

**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, International Accounting Standards 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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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
Amendments to MFRS 16: COVID-19-Related Rent Concessions	1 June 2020

The Group has elected to early adopt Amendments to MFRS 16 ‘COVID-19-Related Rent Concessions’ for the first time in the 2020 financial statements, with the date of initial application of 1 January 2020.

On adoption of the Amendments to MFRS 16, the Group is not required to assess whether a rent concession that occurs as a direct consequence of the COVID-19 pandemic and meet specified conditions is a lease modification. The Group accounts for such COVID-19-related rent concession as a variable lease payment in the period in which the event or condition that triggers the reduced payment occurs. The Group has applied the practical expedient to all rent concessions that meet the conditions of the Amendments to MFRS 16.

In accordance with the transitional provisions provided in the Amendments to MFRS 16, the cumulative effect of initially applying this Amendment is recognised at the date of initial application. These amendments had no impact to the retained earnings on 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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2020.

## **7. Dividends Paid**

Dividends paid during the financial year ended 31 December 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 totalling 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 ended 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 ended 31 December 2020 was paid on 24 September 2020.
- iv) Third single tier interim dividend of 5.0 sen net per share amounting to RM8,219,282 in respect of financial year ended 31 December 2020 was paid on 18 December 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

There was no material event subsequent to the current quarter and the financial year ended 31 December 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 year ended 31 December 2020.

## 11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 December 2020 are as follows:

	RM'000
Approved and contracted for	4,385
Approved and not contracted for	21,581
	<u>25,966</u>
Contracted Commitments are analysed as follows:	
Purchase of equipment, building improvement and system development costs	<u>4,385</u>

## 12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Sales of goods	65	30	295	129
Purchases of goods	(121,116)	(93,003)	(431,440)	(342,763)
Services provided	-	222	-	872
Services received	(7,015)	(10,314)	(20,798)	(43,672)
Royalties expense	(1,266)	(1,343)	(4,385)	(2,900)

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

**1. Performance Review**

	Quarter ended		Changes	Year ended		Changes
	31/12/2020 (RM'000)	31/12/2019 (RM'000)		31/12/2020 (RM'000)	31/12/2019 (RM'000)	
Revenue	316,083	252,998	24.9%	1,153,478	966,327	19.4%
Cost of Sales	(251,306)	(190,056)	32.2%	(928,330)	(722,440)	28.5%
Gross Profit	64,777	62,942	2.9%	225,148	243,887	(7.7%)
Profit Before Tax	5,022	11,500	(56.3%)	62,328	64,551	(3.4%)
Profit After Tax	4,269	11,440	(62.7%)	46,896	51,158	(8.3%)

Group revenue for the twelve months ended 31 December 2020 increased by 19.4% compared with the same period last year due to higher demand for immunity boosting supplements, new product launches and home appliances amid COVID-19, as well as favourable response towards marketing promotions and various initiatives to support ABOs.

Despite higher sales and gain on disposal of properties the Group's profit before tax for the period under review decreased by 3.4% due to higher ABO incentives.

For the three months ended 31 December 2020, Group revenue increased by 24.9% against the corresponding period in 2019 for the same reason aforementioned. Nevertheless, the Group's profit before tax for the three months ended 31 December 2020 reduced by 56.3% compared with the corresponding period in 2019 due to higher ABO incentives and related adjustments.

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

	Current Quarter ended	Preceding Quarter ended	Changes
	31/12/2020 (RM'000)	30/09/2020 (RM'000)	
Revenue	316,083	321,950	(1.8%)
Cost of Sales	(251,306)	(261,753)	(4.0%)
Gross Profit	64,777	60,197	7.6%
Profit Before Tax	5,022	21,186	(76.3%)
Profit After Tax	4,269	15,611	(72.7%)

Group revenue for the fourth quarter ended 31 December 2020 decreased by 1.8% compared with the preceding quarter due to timing difference of promotions and overwhelming response for new product launch in preceding quarter. The Group's profit before tax in quarter four declined by 76.3% mainly due to higher sales incentive and a lower operating expenses base in quarter 3 which included reversal of non-cash award accrual due to event cancellation.

### 3. Commentary on Prospects

Amidst the COVID-19 health crisis, the Group delivered strong revenue growth for the financial year ended 31 December 2020 driven by increased demand for health supplements, cleansers, air treatment, and similar products. The lower profitability reflected the Group's initiatives to support ABOs during the pandemic as well as long-term investment related to digital and related infrastructure.

The coronavirus pandemic will remain a major economic factor for 2021. Wide-scale availability of the COVID-19 vaccine is only expected in the latter part of 2021, requiring continued compliance to Standard Operating Procedures ("SOPs") restricting movement, on-going closure of international borders, overseas travel restrictions, and limiting ABO's face to face business activities.

Despite the uncertain economic condition, the Group is cautiously optimistic to deliver revenue growth for 2021. The Group plans to roll-out several initiatives to support ABOs and long-term business growth, ranging from: (i) launch of Amway Privileged Customers programme together with new sales incentives to reward ABOs for servicing their customers and building sustainable businesses, (ii) new product launches and promotions, and (iii) investing in digital platform and related infrastructure enhancements to improve the social commerce experience. Although prudent management of other expenses will help to mitigate the impact of these programmes and investments, these initiatives are expected to exert pressure on the Group's operating margins.

### 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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Sales of consumer products	310,516	248,864	1,134,553	949,199
Sign up and renewal fees and other service fees	5,567	4,134	18,925	17,128
<b>Total</b>	<b>316,083</b>	<b>252,998</b>	<b>1,153,478</b>	<b>966,327</b>
Timing of revenue recognition:				
At point in time	311,333	249,675	1,137,673	952,350
Over time	4,750	3,323	15,805	13,977
<b>Total</b>	<b>316,083</b>	<b>252,998</b>	<b>1,153,478</b>	<b>966,327</b>

## 6. Income Tax Expense

RM'000	Quarter ended		Year-to-date ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<b>Tax charges/(credits) comprise:</b>				
Current income tax	(2,472)	2,300	20,841	18,928
Real property gains tax	138	-	436	-
Deferred tax	3,087	(2,240)	(5,845)	(5,535)
<b>Total</b>	<b>753</b>	<b>60</b>	<b>15,432</b>	<b>13,393</b>

Excluding the gain on disposal of properties which is subject to Real Property Gains Tax (“RPGT”), the effective tax rate of the Group for the quarter ended 31 December 2020 is lower than the statutory tax rate due to overprovision of income tax expenses in the previous quarter. As for the financial year-to-date ended 31 December 2020, the effective tax rate of the Group was higher than the statutory tax rate 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 24 February 2021.

## 8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 December 2020.

## 9. Material Litigation

There was no material litigation as at 24 February 2021.

## 10. Dividends proposed or declared

- i) A 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 have been declared on 24 February 2021.

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 12 March 2021. The payment date will be on 26 March 2021.

- ii) In the previous year corresponding quarter, a 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 were declared on 26 February 2020.

The total dividend declared for the financial year ended 31 December 2020 are 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; and
- v) Special single tier interim dividend of 7.5 sen net per share.

## 11. Earnings Per Share

	Quarter ended		Year-to-date ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Profit after tax attributable to owners of the parent (RM'000)	4,269	11,440	46,896	51,158
Numbers of shares in issue ('000)	164,386	164,386	164,386	164,386
Basic earnings per share (sen)	2.60	6.96	28.53	31.12

## 12. Notes to the Condensed Consolidated Statements of Comprehensive Income

RM'000	Quarter ended		Year ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Depreciation of property, plant and equipment	1,377	731	4,958	6,174
Depreciation of right-of-use assets	829	847	3,331	3,088
Amortisation of intangible assets	1,280	222	1,467	222
Impairment of goodwill	-	1,487	-	1,487
Allowance for inventory obsolescence	1,799	2,007	414	3,436
Inventories written off	445	522	1,781	1,884
Net changes in provision for assurance-type warranties	(57)	(2,466)	532	(1,064)
Net allowance/(reversal) of expected credit loss	99	(28)	59	(118)
Bad debts written off	-	-	-	9
Realised foreign exchange loss	1	18	65	86
Unrealised foreign exchange loss/(gain)	9	21	61	(10)
Finance costs	132	307	614	688
Interest income	(968)	(1,437)	(4,383)	(6,008)
Gain on disposal of property, plant and equipment	(1,586)	(93)	(5,688)	(95)
Property, plant and equipment written off	1	151	83	180

No other income or loss, including investment income, gain/(loss) on disposal of quoted or unquoted investments, gain/(loss) on derivatives was recognised for the current quarter or financial year ended 31 December 2020.