

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 2019. The audited financial statements of the Group for the year ended 31 December 2019 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 2019, except for the adoption of the following:

Description	Effective for annual periods beginning on or after
MFRS 101 and MFRS 108: Definition of Material (Amendments to MFRS 101 and 108)	1 January 2020
MFRS 3: Definition of Business (Amendments to MFRS 3)	1 January 2020
MFRS 9, MFRS 139 and MFRS 7: Interest Rate benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)	1 January 2020
Conceptual Framework: Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above Amendments 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 2019 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 2020.

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 2020.

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 2020.

7. Dividend Paid

Dividend paid during the financial period ended 30 June 2020 are as follows:

- i) Fourth single tier interim dividend of 5.0 sen net per share and a special single tier interim dividend of 7.5 sen net per share totaling RM20,548,204 in respect of financial year ended 31 December 2019 were paid on 27 March 2020.

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

In mid-July 2020, the Group's wholly-owned subsidiary, Amway (Malaysia) Sdn Bhd entered into two non-binding Letter of Intent for the disposal of the following properties:

- a) industrial lands together with a building erected thereon located in the Mukim of 6, District of Seberang Perai Tengah, State of Pulau Pinang; and
- b) industrial land together with a building erected thereon located in the Mukim of Plentong, District of Johor Bahru, State of Johor.

Other than the above, there was no material event subsequent to the current quarter and the financial period ended 30 June 2020 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 and the financial period ended 30 June 2020.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 30 June 2020 are as follows:

	RM'000
Approved and contracted for	7,201
Approved and not contracted for	11,166
	<u>18,367</u>
Contracted Commitments are analysed as follows:	
Purchase of Equipment, Building Improvement and System Development costs	<u>7,201</u>

12. Related Party Transactions

Significant related party transactions are as follows:

	Quarter ended		Year-to-date ended	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
RM'000				
Sales of goods	82	(7)	138	101
Purchases of goods	(118,649)	(75,708)	(211,462)	(167,703)
Services provided	-	189	-	377
Services received	(4,676)	(11,879)	(9,164)	(22,579)
Royalties expense	(1,302)	(514)	(1,907)	(1,053)

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

1. Performance Review

	Quarter ended		Changes	Year-to-date ended		Changes
	30/06/2020 (RM'000)	30/06/2019 (RM'000)		30/06/2020 (RM'000)	30/06/2019 (RM'000)	
Revenue	280,809	230,773	22%	515,445	478,264	8%
Cost of Sales	(230,781)	(167,113)	38%	(415,271)	(355,681)	17%
Gross Profit	50,028	63,660	(21%)	100,174	122,583	(18%)
Profit Before Tax	22,236	24,486	(9%)	36,120	38,809	(7%)
Profit After Tax	16,811	18,491	(9%)	27,016	29,106	(7%)

Group revenue for the quarter ended 30 June and six months ended 30 June 2020 was 22% and 8% higher than the same period last year respectively due to favorable response towards marketing promotions and higher demand for immunity boosting supplements, air treatment and home appliances amid COVID-19 pandemic.

The Group's profit before tax for the quarter ended 30 June 2020 and six months ended 30 June 2020 decreased by 9% and 7% as compared to the same period last year mainly due to higher import cost arising from unfavorable foreign exchange.

2. Comparison with the Preceding Quarter's Results

	Current Quarter ended	Preceding Quarter ended	Changes
	30/06/2020 (RM'000)	31/03/2020 (RM'000)	
Revenue	280,809	234,636	20%
Cost of Sales	(230,781)	(184,490)	25%
Gross Profit	50,028	50,146	0%
Profit Before Tax	22,236	13,884	60%
Profit After Tax	16,811	10,205	65%

Group revenue for the current quarter ended 30 June 2020 was higher than the preceding quarter by 20% due to favorable response towards marketing promotions and home appliances.

Profit before tax increased by 60% as compared to the preceding quarter as a result of higher revenue couple with lower operating expenses.

3. Commentary on Prospects for the Current Financial Year

Amidst the COVID-19 health crisis, the Group has delivered strong growth in second quarter sales performance contributed by increased demand for health supplements, home care, air treatment, and similar products. However, the unprecedented economic challenges during the rest of 2020 and rising unemployment will inevitably impact consumer sentiment. While the outlook remains highly uncertain, given the overall resilience during first half of 2020, the Group is expected to deliver a slight growth in revenue for the full year.

The Group foresees that the COVID-19 support measures, investment in infrastructure for social commerce experiences and the economic impact of COVID-19 will exert pressure on its operating margins. Nevertheless, the Group anticipates that these will be partially mitigated with improved revenue performance.

4. Financial Forecast or Profit Guarantee

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

5. Revenue

Set out below is the disaggregation of the Group's revenue from contract with customers:

RM'000	Quarter ended		Year-to-date ended	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Sales of consumer products	277,326	225,870	508,466	469,565
Sign up and renewal fees and other service fees	3,483	4,903	6,979	8,699
Total	280,809	230,773	515,445	478,264
Timing of revenue recognition:				
At point in time	277,159	227,220	508,425	471,058
Over time	3,650	3,553	7,020	7,206
Total	280,809	230,773	515,445	478,264

6. Income Tax Expense

(RM'000)	Quarter ended	Year-to-date ended
	30/06/2020	30/06/2020
Tax charges/(credits) comprise:		
Current income tax	14,252	18,600
Deferred tax	(8,827)	(9,496)
Total	5,425	9,104

The effective tax rate of the Group for the current quarter ended 30 June 2020 was approximate to the statutory tax rate. As for the financial year-to-date ended 30 June 2020, the effective tax rate of the Group was higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 19 August 2020.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 June 2020.

9. Material Litigation

There was no material litigation as at 19 August 2020.

10. Dividends

- i) A second single tier interim dividend of 5.0 sen net per share has been declared on 19 August 2020.

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 7 September 2020. The payment date will be on 24 September 2020.

- ii) For the previous year corresponding quarter, a second single tier interim dividend of 5.0 sen net per share was declared on 21 August 2019.

The total dividend declared for the financial year ending 31 December 2020 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

RM'000	Quarter ended		Year-to-date ended	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Profit after tax attributable to owners of the parent (RM'000)	16,811	18,491	27,016	29,106
Numbers of shares in issue ('000)	164,386	164,386	164,386	164,386
Basic earnings per share (sen)	10.23	11.25	16.43	17.71

12. Notes to the Statements of Comprehensive Income

RM'000	Quarter ended		Year-to-date ended	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Depreciation of property, plant and equipment	1,232	1,664	2,406	3,357
Depreciation of right-of-use assets	882	696	1,671	1,391
Amortisation of intangible assets	59	-	128	-
Allowance/(reversal) for inventory obsolescence	2,435	(21)	821	1,665
Inventories written off	296	245	504	576
Net changes in provision for assurance-type warranties	203	241	468	405
Net reversal of expected credit loss	(111)	(25)	(108)	(115)
Realised foreign exchange (gain)/loss	(2)	67	112	64
Unrealised foreign exchange loss /(gain)	136	(68)	21	(20)
Finance costs	161	120	326	249
Interest income	(1,076)	(1,545)	(2,316)	(3,039)
Gain on disposal of property, plant and equipment	-	(1)	-	(1)
Property, plant and equipment written off	-	23	7	25

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 recognised for the current quarter or financial year-to-date ended 30 June 2020.