalisation of ABO's sales incentives, and price increase, the Group has shown a significant improvement in profit for financial year 2022. The Group will continue to be prudent and agile in its operations to focus on business sustainability, such as ABO-centric programmes, supply chain capacity uplift, new product launches & promotions, as well as ongoing upgrades to the digital platform and related delivery infrastructure. Collectively, these investments, plus the rising cost of purchase due to inflation and non-recurring cost savings in FY2022, will exert pressure on the operating margin for 2023.

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 ended		Year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Sales of consumer products	391,908	388,175	1,494,255	1,467,690
Sign up and renewal fees and other service fees	5,228	4,239	20,519	18,222
Total	397,136	392,414	1,514,774	1,485,912
Timing of revenue recognition:				
At point in time	392,976	388,955	1,499,738	1,470,766
Over time	4,160	3,459	15,036	15,146
Total	397,136	392,414	1,514,774	1,485,912

6. Income Tax Expense

RM'000	Quarter ended		Year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Tax charges/(credits) comprise:				
Current income tax	(9,824)	(14,099)	27,147	29,546
Deferred tax	18,776	15,019	(926)	(16,599)
Total	8,952	920	26,221	12,947

The effective tax rate of the Group for the financial year ended 31 December 2022 is higher than the statutory tax rate due to certain expenses are not deductible for tax purposes and the one-off Prosperity Tax (i.e., Cukai Makmur) of 33% for chargeable income that exceeds RM100 million for year of assessment 2022.

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 27 February 2023.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 December 2022.

9. Material Litigation

There was no material litigation as at 27 February 2023.

10. Dividends proposed or declared

- i) A fourth single tier interim dividend of 5.0 sen net per share and a special single tier interim dividend of 18.0 sen net per share have been declared on 27 February 2023.

In respect of deposited securities, entitlement to the fourth single tier interim dividend and the special single tier interim dividend will be determined based on shareholders registered in the record of depositors as at 15 March 2023. The payment date will be on 29 March 2023.

- ii) In the previous year corresponding quarter, a fourth single tier interim dividend of 5.0 sen net per share and a special single tier interim dividend of 4.0 sen net per share was declared on 23 February 2022.

The total dividend declared for the financial year ended 31 December 2022 are as follows:

- i) First single tier interim dividend of 5.0 sen net per share
ii) Second single tier interim dividend of 5.0 sen net per share
iii) Third single tier interim dividend of 5.0 sen net per share
iv) Fourth single tier interim dividend of 5.0 sen net per share
v) Special single tier interim dividend of 18.0 sen net per share

11. Earnings Per Share

	Quarter ended		Year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Profit after tax attributable to owners of the parent (RM'000)	22,977	852	76,881	36,781
Numbers of shares in issue ('000)	164,386	164,386	164,386	164,386
Basic and diluted earnings per share (sen)	13.98	0.52	46.77	22.37

12. Notes to the Condensed Consolidated Statements of Comprehensive Income

RM'000	Quarter ended		Year ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Depreciation of property, plant and Equipment	1,165	1,148	4,507	4,630
Depreciation of right-of-use assets	824	864	3,628	3,351
Amortisation of intangible assets	2,060	2,296	8,836	8,703
(Reversal of allowance)/Allowance for inventory obsolescence	(1,154)	(3,541)	213	(3,045)
Inventories written off	830	2069	4,244	3,965
Net changes in provision for assurance-type warranties	580	1,372	2,341	3,233
Allowance/(Reversal of allowance) for expected credit loss	129	(547)	138	55
Net realised (gain)/loss on foreign exchange	(46)	47	31	83
Net unrealised loss/(gain) on foreign exchange	221	(9)	104	(56)
Finance costs	173	170	603	600
Interest income	(1,322)	(1,197)	(4,558)	(3,763)
Gain on disposal of property, plant and equipment	-	(21)	(162)	(23)
Property, plant and equipment written off	-	61	57	70
Intangible assets written off	1,312	-	1,312	-
Gain on lease modification	-	-	-	(2)

No other income including investment income, gain/(loss) on disposal of quoted or unquoted investments or properties, impairment of assets and gain/(loss) on derivatives was recognised for the current quarter and financial year ended 31 December 2022.