

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 2016. The audited financial statements of the Group for the year ended 31 December 2016 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 2016, except for the adoption of the following:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014–2016 Cycle)	1 January 2017
Amendments to MFRS 107 Statement of Cash Flows (Disclosure Initiative)	1 January 2017
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

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 2016 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 2017.

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 2017.

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 2017.

7. Dividend Paid

During the quarter under review, the following dividends were paid on 22 March 2017 in respect of the financial year ended 31 December 2016:

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

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 2017 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 2017.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 March 2017 are as follows:

	RM'000
Approved and contracted for	57
Approved and not contracted for	261
	<u>318</u>

Contracted Commitments are analyzed as follows:

Purchase of Equipment, Building Improvement and Leasehold Improvement	<u>57</u>
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12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter and Year-to-date ended	
	31/3/2017	31/3/2016
Sales of goods	107	499
Purchases of goods	(78,332)	(128,534)
Services provided	125	6,538
Services received	(9,388)	(5,959)
Royalties expense	(767)	(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 2017 was 22.5% lower than the same period in 2016 due to strong buy up in Q1 2016 ahead of the price increases effective February and April 2016. Sales in Q1 2016 were also driven by positive Amway Business Owners (ABOs) momentum and higher qualifiers in response to the 40th anniversary sales and marketing programmes. Notwithstanding this, the Group revenue has shown a general decline in light of the soft consumer sentiments.

The Group's profit before tax for the period under review decreased by 46.5% compared to the same period last year, due to lower sales and higher import costs (primarily from the weaker Ringgit and higher product cost), partially offset by lower provisions for sales incentives and ABO incentive trips.

2. Comparison with Preceding Quarter's Results

For the three months ended 31 March 2017, Group revenue decreased by 5.5% compared to the preceding quarter due to further consolidation following the conclusion of ABOs' Performance Year 2016, which was driven by strong ABO momentum towards the 40th anniversary programmes.

Profit before tax decrease by 8.8% compared to the preceding quarter mainly due to lower sales and higher import costs. These were partly offset by lower provisions for sales incentives and ABO incentive trips, as well as reduced operating expenses.

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

After two consecutive years of strong revenue growth, the Board expects the remaining year to be extremely challenging based on several factors, including a softer economic landscape arising from declining consumer spending and low consumer confidence as well as the negative impact of forex on our margin. In order to mitigate the decline, the Group will continue to proactively focus on strategies to (i) effectively manage operating costs to offset pressure on profitability and (ii) implement various sales and marketing initiatives as well as ABO experience related infrastructure to support the ABOs' businesses.

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	
	31/3/2017	31/3/2016
Tax charges/(credits) comprise:		
Current income tax	3,833	10,198
Deferred tax	28	(3,382)
Total	3,861	6,816

The effective tax rate of the Group for the current quarter and financial year-to-date 31 March 2017 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	
	31/3/2017	31/12/2016
Realised	18,346	22,187
Unrealised	17,610	16,596
	35,956	38,783
Less: Consolidation adjustments	(7,471)	(7,037)
Total Group Retained Profits	28,485	31,746

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 17 May 2017.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 March 2017.

9. Material Litigation

There was no material litigation as at 17 May 2017.

10. Dividends

- i) A first single tier interim dividend of 5.0 sen net per share has been declared on 17 May 2017.
- ii) For the previous year corresponding quarter, a first single tier interim dividend of 5.0 sen net per share was declared on 17 May 2016.
- iii) In respect of deposited securities, entitlement to the first single tier interim dividend will be determined based on shareholders registered in the record of depositors as at 2 June 2017. The payment date will be on 15 June 2017.

The total dividend declared for the financial year ending 31 December 2017 as follows:

- i) First single tier interim dividend of 5.0 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 RM9,452,000 by the number of shares in issue of 164,385,645.

12. Notes to the Statements of Comprehensive Income

RM'000	Quarter and Year-to-date ended	
	31/3/2017	31/3/2016
Depreciation of property, plant and equipment	1,743	1,628
Allowance/(reversal) for inventory obsolescence	2,826	(133)
Inventories written off	17	78
Allowance on trade receivables	10	16
Realized foreign exchange loss	94	195
Unrealized foreign exchange (gain)/loss	(1,660)	162
Interest income	(1,529)	(1,776)
Gain on disposal of plant and equipment	(7)	(74)
Written off plant and equipment	9	0

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 31 March 2017.