

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 2022. The audited financial statements of the Group for the year ended 31 December 2022 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 condensed consolidated financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

Description	Effective for annual periods beginning on or after
MFRS 17 and Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform—Pillar Two Model Rules	1 January 2023

The adoption of the above new standard and amendments 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 2022 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 current quarter and financial period ended 30 June 2023.

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 current quarter and financial period ended 30 June 2023.

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

There were no issuances, repurchases, or repayments of debt and equity securities during the current quarter and financial period ended 30 June 2023.

7. Dividends Paid

Dividends paid during the financial period ended 30 June 2023 are as follows:

- i) 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 totalling RM37,808,000 in respect of financial year ended 31 December 2022 was paid on 29 March 2023; and
- ii) First single tier interim dividend of 5.0 sen net per share amounting to RM8,219,282 in respect of financial year ending 31 December 2023 was paid on 23 June 2023.

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 period ended 30 June 2023 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 current quarter and the financial period ended 30 June 2023.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 30 June 2023 are as follows:

	30/06/2023
	RM'000
Development costs and property, plant and equipment:	
- Approved and contracted for	1,421
- Approved and not contracted for	7,445
	<u>8,866</u>
Contracted commitments are analysed as follows:	
- Purchase of equipment, building improvement and system development costs	<u>1,421</u>

12. Related Party Transactions

Significant related party transactions with related companies are as follows:

RM'000	Quarter ended		Year-to-date ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Sales of goods	96	12	118	24
Purchases of goods	(85,230)	(161,333)	(177,884)	(319,756)
Royalties expense	(1,021)	(1,164)	(2,100)	(2,391)
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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

1. Performance Review

	Quarter ended		Changes	Year-to-date ended		Changes
	30/06/2023 (RM'000)	30/06/2022 (RM'000)		30/06/2023 (RM'000)	30/06/2022 (RM'000)	
Revenue	343,693	354,618	(3.1%)	716,508	745,848	(3.9%)
Cost of Sales	(272,347)	(285,873)	(4.7%)	(572,384)	(603,897)	(5.2%)
Gross Profit	71,346	68,745	3.8%	144,124	141,951	1.5%
Profit Before Tax	23,650	20,020	18.1%	49,409	46,685	5.8%
Profit After Tax	17,744	14,978	18.5%	37,310	35,150	6.1%

Group revenue for the quarter ended 30 June 2023 was marginally lower by 3.1% than last period mainly due to softer demand, partially offset by surge in demand for health and wellness product ahead of a price increase in this quarter 2023.

The Group's profit before tax for the quarter ended 30 June 2023 increased by 18.1% against the same period last year mainly due to price increase and lower operating expenses.

Group revenue for the six months ended 30 June 2023 was lower than the same period last year by 3.9% mainly due to softer demand in health and wellness product and home appliances.

The Group's profit before tax for the six months ended 30 June 2023 higher by 5.8% compared to the same period last year benefited by price increase and lower sales incentives in line with lower sales, together with lower spending on operating expenses.

2. Comparison with the Preceding Quarter's Results

RM'000	Current quarter ended 30/06/2023	Preceding quarter ended 31/03/2023	Changes
Revenue	343,693	372,815	(7.8%)
Cost of Sales	(272,347)	(300,037)	(9.2%)
Gross Profit	71,346	72,778	(2.0%)
Profit Before Tax	23,650	25,759	(8.2%)
Profit After Tax	17,744	19,566	(9.3%)

Group revenue for the current quarter ended 30 June 2023 was 7.8% lower than the preceding quarter mainly due to higher comparison in the preceding quarter which benefited from a surge in demand for Durable product ahead of a price increase.

The Group's profit before tax for the current quarter ended 30 June 2023 dropped by 8.2% compared to the preceding quarter mainly attributable to lower sales.

3. Commentary on Prospects

The Group's operating environment remains challenging largely due to both inflation which affects consumers' ability and willingness to spend, as well as a softer demand for health supplements post COVID-19 pandemic. The Group will stay focused on its mission of "Helping people live better, healthier lives" through the continued development and promotion of the "BIG Health" solution that offers an innovative and comprehensive approach to health and wellness, together with various other attractive sales and marketing programs. However, because of these continued headwinds, the Group anticipates a reduction in revenue for 2023.

The Group will also continue to be prudent and agile in its operations with a focus on business sustainability, using ABO-centric programs, supply chain capacity uplift, new product launches & promotions, including the BIG Health solution, as well as ongoing upgrades to the digital platform, and related delivery infrastructure. In tandem with the expected decline in revenue and coupled with the costs associated with these critical business investments and inflationary pressure, the Group also foresees a reduction in profit 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-to-date ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Sales of consumer products	338,813	349,471	707,054	735,589
Sign up and renewal fees and other service fees	4,880	5,147	9,454	10,259
Total	343,693	354,618	716,508	745,848
Timing of revenue recognition:				
At point in time	339,749	350,940	709,123	738,664
Over time	3,944	3,678	7,385	7,184
Total	343,693	354,618	716,508	745,848

6. Income Tax Expense

RM'000	Quarter ended		Year-to-date ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Tax charges/(credits) comprise:				
Current income tax	13,076	12,764	21,435	28,478
Deferred tax	(7,170)	(7,722)	(9,336)	(16,943)
Total	5,906	5,042	12,099	11,535

The effective tax rate of the Group for the current quarter and financial year-to-date ended 30 June 2023 is higher than the statutory tax rate 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 August 2023.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 June 2023.

9. Material Litigation

There was no material litigation as at 23 August 2023.

10. Dividends proposed or declared

i) A second single tier interim dividend of 5.0 sen net per share has been declared on 23 August 2023.

In respect of deposited securities, entitlement to the second single tier interim dividend will be determined based on shareholders registered in the record of depositors as at 11 September 2023. The payment date will be on 22 September 2023.

ii) In the previous year corresponding quarter, a second single tier interim dividend of 5.0 sen net per share was declared on 24 August 2022.

The total dividend declared for the financial year ending 31 December 2023 is 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.

11. Earnings Per Share

	Quarter ended		Year-to-date ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Profit after tax attributable to owners of the parent (RM'000)	17,744	14,978	37,310	35,150
Numbers of shares in issue ('000)	164,386	164,386	164,386	164,386
Basic and diluted earnings per share (sen)	10.79	9.11	22.70	21.38

12. Notes to the Condensed Consolidated Statement of Comprehensive Income

RM'000	Quarter ended		Year-to-date ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Depreciation of property, plant and equipment	1,056	1,116	2,072	2,225
Depreciation of right-of-use assets	917	950	1,829	1,864
Amortisation of intangible assets	1,931	2,233	3,862	4,556
Net allowance/(reversal of allowance) for inventory obsolescence	1,432	(33)	3,106	(2,079)
Inventories written off	790	436	1,460	1,836
Net changes in provision for assurance-type warranties	216	575	830	1,172
Net (reversal of allowance)/allowance for expected credit loss	(181)	3	222	(77)
Realised foreign exchange loss/(gain)	139	13	411	24
Unrealised foreign exchange loss/(gain)	87	(21)	(60)	(14)
Finance costs	139	148	284	291
Interest income	(1,586)	(1,048)	(2,993)	(2,077)
Intangible asset written off	-	-	13	-
Property, plant and equipment written off	-	6	-	6
Gain on disposal of property, plant and equipment	-	-	-	(1)

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 period ended 30 June 2023.