

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 September 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 September 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 September 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 September 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 September 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 September 2016.

11. Capital Commitments

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

	RM'000
Approved and contracted for	1,339
Approved and not contracted for	119
	<u>1,458</u>
Contracted Commitments are analyzed as follows:	
Purchase of Equipment, Building Improvement and Leasehold Improvement	<u>1,339</u>

12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year-to-date ended	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
Sales of goods	255	687	925	1,775
Purchases of goods	(71,766)	(71,142)	(278,230)	(241,297)
Services provided	-	3,520	8,546	10,540
Services received	(8,540)	(4,910)	(23,771)	(13,441)
Royalties expense	(796)	(710)	(1,957)	(1,720)

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

1. Performance Review

Group revenue for the nine months ended 30 September 2016 increased by 11.3% over the same period in 2015 due to stronger buy up ahead of the price increases effective February and April 2016 as well as higher sales impact generated from price increase. 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 nine months ended 30 September 2016 decreased by 26.9% 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 incentive provisions for sales and marketing programmes and increased operating expenses.

For the three months ended 30 September 2016, Group revenue was 8.3% higher compared to the same period in 2015 mainly due to higher sales impact generated from price increases and strong ABO momentum in response to the 40th anniversary sales and marketing programmes.

The Group's profit before tax for the period under review increased by 42.6% over the same period last year driven by higher sales and lower comparison due to higher incentive provision made in Q3 2015 to reflect the higher qualifications.

2. Comparison with Preceding Quarter's Results

For the three months ended 30 September 2016, Group revenue decreased by 2.7% compared to the preceding quarter due to pre-price increase buy-up in Q2 2016.

Profit before tax increased by 137.4% as compared to the preceding quarter mainly due to higher operating expenses incurred in Q2 2016 for activities to commemorate our 40th anniversary and higher incentive provisions for sales and marketing programmes driven by increased qualification tracking.

3. Commentary on Prospects for the Current Financial Year

The various sales and marketing programmes including the 40th anniversary activities together with the pre-price increase buy up have contributed to the 11.3% YTD revenue growth. Since these activities are not recurring, we foresee Q4 2016 sales to normalise. In view of the above, the Group forecasts a low- to mid-single digit growth for 2016.

The Group will continue to invest in sales and marketing programmes, and ABO experience related infrastructure. This, together with the impact of exchange rate resulting in higher product importation cost compared to previous year will continue to have negative impacts on our profitability.

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	30/9/2016	30/9/2016
Tax charges/(credits) comprise:		
Current income tax	1,230	17,700
Deferred tax	3,459	(2,432)
Total	4,689	15,268

The effective tax rate of the Group for the current quarter was lower than statutory tax rate mainly due to over provision of tax related to prior year. Meanwhile, effective tax rate of the Group for the financial year-to-date 30 September 2016 was higher than the statutory tax rate mainly because certain expenses were disallowed for tax purposes.

6. Realised and Unrealised Profits

RM'000	As at	
	30/9/2016	31/12/2015
Realised	31,065	32,450
Unrealised	16,450	13,183
	<hr/> 47,515	<hr/> 45,633
Less: Consolidation adjustments	(7,107)	(7,276)
Total Group Retained Profits	<hr/> 40,408	<hr/> 38,357

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 16 November 2016.

8. Group Borrowings and Debt Securities

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

9. Material Litigation

There was no material litigation as at 16 November 2016.

10. Dividends

- i) A third interim single tier dividend of 5.0 sen net per share has been declared on 16 November 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 third interim single tier dividend of 10.0 sen net per share was declared on 18 November 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 third interim single tier dividend will be determined based on shareholders registered in the record of depositors as at 2 December 2016. The payment date will be on 15 December 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.
- iii) Third 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 RM18,920,000 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	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
Depreciation of property, plant and equipment	1,579	1,896	4,780	5,623
Allowance/(reversal) for inventory obsolescence	421	(440)	(323)	851
Inventories written off	21	150	136	216
Allowance on trade receivables	48	123	710	675
Realized foreign exchange loss/ (gain)	77	(93)	671	(162)
Unrealized foreign exchange gain	(69)	(664)	(98)	(814)
Interest income	(1,796)	(1,972)	(5,195)	(5,297)
(Gain)/Loss on disposal of plant and equipment	(18)	-	(92)	6
(Adjustment)/Write off plant and equipment	(64)	6	955	20

No other income or loss, including investment income, gain/(loss) on disposal of quoted or unquoted investments or properties, gain/(loss) on derivatives, impairment of assets, or interest expense was recognized for the current quarter or financial year-to-date ended 30 September 2016.