

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 5 Non-current Asset Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 7 Financial Instruments : Disclosures (Annual Improvements to MFRSs 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 10 Consolidated Financial Statements (Applying the Consolidation Exception)	1 January 2016
Amendments to MFRS 12 Disclosure of Interest in Other Entities (Applying the Consolidation Exception)	1 January 2016
Amendments to MFRS 101 Presentation of Financial Statements (Disclosure Initiative)	1 January 2016
Amendments to MFRS 119 Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 128 Investment in Associates and Joint Ventures (Applying the Consolidation Exception)	1 January 2016
Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements to MFRS 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interest in Joint Ventures	1 January 2016
MFRS 14 Regulatory Deferral Account	1 January 2016

Amendments to MFRS 116 and 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and 141 Agriculture : Bearer Plants	1 January 2016
Amendments to MFRS 127 : Equity Method in Separate Financial Statements	1 January 2016

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 30 June 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 30 June 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 30 June 2016.

7. Dividend Paid

During the quarter under review, an interim single tier dividend of 5.0 sen net per share, amounting to RM8,219,282 was paid on 15 June 2016 in respect of the financial year ending 31 December 2016.

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 30 June 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 30 June 2016.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 30 June 2016 are as follows:

	RM'000
Approved and contracted for	1,492
Approved and not contracted for	18
	<u>1,510</u>
Contracted Commitments are analyzed as follows:	
Purchase of Equipment, Building Improvement and Leasehold Improvement	<u>1,492</u>

12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year-to-date ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
Sales of goods	171	738	670	1,088
Purchases of goods	(77,930)	(62,337)	(206,464)	(170,155)
Services provided	2,008	3,510	8,546	7,020
Services received	(9,272)	(5,150)	(15,231)	(8,531)
Royalties expense	(591)	(440)	(1,161)	(1,010)

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

1. Performance Review

Group revenue for the six months ended 30 June 2016 increased by 12.7% over the same period in 2015 due to stronger buy up ahead of the price increases effective February and April 2016. Sales were also driven by positive Amway Business Owner (ABO) momentum and higher ABOs qualifiers in response to the 40th anniversary sales and marketing programmes.

Profit before tax for the six months ended 30 June 2016 decreased by 45.0% over the same period last year mainly due to higher import costs (primarily caused by a weaker Ringgit and higher product price), as well as higher sales incentive provisions driven by sales and marketing programmes and activities to commemorate our 40th anniversary.

For the three months ended 30 June 2016, Group revenue was 43.0% higher compared to the same period in 2015 as sales exhaled following a strong buy up in Q1 2015 ahead of the implementation of the Goods and Services Tax (GST) on 1 April 2015. Sales for the quarter under review was driven by strong ABO momentum and higher ABOs qualifiers in response to the 40th anniversary sales and marketing programmes, activities and promotions.

The Group's profit before tax decreased by 25.2% for the quarter under review compared to Q2 2015 due to higher import costs arising primarily from the weaker Ringgit and higher product price, increased in sales incentive provisions as well as increased operating expenses for the 40th anniversary activities.

2. Comparison with Preceding Quarter's Results

For the three months ended 30 June 2016, Group revenue decreased by 12.1% compared to the preceding quarter as the pre-price increase buy up occurred mainly in the three months ended 31 March 2016.

Profit before tax decreased by 60.0% as compared to the preceding quarter mainly due to lower sales and increased operating expenses for activities to commemorate our 40th anniversary.

3. Commentary on Prospects for the Current Financial Year

The strong first half performance was a result of the pre-price increase buy up. Therefore, coupled with the continued weak consumer sentiments, we foresee the second half performance will be softer than the first.

Despite the anticipated second half environment, we will continue to invest in sales and marketing programmes and ABO experience related infrastructure. This, together with the higher foreign exchange rate for product importation cost compared to previous year will 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

	Quarter	Year-to-date ended
RM'000	30/6/2016	30/6/2016
Tax charges/(credits) comprise:		
Current income tax	6,272	16,470
Deferred tax	(2,509)	(5,891)
Total	3,763	10,579

The effective tax rate of the Group for the current quarter and financial year-to-date 30 June 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	
	30/6/2016	31/12/2015
Realised	17,657	32,450
Unrealised	19,083	13,183
	<u>36,740</u>	<u>45,633</u>
Less: Consolidation adjustments	(7,033)	(7,276)
Total Group Retained Profits	29,707	38,357

7. Status of Corporate Proposals

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

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 June 2016.

9. Material Litigation

There was no material litigation as at 17 August 2016.

10. Dividends

- i) A second interim single tier dividend of 5.0 sen net per share has been declared on 17 August 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 second interim single tier dividend of 10.0 sen net per share was declared on 19 August 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 second interim single tier dividend will be determined based on shareholders registered in the record of depositors as at 5 September 2016. The payment date will be on 15 September 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.
- ii) Second 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.

11. Earnings Per Share

The basic earnings per share for the current quarter is calculated by dividing the profit for the quarter amounting RM6,180,000 by the number of shares in issue of 164,385,645.

12. Notes to the Statements of Comprehensive Income

RM'000	Quarter ended		Year-to-date ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
Depreciation of property, plant and equipment	1,573	1,920	3,201	3,727
(Reversal)/allowance for inventory obsolesces	(611)	1,314	(744)	1,291
Inventories written off	37	44	115	66
Realized foreign exchange loss/(gain)	399	30	594	(69)
Gain on unrealized foreign exchange	(191)	(88)	(29)	(150)
Interest income	(1,623)	(1,784)	(3,399)	(3,325)
Loss/(Gain) on disposal of plant and equipment	-	6	(74)	6
Written off plant and equipment	1,019	11	1,019	14

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 30 June 2016.