

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 30 June 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 30 June 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 30 June 2017.

7. Dividend Paid

During the quarter under review, a single tier interim tier dividend of 5.0 sen net per share, amounting to RM8,219,282 was paid on 15 June 2017 in respect of the financial year ending 31 December 2017.

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 were no material events subsequent to the current quarter and the financial period ended 30 June 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 30 June 2017.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 30 June 2017 are as follows:

	RM'000
Approved and contracted for	238
Approved and not contracted for	1,026
	<u>1,264</u>
Contracted Commitments are analyzed as follows:	
Purchase of Equipment, Building Improvement, and Leasehold Improvement	<u>238</u>

12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year-to-date ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
Sales of goods	56	171	163	670
Purchases of goods	(86,512)	(77,930)	(164,844)	(206,464)
Services provided	126	2,008	251	8,546
Services received	(8,896)	(9,272)	(18,284)	(15,231)
Royalties expense	(641)	(591)	(1,408)	(1,161)

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 2017 was 14.9% lower than the same period last year, due to strong buy up in 2016 ahead of the price increases effective February and April 2016. Sales in 2016 were also driven by positive momentum among Amway Business Owners (ABOs) 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 softer consumer confidence levels.

Profit before tax for the six months ended 30 June 2017 decreased by 4.5% as compared to the same period last year, due to lower sales and higher import costs (primarily caused by the weaker Ringgit and higher product prices), partially offset by lower provisions for sales incentives as well as lower operating expenses.

For the three months ended 30 June 2017, Group revenue was 6.3% lower than the same period in 2016 due to an early 2016 buy-up in advance of price increases that became effective in April 2016. The AM40 National Convention Expo sales in April 2016, as well as higher ABO momentum towards the 40th anniversary sales and marketing programmes, also contributed to the higher sales base for Q2 2016.

The Group's profit before tax for the three months ended 30 June 2017 increased by 100.3% as compared to the same period last year due to lower provisions for sales incentives and lower operating expenses. These were partially offset by lower sales and higher import costs, primarily the result of the weaker Ringgit and higher product costs.

2. Comparison with Preceding Quarter's Results

For the three months ended 30 June 2017, Group revenue increased by 6.3% compared to the preceding quarter, due to the positive response towards sales and marketing programmes.

Profit before tax increased by 49.6% compared to the preceding quarter, mainly due to higher sales and lower operating expenses in the period under review.

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

The operating environment for the second half of the year remains challenging due to the softer economic landscape arising from weak sentiment among consumers, while foreign exchange impact continues to exert pressure on our margins.

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

	Quarter	Year-to-date ended
RM'000	30/6/2017	30/6/2017
Tax charges/(credits) comprise:		
Current income tax	6,777	10,610
Deferred tax	(1,632)	(1,604)
Total	5,145	9,006

The effective tax rate of the Group for the current quarter and financial year-to-date 30 June 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	
	30/6/2017	31/12/2016
Realised	23,210	33,309
Unrealised	19,243	17,642
	42,453	50,951
Less: Consolidation adjustments	(7,417)	(7,260)
Total Group Retained Profits	35,036	43,691

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 23 August 2017.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 June 2017.

9. Material Litigation

There was no material litigation as at 23 August 2017.

10. Dividends

- i) A second single tier interim dividend of 5.0 sen net per share has been declared on 23 August 2017.
- ii) For the previous year corresponding quarter, a second single tier interim dividend of 5.0 sen net per share was declared on 17 August 2016.
- iii) In respect of deposited securities, entitlement to the second single tier interim dividend will be determined based on shareholders registered in the record of depositors as at 12 September 2017. The payment date will be on 27 September 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.
- ii) Second 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 RM14,770,000 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	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
Depreciation of property, plant and equipment	1,703	1,573	3,446	3,201
(Reversal)/allowance for inventory obsolesces	(825)	(611)	2,001	(744)
Inventories written off	360	37	377	115
(Reversal)/allowance of trade receivables	(185)	38	(175)	22
Realized foreign exchange (gain)/loss	(25)	399	69	594
Loss/(gain) on unrealized foreign exchange	779	(191)	(881)	(29)
Interest income	(1,264)	(1,623)	(2,793)	(3,399)
Gain on disposal of plant and equipment	(520)	-	(527)	(74)
Written off plant and equipment	3	1,019	12	1,019

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 June 2017.