

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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2017.

7. Dividend Paid

During the quarter under review, a single tier interim dividend of 5.0 sen net per share, amounting to RM8,219,282 was paid on 20 December 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 year ended 31 December 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 year ended 31 December 2017.

11. Capital Commitments

There is no capital commitments not provided in the interim financial statements as at 31 December 2017.

12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Sales of goods	57	152	441	1,077
Purchases of goods	(110,956)	(105,099)	(368,736)	(383,329)
Services provided	126	685	502	9,231
Services received	(10,827)	(12,385)	(38,958)	(36,156)
Royalties expense	(846)	(508)	(3,178)	(2,465)

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

1. Performance Review

	Fourth quarter ended		Changes	Year ended		Changes
	31/12/2017 (RM'000)	31/12/2016 (RM'000)		31/12/2017 (RM'000)	31/12/2016 (RM'000)	
Revenue	251,351	250,997	0.1%	984,214	1,087,501	(9.5)%
Cost of Sales	(187,321)	(182,715)	2.5%	(740,024)	(815,522)	(9.3)%
Gross Profit	64,030	68,282	(6.2)%	244,190	271,979	(10.2)%
Profit Before Tax	17,834	14,593	22.2%	70,501	73,008	(3.4)%
Profit After Tax	13,470	11,502	17.1%	52,644	54,649	(3.7)%

Group revenue for the financial year ended 31 December 2017 was 9.5% 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. Overall, the Group revenue for the period under review has shown a general decline particularly for the first nine months in light of softer consumer confidence levels.

Profit before tax for the financial year ended 31 December 2017 decreased by 3.4% 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 31 December 2017, Group revenue was 0.1% higher than the same period in 2016 due to positive ABO momentum towards the new performance year and favorable response for new product launches during the quarter.

The Group's profit before tax for the three months ended 31 December 2017 increased by 22.2% as compared to the same period last year due to higher sales coupled with lower incentive trip cost and operating expenses, partially offset by higher import costs primarily attributed to the weaker Ringgit.

2. Comparison with the Preceding Quarter's Results

	Current Quarter	Immediate Preceding Quarter	Changes
	31/12/2017 (RM'000)	30/09/2017 (RM'000)	
Revenue	251,351	243,652	3.2%
Cost of Sales	(187,321)	(180,219)	3.9%
Gross Profit	64,030	63,433	0.9%
Profit Before Tax	17,834	19,439	(8.3)%
Profit After Tax	13,470	14,952	(9.9)%

For the three months ended 31 December 2017, Group revenue increased by 3.2% compared to the preceding quarter due to positive momentum towards the new performance year and favorable response for new products launches since the preceding quarter.

Profit before tax decreased by 8.3% as compared to the preceding quarter mainly due to higher operating expenses in the period under review as well as lower sales incentives in the the preceding quarter in line with lower qualification tracking for ABO Performance Year 2017.

3. Commentary on Prospects for the Financial Year Ending 31 December 2018

Despite a decline in 2017, given the positive start to the new ABO performance year commencing in September 2017 in conjunction with Amway Headquarters' 60 years anniversary programmes, the Board expects the Group's sales to stabilize in 2018.

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.

4. Financial Forecast or Profit Guarantee

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

5. Income Tax Expense

	Quarter	Year ended
RM'000	31/12/2017	31/12/2017
Tax charges comprise:		
Current income tax	1,681	8,740
Deferred tax	2,683	9,117
Total	4,364	17,857

The effective tax rate of the Group for the current quarter and financial year ended 31 December 2017 was higher than the statutory tax rate mainly because certain expenses were disallowed for tax purposes.

6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 26 February 2018.

7. Group Borrowings and Debt Securities

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

8. Material Litigation

There was no material litigation as at 26 February 2018.

9. Dividends

- i) A fourth single tier interim dividend of 5.0 sen net per share has been declared on 26 February 2018. A special single tier interim dividend of 7.5 sen net per share has also been declared on 26 February 2018.
- ii) For the previous year corresponding quarter, a fourth single tier interim dividend of 5.0 sen net per share has been declared on 22 February 2017. A special single tier interim dividend of 10.0 sen net per share has also been declared on 22 February 2017.
- iii) In respect of deposited securities, entitlement to the fourth single tier interim dividend and the special single tier interim dividend will be determined based on shareholders registered in the record of depositors as at 13 March 2018. The payment date will be on 28 March 2018.

The total dividend declared for the financial year ended 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.
- iv) Fourth single tier interim dividend of 5.0 sen net per share.
- v) Special single tier interim dividend of 7.5 sen net per share.

10. Earnings Per Share

The basic earnings per share for the current quarter is calculated by dividing the profit for the quarter amounting RM13,470,000 by the number of shares in issue of 164,385,645.

11. Notes to the Statements of Comprehensive Income

RM'000	Quarter ended		Year ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Depreciation of property, plant and equipment	1,732	1,751	6,849	6,531
Allowance/(reversal) for inventory obsolescences	1,008	121	3,118	(202)
Inventories written off	175	189	436	325
Allowance/(reversal) of trade receivables	203	(450)	24	260
Realized foreign exchange (gain)/loss	(43)	33	(222)	704
Loss/ (gain) on unrealized foreign exchange	494	(1,981)	136	(2,079)
Interest income	(1,317)	(1,835)	(5,369)	(7,030)
Gain on disposal of plant and equipment	(2)	(2)	(518)	(94)
Written off plant and equipment	-	2	15	957

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 2017.