

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 2015. The audited financial statements of the Group for the year ended 31 December 2015 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 2015, except for the adoption of the following:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128 Investment in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and Associate or Joint Venture)	Deferred
MFRS 9 Financial Instrument	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018

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 2015 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 2016.

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 2016.

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 2016.

7. Dividend Paid

During the quarter under review, the following dividends were paid on 24 March 2016 in respect of the financial year ended 31 December 2015:

- i) interim single tier dividend of 10.0 sen net per share amounting to RM16,438,565.
- ii) special interim single tier dividend of 5.0 sen net per share amounting to RM8,219,282.

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 2016 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 March 2016.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 March 2016 are as follows:

	RM'000
Approved and contracted for	391
Approved and not contracted for	-
	<u>391</u>
Contracted Commitments are analyzed as follows:	
Purchase of Equipment, Building Improvement and Leasehold Improvement	<u>391</u>

12. Related Party Transactions

Significant related party transactions are as follows:

<u>RM'000</u>	<u>Quarter and Year-to-date ended</u>	
	<u>31/3/2016</u>	<u>31/3/2015</u>
Sales of goods	499	350
Purchases of goods	(128,534)	(107,818)
Services provided	6,538	3,510
Services received	(5,959)	(3,381)
Royalties expense	(570)	(570)

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

1. Performance Review

Group revenue for the quarter ended 31 March 2016 decreased by 5.0% over the same period in 2015 due mainly to a strong buy up in Q1 2015 ahead of Goods & Services Tax (“GST”) implementation on 1 April 2015.

The Group’s profit before tax decreased by 50.3% for the quarter under review compared to Q1 2015 due to lower sales and higher import costs (primarily from the weaker Ringgit and higher transfer price), as well as higher sales incentive provisions and operating expenses.

2. Comparison with Preceding Quarter’s Results

For the three months ended 31 March 2016, Group revenue increased 14.0% compared to the preceding quarter due mainly to a pre-price increase buy up in Q1 2016 and continued strong momentum from the Group’s 40th Anniversary activities and incentives throughout 2016.

Profit before tax increased by 163.9% as compared to preceding quarter, due mainly to higher incentive provisions and other operating expenses in the preceding quarter.

3. Commentary on Prospects for the Current Financial Year

The operating environment for the rest of the year remains challenging with the rising cost of importation, mainly driven by the weakening ringgit and the anticipated softness arising from post-price increase.

The Group will continue to invest in sales and marketing programmes, leveraging on our 40th anniversary and Amway Business Owners (“ABO”) experience related infrastructure.

The above factors are expected to have negative impacts on our operating margin.

4. Financial Forecast or Profit Guarantee

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

5. Income Tax Expense

RM'000	Quarter and Year-to-date ended	
	31/3/2016	31/3/2015
Tax charges/(credits) comprise:		
Current income tax	10,198	13,203
Deferred tax	(3,382)	-
Total	6,816	13,203

The effective tax rate of the Group for the current quarter and financial year-to-date 31 March 2016 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	
	31/3/2016	31/12/2015
Realised	22,187	32,450
Unrealised	16,596	13,183
	38,783	45,633
Less: Consolidation adjustments	(7,037)	(7,276)
Total Group Retained Profits	31,746	38,357

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 17 May 2016.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 March 2016.

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

Not Applicable.

10. Material Litigation

There was no material litigation as at 17 May 2016.

11. Dividends

- i) A first interim single tier dividend of 5.0 sen net per share has been declared on 17 May 2016, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each.
- ii) For the previous year corresponding quarter, a first interim single tier dividend of 10.0 sen net per share was declared on 15 May 2015, 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 first interim single tier dividend will be determined based on shareholders registered in the record of depositors as at 3 June 2016. The payment date will be on 15 June 2016.

The total dividend declared for the financial year ending 31 December 2016 as follows:

- i) First 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 RM18,047,000 by the number of shares in issue of 164,385,645.

13. Notes to the Statements of Comprehensive Income

RM'000	Quarter and Year-to-date ended	
	31/3/2016	31/3/2015
Depreciation of property, plant and equipment	1,628	1,807
Reversal of inventory obsolescences	(133)	(23)
Inventories written off	78	22
Realized foreign exchange loss/(gain)	195	(98)
Unrealized foreign exchange loss/(gain)	162	(63)
Interest income	(1,776)	(1,541)
(Gain)/loss on disposal of plant and equipment	(74)	3

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 ended 31 March 2016.