

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 2020. The audited financial statements of the Group for the year ended 31 December 2020 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 2020, except for the adoption of the following:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 “Interest Rate Benchmark Reform - Phase 2”	1 January 2021
Amendments to MFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”	1 April 2021

In the previous financial year ended 31 December 2020, the Group has early adopted the Amendments to MFRS 16 “COVID-19 Related Rent Concessions” which was effective for annual periods beginning on or after 1 June 2020. With the adoption of the amendments, the Group was 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 also applied the practical expedient, whereby such COVID-19-related rent concession were accounted for as a variable lease payment in the period in which the event or condition that triggers the reduced payment occurs.

For the current financial period ended 30 June 2021, the Group has elected to early adopt the related Amendments to MFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”, with the date of initial application of 1 January 2021. The amendment extends the applicable period of the practical expedient to the lessees by one year to cover COVID-19-related rent concessions due on or before 30 June 2022. 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. The adoption of this amendment had no impact to the retained earnings of the Group on 1 January 2021.

Adoption of the Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 “Interest Rate Benchmark Reform - Phase 2” also 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 2020 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 2021.

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 2021.

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 2021.

7. Dividends Paid

Dividends paid during the financial period ended 30 June 2021 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 2020 was paid on 26 March 2021; and
- 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 2021 was paid on 25 June 2021.

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.

9. Events after the Interim Period

There was no material event subsequent to the current quarter and the financial period ended 30 June 2021 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 June 2021.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 30 June 2021 are as follows:

	30/06/2021 RM'000
Approved and contracted for	1,423
Approved and not contracted for	20,664
	<u>22,087</u>
Contracted commitments are analysed as follows:	
Purchase of equipment, building improvement and system development costs	<u>1,423</u>

12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year-to-date ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Sales of goods	12	82	29	138
Purchases of goods	(82,175)	(118,649)	(192,965)	(211,462)
Services received	-	(4,676)	-	(9,164)
Royalties expense	(1,353)	(1,302)	(2,719)	(1,907)

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
	30/06/2021 (RM'000)	30/06/2020 (RM'000)		30/06/2021 (RM'000)	30/06/2020 (RM'000)	
Revenue	355,912	280,809	26.7%	709,565	515,445	37.7%
Cost of Sales	(287,573)	(230,781)	24.6%	(570,840)	(415,271)	37.5%
Gross Profit	68,339	50,028	36.6%	138,725	100,174	38.5%
Profit Before Tax	10,661	22,236	(52.1%)	37,414	36,120	3.6%
Profit After Tax	7,856	16,811	(53.3%)	27,969	27,016	3.5%

Group revenue for the quarter and six months ended 30 June 2021 was 26.7% and 37.7% higher than the same period last year respectively due to continuous good demand for nutrition & wellness products and home appliances. This was also driven by the Amway Privileged Customer (APC) programme and strong field momentum motivated by the newly introduced sales incentive plan launched in January 2021.

The Group's profit before tax for the six months ended 30 June 2021 increased by 3.6% contributed by higher sales volume and lower cost of sales benefiting from lower transfer price, partially offset by the new sales incentives and increase in ABO related expenses.

Despite higher revenue, the Group's profit before tax for the 3 months quarter ended 30 June 2021 decreased by 52.1% as compared to the same period last year mainly due to additional cost associated with the new sales incentive plan and ABO related expenses in the current quarter.

2. Comparison with the Preceding Quarter's Results

	Current Quarter ended	Preceding Quarter ended	Changes
	30/06/2021 (RM'000)	31/03/2021 (RM'000)	
Revenue	355,912	353,653	0.6%
Cost of Sales	(287,573)	(283,267)	1.5%
Gross Profit	68,339	70,386	(2.9%)
Profit Before Tax	10,661	26,753	(60.2%)
Profit After Tax	7,856	20,113	(60.9%)

Group revenue for the current quarter ended 30 June 2021 was higher than the preceding quarter by 0.6% due to continuous demand from the increased customer from APC programme and positive response to sales and marketing plan and promotions.

The Group's profit before tax however, decreased by 60.2% as compared to the preceding quarter due to the higher sales incentive and increase in ABO related expenses in line with higher sales and true up adjustments.

3. Commentary on Prospects

The COVID-19 pandemic poses an unprecedented and prolonged impact on global economies. Amidst the very difficult business environment, we remain hopeful that Malaysia's National Recovery Plan will promote business recovery and sustainably improve consumer sentiment.

The Group's various initiatives and investments (i.e.: launch of Amway Privileged Customer, new sales incentive programs, and new product launches & promotions) have provided solid fundamentals and delivered strong first-half year results. We saw the resilience in our Amway Business Owners (ABOs) towards the various challenges during the phases of lockdown. Collectively, we pivoted towards eCommerce sales and home delivery to drive continued business momentum. However, for the second half of the year, the Group projects moderate growth versus the high revenue base in the prior-year period. Overall, for the full year 2021, the Group expects to deliver strong revenue growth.

The Group continues to strategically and prudently invest in specific areas, such as ABO-centric incentive programs, new product launches & promotions, as well as further improvements to the digital platform and related delivery infrastructure. These continuous investments are necessary to achieve long-term business growth but will exert pressure on the Group's operating margin.

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	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Sales of consumer products	350,936	277,326	699,824	508,466
Sign up and renewal fees and other service fees	4,976	3,483	9,741	6,979
Total	355,912	280,809	709,565	515,445
Timing of revenue recognition:				
At point in time	351,668	277,159	701,352	508,425
Over time	4,244	3,650	8,213	7,020
Total	355,912	280,809	709,565	515,445

6. Income Tax Expense

RM'000	Quarter ended		Year-to-date ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Tax charges/(credits) comprise:				
Current income tax	15,035	14,252	28,834	18,600
Deferred tax	(12,230)	(8,827)	(19,389)	(9,496)
Total	2,805	5,425	9,445	9,104

The effective tax rate of the Group for the current quarter and financial year-to-date ended 30 June 2021 is 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 25 August 2021.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 June 2021.

9. Material Litigation

There was no material litigation as at 25 August 2021.

10. Dividends proposed or declared

- i) A second single tier interim dividend of 5.0 sen net per share has been declared on 25 August 2021.

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 13 September 2021. The payment date will be on 27 September 2021.

- ii) In the previous year corresponding quarter, a second single tier interim dividend of 5.0 sen net per share was declared on 19 August 2020.

The total dividend declared for the financial year ending 31 December 2021 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.

11. Earnings Per Share

	Quarter ended		Year-to-date ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Profit after tax attributable to owners of the parent (RM'000)	7,856	16,811	27,969	27,016
Numbers of shares in issue ('000)	164,386	164,386	164,386	164,386
Basic and diluted earnings per share (sen)	4.78	10.23	17.01	16.43

12. Notes to the Condensed Consolidated Statements of Comprehensive Income

RM'000	Quarter ended		Year-to-date ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Depreciation of property, plant and equipment	1,157	1,232	2,333	2,406
Depreciation of right-of-use assets	828	882	1,651	1,671
Amortisation of intangible assets	2,157	59	4,329	128
(Reversal of)/Allowance for inventory obsolescence	(1,817)	2,435	358	821
Inventories written off	211	296	1,112	504
Net changes in provision for assurance-type warranties	381	203	1,198	468
Reversal of allowance for expected credit loss	(245)	(111)	(132)	(108)
Realised foreign exchange (gain)/loss	(2)	(2)	10	112
Unrealised foreign exchange loss/(gain)	14	136	(30)	21
Finance costs	142	161	287	326
Interest income	(790)	(1,076)	(1,552)	(2,316)
Property, plant and equipment written off	8	-	9	7
Gain on termination of lease liability	(1)	-	(2)	-

No other income or loss, including investment income, gain/(loss) on disposal of quoted or unquoted investments or properties, impairment of assets, gain/(loss) on derivatives was recognised for the current quarter or financial year-to-date ended 30 June 2021.