

**Amway (Malaysia) Holdings Berhad (Company No : 340354-U)**  
**Notes to the Interim Financial Report – 4<sup>th</sup> Quarter ended 31 December 2016**

**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 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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 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 December 2016 in respect of the financial year ended 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 year ended 31 December 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 year ended 31 December 2016.

## 11. Capital Commitments

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

	RM'000
Approved and contracted for	1,948
Approved and not contracted for	267
	<u>2,215</u>
Contracted Commitments are analyzed as follows:	
Purchase of Equipment, Building Improvement and Leasehold Improvement	<u>1,948</u>

## 12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Sales of goods	152	512	1,077	2,287
Purchases of goods	(105,099)	(93,007)	(383,329)	(334,304)
Services provided	685	1,942	9,231	12,482
Services received	(12,385)	(6,320)	(36,156)	(19,761)
Royalties expense	(508)	(455)	(2,465)	(2,175)

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

### **1. Performance Review**

Group revenue for the financial year ended 31 December 2016 increased by 6.6% 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 Owners (ABOs) momentum and higher ABOs qualifiers in response to the 40<sup>th</sup> anniversary sales and marketing programmes.

Profit before tax for the financial year ended 31 December 2016 decreased by 18.3% over the same period last year mainly due to higher import costs primarily caused by a weaker Ringgit and higher product price. In addition, there is also an increase in operating expenses arising from the 40<sup>th</sup> anniversary programmes including incentive trips and investments in information technology systems.

For the three months ended 31 December 2016, Group revenue was 6.4% lower compared to the same period in 2015 mainly due higher sales in previous year driven by strong ABO momentum and the launch impact of BodyKey, the NUTRILITE™ personalized weight management programme.

The Group's profit before tax for the period under review increased by 54.9% over the same period last year due to higher provisions for sales incentives and ABO incentive trips in Q4 2015.

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

For the three months ended 31 December 2016, Group revenue decreased by 4.1% compared to the preceding quarter as sales normalized following strong ABO momentum in response to the 40<sup>th</sup> anniversary programmes for ABOs' performance year 2016 which concluded in the previous quarter.

Profit before tax decrease by 38.2% as compared to the preceding quarter mainly due to lower sales, higher import costs and increased operating expenses in Q4 2016. These were partly offset by lower sales incentive provision with the conclusion of ABOs' performance year 2016 in the preceding quarter.

### **3. Commentary on Prospects for the Financial Year Ending 31 December 2017**

The Board expects 2017 to be a challenging year with the anticipated softer economic landscape arising from declining consumer spending and low consumer confidence.

The impact of forex will continue to put pressure on our margin. The Group will continue to review its strategies and manage its operational cost effectively.

Meanwhile, the Group will continue to focus on supporting our ABO grow their business through various sales and marketing initiatives and ABO experience related infrastructure.

#### 4. Financial Forecast or Profit Guarantee

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

#### 5. Income Tax Expense

	Quarter ended	Year ended
RM'000	31/12/2016	31/12/2016
<b>Tax charges/(credits) comprise:</b>		
Current income tax	5,118	22,818
Deferred tax	(2,027)	(4,459)
<b>Total</b>	<b>3,091</b>	<b>18,359</b>

The effective tax rate of the Group for the current quarter was lower than the statutory tax rate mainly due to the new tax ruling on advance billing which contributed to lower tax expenses. Meanwhile, the effective tax rate of the Group for the financial year ended 31 December 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	
	31/12/2016	31/12/2015
Realised	33,308	32,450
Unrealised	17,642	13,183
	50,950	45,633
Less: Consolidation adjustments	(7,260)	(7,276)
<b>Total Group Retained Profits</b>	<b>43,690</b>	<b>38,357</b>

#### 7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 February 2017.

#### 8. Group Borrowings and Debt Securities

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

#### 9. Material Litigation

There was no material litigation as at 22 February 2017.

## 10. Dividends

- i) A fourth interim single tier dividend of 5.0 sen net per share has been declared on 22 February 2017. A special interim single tier dividend of 10.0 sen net per share has also been declared on 22 February 2017.
- ii) For the previous year corresponding quarter, a fourth interim single tier dividend of 10.0 sen net per share has been declared on 22 February 2016. A special interim single tier dividend of 5.0 sen net per share has also been declared on 22 February 2016.
- 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 10 March 2017. The payment date will be on 22 March 2017.

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

- i) First interim single tier dividend of 5.0 sen net per share.
- ii) Second interim single tier dividend of 5.0 sen net per share.
- iii) Third interim single tier dividend of 5.0 sen net per share.
- iv) Fourth interim single tier dividend of 5.0 sen net per share.
- v) Special interim single tier dividend of 10.0 sen net per share.

## 11. Earnings Per Share

The basic earnings per share for the current quarter is calculated by dividing the profit for the quarter amounting RM11,502,000 by the number of shares in issue of 164,385,645.

## 12. Notes to the Statements of Comprehensive Income

RM'000	Quarter ended		Year ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Depreciation of property, plant and equipment	1,751	1,764	6,531	7,387
Allowance/(reversal) for inventory obsolescence	121	(665)	(202)	186
Inventories written off	189	330	325	546
(Reversal)/Allowance on trade receivables	(450)	(569)	260	106
Realized foreign exchange loss/(gain)	33	(739)	704	(901)
Unrealized foreign exchange (gain)/loss	(1,981)	921	(2,079)	107
Interest income	(1,835)	(1,961)	(7,030)	(7,258)

<b>RM'000</b>	<b>Quarter ended</b>		<b>Year ended</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
Gain on disposal of plant and equipment	(2)	(10)	(94)	(4)
Plant and equipment written off	2	13	957	33

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 ended 31 December 2016.