

**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:

| <b>Description</b>  | <b>Effective for annual periods beginning on or after</b> |
|---|---|
| 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 September 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 September 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 September 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 27 September 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 September 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 September 2017.

## 11. Capital Commitments

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

|  | RM'000       |
|--|--------------|
| Approved and contracted for  | 358          |
| Approved and not contracted for  | 842          |
|  | <u>1,200</u> |
| Contracted Commitments are analyzed as follows:  |              |
| Purchase of Equipment, Furniture & Fittings, Building Improvement, and Leasehold Improvement | <u>358</u>   |

## 12. Related Party Transactions

Significant related party transactions are as follows:

| RM'000             | Quarter ended |           | Year-to-date ended |           |
|--------------------|---------------|-----------|--------------------|-----------|
|                    | 30/9/2017     | 30/9/2016 | 30/9/2017          | 30/9/2016 |
| Sales of goods     | 221           | 255       | 384                | 925       |
| Purchases of goods | (92,936)      | (71,766)  | (257,780)          | (278,230) |
| Services provided  | 125           | -         | 376                | 8,546     |
| Services received  | (9,847)       | (8,540)   | (28,131)           | (23,771)  |
| Royalties expense  | (924)         | (796)     | (2,332)            | (1,957)   |

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

**1. Performance Review**

|                   | Third quarter ended    |                        | Changes | Year-to-date ended     |                        | Changes |
|-------------------|------------------------|------------------------|---------|------------------------|------------------------|---------|
|                   | 30/09/2017<br>(RM'000) | 30/09/2016<br>(RM'000) |         | 30/09/2017<br>(RM'000) | 30/09/2016<br>(RM'000) |         |
| Revenue           | 243,652                | 261,692                | (6.9)%  | 732,863                | 836,504                | (12.4)% |
| Cost of Sales     | (180,219)              | (196,126)              | (8.1)%  | (552,703)              | (632,807)              | (12.7)% |
| Gross Profit      | 63,433                 | 65,566                 | (3.3)%  | 180,160                | 203,697                | (11.6)% |
| Profit Before Tax | 19,439                 | 23,609                 | (17.7)% | 52,667                 | 58,415                 | (9.8)%  |
| Profit After Tax  | 14,952                 | 18,920                 | (21.0)% | 39,174                 | 43,147                 | (9.2)%  |

Group revenue for the nine months ended 30 September 2017 was 12.4% 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 40<sup>th</sup> anniversary sales and marketing programmes. Overall, the Group revenue for the period under review has shown a general decline in light of softer consumer confidence levels.

Profit before tax for the nine months ended 30 September 2017 decreased by 9.8% 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 provision for sales incentives as well as lower operating expenses.

For the three months ended 30 September 2017, Group revenue was 6.9% lower than the same period in 2016 due to higher ABO momentum towards the 40<sup>th</sup> anniversary sales and marketing programmes in the previous year.

The Group's profit before tax for the three months ended 30 September 2017 decreased by 17.7% as compared to the same period last year due to lower sales and higher import costs primarily attributed to the weaker Ringgit, partially offset by lower provision for sales incentives in line with lower sales.

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

|                   | Current Quarter        | Immediate Preceding Quarter | Changes |
|-------------------|------------------------|-----------------------------|---------|
|                   | 30/09/2017<br>(RM'000) | 30/06/2017<br>(RM'000)      |         |
| Revenue           | 243,652                | 252,060                     | (3.3)%  |
| Cost of Sales     | (180,219)              | (191,691)                   | (6.0)%  |
| Gross Profit      | 63,433                 | 60,369                      | 5.1%    |
| Profit Before Tax | 19,439                 | 19,915                      | (2.4)%  |
| Profit After Tax  | 14,952                 | 14,770                      | 1.2%    |

For the three months ended 30 September 2017, Group revenue decreased by 3.3% compared to the preceding quarter, due to positive response towards sales and marketing programmes in the preceding quarter.

Profit before tax decreased by 2.4% compared to the preceding quarter, mainly due to lower sales and higher operating expenses in the period under review, partially offset by lower provision for ABO sales incentives.

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

Regarding its performance for the remaining period, the Group expects slight improvement compared to the prior nine months, in line with positive ABO momentum following the start of the new ABO performance year. Nevertheless, foreign exchange impacts continue to exert pressure on the Group's 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                                 | 30/9/2017    | 30/9/2017          |
| <b>Tax charges/(credits) comprise:</b> |              |                    |
| Current income tax                     | (3,551)      | 7,059              |
| Deferred tax                           | 8,038        | 6,434              |
| <b>Total</b>                           | <b>4,487</b> | <b>13,493</b>      |

The effective tax rate of the Group for the current quarter was lower than the statutory tax rate mainly due to reversal of the prior year over provision. Meanwhile, the effective tax rate of the Group for the financial year-to-date 30 September 2017 was higher than the statutory tax rate mainly because certain expenses were disallowed for tax purposes.

## 6. Realised and Unrealised Profits

| <b>RM'000</b>                       | <b>As at</b>     |                   |
|-------------------------------------|------------------|-------------------|
|                                     | <b>30/9/2017</b> | <b>31/12/2016</b> |
| Realised                            | 38,006           | 33,309            |
| Unrealised                          | 11,204           | 17,642            |
|                                     | <b>49,210</b>    | <b>50,951</b>     |
| Less: Consolidation adjustments     | (7,441)          | (7,260)           |
| <b>Total Group Retained Profits</b> | <b>41,769</b>    | <b>43,691</b>     |

## 7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 15 November 2017.

## 8. Group Borrowings and Debt Securities

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

## 9. Material Litigation

There was no material litigation as at 15 November 2017.

## 10. Dividends

- i) A third single tier interim dividend of 5.0 sen net per share has been declared on 15 November 2017.
- ii) For the previous year corresponding quarter, a third single tier interim dividend of 5.0 sen net per share was declared on 16 November 2016.
- iii) In respect of deposited securities, entitlement to the third single tier interim dividend will be determined based on shareholders registered in the record of depositors as at 4 December 2017. The payment date will be on 20 December 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.
- iii) Third 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 RM14,952,000 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 |           |
|---|---------------|-----------|--------------------|-----------|
|   | 30/9/2017     | 30/9/2016 | 30/9/2017          | 30/9/2016 |
| Depreciation of property, plant and equipment                                 | 1,671         | 1,579     | 5,117              | 4,780     |
| Allowance/ (reversal) for inventory obsolescences                             | 2,048         | 421       | 4,049              | (323)     |
| Inventories (reversal)/written off (Reversal)/ allowance of trade receivables | (116)<br>(4)  | 21<br>48  | 261<br>(179)       | 136<br>70 |
| Realized foreign exchange (gain)/loss   | (248)         | 77        | (179)              | 671       |
| Loss/ (gain) on unrealized foreign exchange                                   | 523           | (69)      | (358)              | (98)      |
| Interest income   | (1,259)       | (1,796)   | (4,052)            | (5,195)   |
| Loss/ (gain) on disposal of plant and equipment                               | 11            | (18)      | (516)              | (92)      |
| Written off / (adjustment) of plant and equipment                             | 3             | (64)      | 15                 | 955       |

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 2017.