

**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 2018. The audited financial statements of the Group for the year ended 31 December 2018 were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2018, except for the adoption of the following:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
MFRS 9 Prepayment Features With Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 16 Leases	1 January 2019

The adoption of the above Amendments and Annual improvements to Standards did not have any material financial impact to the Group except as stated below.

**1.1 MFRS 16 Leases**

MFRS16 is effective for annual periods beginning on or after 1 January 2019. MFRS 16 replaces the guidance in MFRS 117 Leases, IC interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet model for lessee which is similar to the accounting for finance leases under MFRS 117. Lessor accounting remains similar to MFRS 117 which continues to be classified as finance or operating lease.

## 1.1 MFRS 16 Leases (continued)

The Group adopted MFRS16 using a modified retrospective method. The Group did not restate the comparative information, which continued to be reported under MFRS 117.

The effects of adopting MFRS 16 are as follows :

### (a) Leases previously accounted for as operating leases

The Group recognized right-of-use (“ROU”) assets and lease liabilities for those leases previously classified as operating leases. The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group had also elected to apply the practical expedient for the fixed non-lease components embed in the lease contract, these components were not separated out from lease payments in measuring lease liabilities and capitalized as ROU assets.

The lease liabilities were stated at the present value of the remaining outstanding lease payments, discounted using the incremental borrowing rate at the date of initial application. The group had opted to measure the ROU assets at an amount equal to lease liabilities. The Group applied practical expedient and excluded the initial direct costs from the measurement of the ROU assets at the date of initial application. Hence, there was no financial impact to its retained earnings as at the initial application date.

The ROU assets are depreciated using the straight-line method from the date of initial application to the earlier of the end of useful life of the ROU assets or the end of the lease term. The finance charges are charged to profit or loss. The total lease payments are separated into a principal portion, which is presented within financing activities and finance charges, which is presented within operating activities in the statement of cashflows.

### (b) Financial impacts of adoption of MFRS16

In summary, the financial impacts of adopting MFRS16 to the opening balances as at 1 January 2019 are as follows :

<b>1 January 2019</b>			
	<b>As previously reported (RM'000)</b>	<b>MFRS16 adjustments (RM'000)</b>	<b>After MFRS16 adjustments (RM'000)</b>
<b>Assets</b>			
Right-of-use assets	-	8,837	8,837
<b>Liabilities</b>			
Current lease liabilities	-	2,606	2,606
Non-current lease liabilities	-	6,231	6,231
Impact to liabilities	-	8,837	8,837

## 1.1 MFRS 16 Leases (continued)

- (c) Reconciliation of operating lease commitments as at 31 December 2018 to the opening balance of lease liabilities as at 1 January 2019

The operating lease commitments as of 31 December 2018 is reconciled to arrive at the lease liabilities as at 1 January 2019 as follows :

	RM'000
Operating lease commitments disclosed as at 31 December 2018	5,499
Less : short-term leases and low-value leases recognized on a straight-line basis as expense	(352)
	5,147
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted using the incremental borrowing rate as at 1 January 2019	4,910
Add : extension options reasonably certain to exercise	3,927
Lease liabilities recognized as at 1 January 2019	8,837

## 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 2018 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 2019.

## 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 2019.

## 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 2019.

## 7. Dividend Paid

During the quarter under review, the following dividends were paid on 26 March 2019 in respect of the financial year ended 31 December 2018:

- i) single tier interim dividend of 5.0 sen net per share amounting to RM8,219,282.
- ii) special single tier interim dividend of 7.5 sen net per share amounting to RM12,328,922.

## 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 2019 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 2019.

## 11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 March 2019 are as follows:

	RM'000
Approved and contracted for	5,296
Approved and not contracted for	6,844
	<hr/>
	12,140
	<hr/>
Contracted Commitments are analyzed as follows:	
Purchase of Equipment, Building Improvement and System Development costs	12,140
	<hr/>

## 12. Related Party Transactions

Significant related party transactions are as follows:

<b>RM'000</b>	<b>Quarter and Year-to-date ended</b>	
	<b>31/3/2019</b>	<b>31/3/2018</b>
Sales of goods	108	90
Purchases of goods	(91,995)	(83,242)
Services provided	188	154
Services received	(10,700)	(10,210)
Royalties expense	(539)	(663)

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

### 1. Performance Review

	Quarter and Year-to-date ended		Changes
	31/03/2019 (RM'000)	31/03/2018 (RM'000)	
Revenue	247,491	235,321	5.2%
Cost of Sales	(188,568)	(184,293)	2.3%
Gross Profit	58,923	51,028	15.5%
Profit Before Tax	14,323	10,969	30.6%
Profit After Tax	10,615	7,975	33.1%

Group revenue for both the quarter and year-to-date ended 31 March 2019 was 5.2% higher than the same period last year due to positive Amway Business Owner (ABO) momentum toward the sales and marketing plans for Performance Year (PY) 2019, as well as product buy up ahead of a price increase effective mid-March 2019.

The Group's profit before tax for the period under review increased by 30.6% as compared to the same period last year due to higher sales and lower import cost primarily attributed to favorable foreign exchange impact. These were partially offset by higher sales incentives in line with higher sales, and higher operating expenses on growth initiatives to support ABOs in growing their businesses.

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

	Current Quarter ended	Preceding Quarter ended	Changes
	31/03/2019 (RM'000)	31/12/2018 (RM'000)	
Revenue	247,491	248,964	(0.6)%
Cost of Sales	(188,568)	(174,972)	7.8%
Gross Profit	58,923	73,992	(20.4)%
Profit Before Tax	14,323	27,431	(47.8)%
Profit After Tax	10,615	21,925	(51.6)%

Group revenue for the current quarter ended 31 March 2019 was in line with the preceding quarter, i.e. marginally below by 0.6%.

Profit before tax decreased by 47.8% as compared to the preceding quarter due to higher cost of sales primarily due to lower cost comparison in the preceding quarter, partially offset by lower operating expenses in the current quarter.

### 3. Commentary on Prospects for the Current Financial Year

The Board remains optimistic that sales will continue to grow in 2019 driven by positive ABO response toward our sales and marketing plan, as well as the various growth initiatives to support the ABOs in growing their businesses.

Management anticipates additional pressure on profitability as it continues to invest in modernising its operations, including upgrading the current delivery system to ensure continued competitiveness in the market. In this regard, Management will continue to address challenges to profitability arising from the aforesaid investments and the imposition of Sales and Service Tax (SST) by actively managing operating costs.

### 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	
	31/03/2019	31/03/2018
<b>Tax charges/(credits) comprise:</b>		
Current income tax	3,939	3,455
Deferred tax	(231)	(461)
<b>Total</b>	<b>3,708</b>	<b>2,994</b>

The effective tax rate of the Group for the current quarter and financial year-to-date ended 31 March 2019 was higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

### 6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 29 May 2019.

### 7. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 March 2019.

### 8. Material Litigation

There was no material litigation as at 29 May 2019.

## 9. Dividends

- i) A first single tier interim dividend of 5.0 sen net per share has been declared on 29 May 2019.
- ii) For the previous year corresponding quarter, a first single tier interim dividend of 5.0 sen net per share was declared on 16 May 2018.
- 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 19 June 2019. The payment date will be on 4 July 2019.

The total dividend declared for the financial year ending 31 December 2019 as follows:

- i) First single tier interim dividend of 5.0 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 RM10,615,000 by the number of shares in issue of 164,385,645.

## 11. Notes to the Statements of Comprehensive Income

RM'000	Quarter and Year-to-date ended	
	31/3/2019	31/3/2018
Depreciation of property, plant and equipment	1,693	1,642
Depreciation of right-of-use assets	695	-
Allowance for inventory obsolescence	1,686	399
Inventories written off	331	33
Reversal of expected credit loss	(90)	(105)
Realized foreign exchange gain	(3)	(291)
Unrealized foreign exchange loss	48	205
Finance costs	129	-
Interest income	(1,494)	(1,325)
Loss on disposal of property, plant and equipment	-	6
Property, plant and equipment written off	2	-

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 2019.