

**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 (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 138 Intangible Assets (Annual Improvements to MFRSs 2010-2012 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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 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 15 December 2015 in respect of the financial year ended 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 year ended 31 December 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 31 December 2015.

## 11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 December 2015 are as follows:

	RM'000
Approved and contracted for	43
Approved and not contracted for	25
	<hr/>
	68
	<hr/>
Contracted Commitments are analyzed as follows:	
Purchase of Equipment, Software and Leasehold Improvement	43
	<hr/>

## 12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Sales of goods	512	476	2,287	2,486
Purchases of goods	(93,007)	(68,347)	(334,304)	(241,311)
Services provided	1,942	(52)	12,482	9,914
Services received	(6,320)	(3,538)	(19,761)	(13,784)
Royalties expense	(455)	(282)	(2,175)	(1,483)

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

### **1. Performance Review**

Group revenue for the year ended 31 December 2015 increased by 19.2% 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, as well as faster than expected recovery in market demand post-GST driven by our sales & marketing programmes and new product launches. Profit before tax for the year ended 31 December 2015 decreased by 33.6% over the same period last year due mainly to higher import costs (primarily caused by a weaker Ringgit and increase in transfer price), product mix, and higher sales incentive provisions driven by higher sales. The impact of these factors was partially offset by the higher overall sales.

For the three months ended 31 December 2015, Group revenue was 16.7% higher compared to the same period in 2014 due primarily to strong motivation among our Amway Business Owners (ABOs) to achieve the RM1 billion sales milestone for 2015 and the attractive 2016 40<sup>th</sup> Anniversary incentives. Profit before tax was 71.0% lower compared to Q4 2014 due to higher import costs as well as increased incentive provisions and operating expenses as a result of higher sales.

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

For the three months ended 31 December 2015, Group revenue increased 11.0% compared to Q3 2015 due mainly to continuous strong momentum since the commencement of the new performance year in September 2015 and the efforts of our ABOs to achieve the breakthrough RM1 billion sales milestone for 2015 and the attractive 2016 40<sup>th</sup> Anniversary incentives. Profit before tax decreased by 43.1% due mainly to higher incentive provisions driven by the higher sales as well as increased operating expenses.

### **3. Commentary on Prospects for the Financial Year Ending 31 December 2016**

The operating environment in 2016 is expected to be challenging. 2016 sales will be driven by the 40<sup>th</sup> Anniversary programmes and to a certain extent, by the product price increase to ABOs. The extraordinary sales growth of 19.2% in 2015 in part due to unexpectedly high pre-GST buy up and sales incentive programmes make a year on year comparison difficult.

Despite the challenging environment, we will continue to invest in sales and marketing programmes and ABO experience related infrastructure. This together with the weakening Ringgit will have an adverse impact on our operating margin.

### **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
	31/12/2015	31/12/2015
<b>Tax charges/(credits) comprise:</b>		
Current income tax	4,266	33,648
Deferred tax	80	(8,258)
<b>Total</b>	<b>4,346</b>	<b>25,390</b>

The effective tax rate of the Group for the current quarter and financial year ended 31 December 2015 was higher than the statutory tax rate mainly because certain expenses were disallowed for tax purposes.

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

RM'000	As at	
	31/12/2015	31/12/2014
Realised	32,450	67,177
Unrealised	13,183	4,892
	45,633	72,069
Less: Consolidation adjustments	(7,276)	(7,228)
<b>Total Group Retained Profits</b>	<b>38,357</b>	<b>64,841</b>

## 7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 February 2016.

## 8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 December 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 22 February 2016.

## 11. Dividends

- i) A fourth interim single tier dividend of 10.0 sen net per share has been declared on 22 February 2016, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each. A special interim single tier dividend of 5.0 sen net per share has also been declared on 22 February 2016, based on the share capital of 164,385,645 ordinary shares of RM1.00 each.
- ii) For the previous year corresponding quarter, a fourth interim single tier dividend of 10.0 sen net per share was declared on 10 February 2015, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each. A special interim single tier dividend of 15.0 sen net per share was declared on 10 February 2015, based on the share capital of 164,385,645 ordinary shares of RM1.00 each.
- iii) In respect of deposited securities, entitlement to the fourth interim single tier dividend and the special interim single tier dividend will be determined based on shareholders registered in the record of depositors as at 11 March 2016. The payment date will be on 24 March 2016.

The total dividend declared for the financial year ended 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.
- iii) Third 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.
- iv) Fourth 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.
- v) Special interim single tier dividend of 5.0 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 RM5,077,000 by the number of shares in issue of 164,385,645.

### 13. Notes to the Statements of Comprehensive Income

RM'000	Quarter ended		Year ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Depreciation of property, plant and equipment	1,764	1,898	7,387	7,804
(Reversal)/allowance of inventory obsolences	(665)	(62)	186	(11)
Inventories written off	330	520	546	907
Net foreign exchange loss/(gain)	182	(234)	(794)	(102)
Interest income	(1,961)	(1,521)	(7,258)	(5,662)
Loss/(gain) on disposal of plant and equipment	3	25	29	(1,164)

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 ended 31 December 2015.