

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 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 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 September 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 September 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 September 2020.

7. Dividend Paid

Dividend paid during the financial period ended 30 September 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;
- ii) First single tier interim dividend of 5.0 sen net per share amounting to RM8,219,282 in respect of financial year ending 31 December 2020 was paid on 24 July 2020; and
- iii) Second single tier interim dividend of 5.0 sen net per share amounting to RM8,219,282 in respect of financial year ending 31 December 2020 was paid on 24 September 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

On 21 August 2020, the Group's wholly-owned subsidiary, Amway (Malaysia) Sdn. Bhd. entered into a Sale and Purchase Agreement for the disposal of industrial lands together with a building erected thereon located in the Mukim of 6, District of Seberang Perai Tengah, State of Pulau Pinang for a cash consideration of RM2,050,000. The disposal was completed on 8 October 2020.

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

11. Capital Commitments

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

	RM'000
Approved and contracted for	9,360
Approved and not contracted for	10,766
	<u>20,126</u>
Contracted Commitments are analysed as follows:	
Purchase of equipment, building improvement and system development costs	<u>9,360</u>

12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year-to-date ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
Sales/(Returns) of goods	92	(2)	230	99
Purchases of goods	(98,862)	(82,057)	(310,324)	(249,760)
Services provided	-	273	-	650
Services received	(4,619)	(10,779)	(13,783)	(33,358)
Royalties expense	(1,212)	(504)	(3,119)	(1,557)

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
	30/09/2020 (RM'000)	30/09/2019 (RM'000)		30/09/2020 (RM'000)	30/09/2019 (RM'000)	
Revenue	321,950	235,065	37%	837,395	713,329	17%
Cost of Sales	(261,753)	(176,703)	48%	(677,024)	(532,384)	27%
Gross Profit	60,197	58,362	3%	160,371	180,945	(11%)
Profit Before Tax	21,186	14,242	49%	57,306	53,051	8%
Profit After Tax	15,611	10,612	47%	42,627	39,718	7%

Group revenue for the nine months ended 30 September 2020 increased by 17% compared with the same period last year due to higher demand for immunity boosting supplements and home appliances amid COVID-19, as well as favorable response towards marketing promotions and various initiatives to support ABOs.

The Group's profit before tax for the period under review increased by 8% on the back of higher sales and gain on disposal of a property, offset partially by higher import cost resulting from unfavorable foreign exchange impact and higher ABO incentives.

For the three months ended 30 September 2020, Group revenue increased by 37% against the corresponding period in 2019 for the same reason aforementioned. Consequently, the Group's profit before tax for the three months ended 30 September 2020 increased by 49% compared with quarter three 2019.

2. Comparison with the Preceding Quarter's Results

	Current Quarter ended	Preceding Quarter ended	Changes
	30/09/2020 (RM'000)	30/06/2020 (RM'000)	
Revenue	321,950	280,809	15%
Cost of Sales	(261,753)	(230,781)	13%
Gross Profit	60,197	50,028	20%
Profit Before Tax	21,186	22,236	(5%)
Profit After Tax	15,611	16,811	(7%)

Group revenue for the third quarter ended 30 September 2020 increased by 15% compared with the preceding quarter largely due to continuous demand for immunity boosting products and new launches. The Group's profit before tax in quarter three however declined by 5% due to non-cash award cancellation cost adjustment in second quarter.

3. Commentary on Prospects for the Current Financial Year

Amidst the COVID-19 health crisis, the Group has delivered a strong year-to-date growth performance contributed by increased demand for health supplements, cleansers, air treatment, and similar products. While the ongoing enhanced or conditional Movement Control Order in certain states and districts may impact our physical stores and channel operations, given the overall positive outcome during first nine months of 2020, the Group is optimistic to deliver a strong revenue growth for the full year.

The Group foresees that the COVID-19 support measures, investment in infrastructure for social commerce experiences and digital initiatives as well as the economic impact of COVID-19 will exert pressure on its operating margins. Nevertheless, the Group anticipates that the impact on operating margins will be partially mitigated with improved revenue performance together with the one-time gain in the disposal of the Group's properties.

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	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Sales of consumer products	315,571	230,770	824,037	700,335
Sign up and renewal fees and other service fees	6,379	4,295	13,358	12,994
Total	321,950	235,065	837,395	713,329
Timing of revenue recognition:				
At point in time	317,915	231,617	826,340	702,675
Over time	4,035	3,448	11,055	10,654
Total	321,950	235,065	837,395	713,329

6. Income Tax Expense

RM'000	Quarter ended	Year-to-date ended
	30/09/2020	30/09/2020
Tax charges/(credits) comprise:		
Current income tax	4,713	23,313
Real property gains tax	298	298
Deferred tax	564	(8,932)
Total	5,575	14,679

Excluding the gain on disposal of a property which is subject to Real Property Gains Tax ("RPGT"), the effective tax rate of the Group for the quarter and year-to-date is higher than statutory tax rate mainly due to certain expenses are not deductible for tax purposes.

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 18 November 2020.

8. Group Borrowings and Debt Securities

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

9. Material Litigation

There was no material litigation as at 18 November 2020.

10. Dividends

- i) A third single tier interim dividend of 5.0 sen net per share has been declared on 18 November 2020.

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 7 December 2020. The payment date will be on 18 December 2020.

- ii) For the previous year corresponding quarter, a third single tier interim dividend of 5.0 sen net per share was declared on 20 November 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; and
iii) Third single tier interim dividend of 5.0 sen net per share.

11. Earnings Per Share

	Quarter ended		Year -to-date ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Profit after tax attributable to owners of the parent (RM'000)	15,611	10,612	42,627	39,718
Numbers of shares in issue ('000)	164,386	164,386	164,386	164,386
Basic earnings per share (sen)	9.50	6.46	25.93	24.16

12. Notes to the Condensed Consolidated Statements of Comprehensive Income (continued)

RM'000	Quarter ended		Year-to-date ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Depreciation of property, plant and equipment	1,175	2,086	3,581	5,443
Depreciation of right-of-use assets	831	850	2,502	2,241
Amortisation of intangible assets	59	-	187	-
(Reversal)/allowance for inventory obsolescence	(2,206)	(236)	(1,385)	1,429
Inventories written off	832	786	1,336	1,362
Net changes in provision for assurance-type warranties	121	997	589	1,402
Net allowance/(reversal) of expected credit loss	68	25	(40)	(90)
Bad debts written off	-	9	-	9
Realised foreign exchange (gain)/loss	(48)	4	64	68
Unrealised foreign exchange loss/(gain)	31	(11)	52	(31)
Finance costs	156	132	482	381
Interest income	(1,099)	(1,532)	(3,415)	(4,571)
Gain on disposal of property, plant and equipment	(4,102)	(1)	(4,102)	(2)
Property, plant and equipment written off	75	4	82	29

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 September 2020.