

**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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2021.

## **7. Dividends Paid**

Dividends paid during the financial year ended 31 December 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;
- 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 2021 was paid on 25 June 2021;
- 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 2021 was paid on 27 September 2021; and
- 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 2021 was paid on 17 December 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 year ended 31 December 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 year ended 31 December 2021.

## 11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 December 2021 are as follows:

	31/12/2021 RM'000
Approved and contracted for	296
Approved and not contracted for	14,639
	<u>14,935</u>
Contracted commitments are analysed as follows:	
Purchase of equipment, building improvement and system development costs	<u>296</u>

## 12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Sales of goods	7	65	64	295
Purchases of goods	(151,248)	(121,116)	(465,205)	(431,440)
Services received	-	(7,016)	-	(20,799)
Royalties expense	(1,172)	(1,267)	(5,035)	(4,386)

**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
	31/12/2021 (RM'000)	31/12/2020 (RM'000)		31/12/2021 (RM'000)	31/12/2020 (RM'000)	
Revenue	392,414	316,083	24.1%	1,485,912	1,153,478	28.8%
Cost of Sales	(330,889)	(251,306)	31.7%	(1,219,619)	(928,330)	31.4%
Gross Profit	61,525	64,777	(5.0%)	266,293	225,148	18.3%
Profit Before Tax	1,772	5,022	(64.7%)	49,728	62,328	(20.2%)
Profit After Tax	852	4,269	(80.0%)	36,781	46,896	(21.6%)

Group revenue for the quarter and year ended 31 December 2021 was 24.1% and 28.8% higher than the same period last year respectively due to continuous good demand for nutrition & wellness products and the newly launched product (Atmosphere Mini). This was also driven by the Amway Privileged Customer (APC) programme and strong field momentum motivated by the newly introduced sales incentive plan in January 2021.

Despite higher revenue, the Group's profit before tax for the year ended 31 December 2021 decreased by 20.2% due to the new sales incentive plan introduced since beginning of the year as well as true up adjustment in view of the higher pay-out for the new sales incentives for the ABO's performance year ended 31 August 2021. Moreover, these were compared to a higher base in previous period resulting from trip cancellation due to Covid-19 pandemic outbreak and one-off gain on disposal of properties.

The Group's profit before tax for the quarter ended 31 December 2021 also saw a decrease of 64.7% compared to the same period last year mainly due to new sales incentive plan introduced since beginning of the year as well as true up adjustment in view of the higher pay-out for the ABO performance year ended 31 August 2021. In addition, there was also a higher base in previous year resulting from a gain on property disposal.

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

	Current Quarter ended	Preceding Quarter ended	Changes
	31/12/2021 (RM'000)	30/09/2021 (RM'000)	
Revenue	392,414	383,933	2.2%
Cost of Sales	(330,889)	(317,890)	4.1%
Gross Profit	61,525	66,043	(6.8%)
Profit Before Tax	1,772	10,542	(83.2%)
Profit After Tax	852	7,960	(89.3%)

Group revenue for the current quarter ended 31 December 2021 was higher than the preceding quarter by 2.2% due to continuous demand from the increased customer out of APC programme.

The Group's profit before tax however, decreased by 83.2% as compared to the preceding quarter mainly due to new sales incentive plan introduced since beginning of the year as well as true up adjustment in view of the higher pay-out for the ABO's performance year ended 31 August 2021.

## 3. Commentary on Prospects

The ongoing threat of Covid-19 and evolving variants will continue to create uncertainty around the world and potentially threaten both global and national economic recovery. However, Malaysia is better protected now through comprehensive vaccinations organised under the National Covid-19 Immunisation Programme, which hopefully minimises the need for future Movement Control Order lockdown or other restrictions.

The Group's various initiatives and investments (i.e., launch of Amway Privileged Customer, new sales incentive programmes, new product launches & promotions, and sign-up fee reduction) have provided solid fundamentals and led to strong revenue growth in 2021. The resilience of the Amway Business Owners (ABO) and the Group's ongoing investment in eCommerce were additional keys to the successful year. While top line sales were up, profitability declined weighed down primarily by new sales incentive cost and ABO related expenses.

The Group is optimistic to deliver moderate top line growth for 2022 and will continue to strategically and prudently invest in specific areas to achieve long-term business growth, such as ABO centric programmes, new product launches & promotions, as well as further improvements to the digital platform and related delivery infrastructure. While the cost associated with these investments will exert pressure on the operating margin, the Group expects the sales incentive plan rolled out in prior years to normalise, hence improving the operating margin compared with 2021.

## 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 ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Sales of consumer products	388,175	310,516	1,467,690	1,134,553
Sign up and renewal fees and other service fees	4,239	5,567	18,222	18,925
<b>Total</b>	<b>392,414</b>	<b>316,083</b>	<b>1,485,912</b>	<b>1,153,478</b>
Timing of revenue recognition:				
At point in time	388,955	311,333	1,470,766	1,137,673
Over time	3,459	4,750	15,146	15,805
<b>Total</b>	<b>392,414</b>	<b>316,083</b>	<b>1,485,912</b>	<b>1,153,478</b>

## 6. Income Tax Expense

RM'000	Quarter ended		Year ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
<b>Tax charges comprise:</b>				
Current income tax	(14,099)	(2,472)	29,546	20,841
Real property gain tax	-	138	-	436
Deferred tax	15,019	3,087	(16,599)	(5,845)
<b>Total</b>	<b>920</b>	<b>753</b>	<b>12,947</b>	<b>15,432</b>

The effective tax rate of the Group for the quarter ended 31 December 2021 is higher than the statutory tax rate due to under provision of deferred tax for prior year. As for the financial year-to-date ended 31 December 2021, 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 23 February 2022.

## 8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 December 2021.

## 9. Material Litigation

There was no material litigation as at 23 February 2022.

## 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 4.0 sen net per share have been declared on 23 February 2022. 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 11 March 2022. The payment date will be on 25 March 2022.
- 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 was declared on 24 February 2021.

The total dividend declared for the financial year ended 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.
- 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.
- v) Special single tier interim dividend of 4.0 sen net per share.

## 11. Earnings Per Share

	Quarter ended		Year ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Profit after tax attributable to owners of the parent (RM'000)	852	4,269	36,781	46,896
Numbers of shares in issue ('000)	164,386	164,386	164,386	164,386
Basic and diluted earnings per share (sen)	0.52	2.60	22.37	28.53

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

RM'000	Quarter ended		Year ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Depreciation of property, plant and equipment	1,148	1,377	4,630	4,958
Depreciation of right-of-use assets	864	829	3,351	3,331
Amortisation of intangible assets	2,296	1,280	8,703	1,467
(Reversal of allowance)/Allowance for inventory obsolescence	(3,541)	1,799	(3,045)	414
Inventories written off	2,069	445	3,965	1,781
Net changes in provision for assurance-type warranties	1,372	215	3,233	804
(Reversal of allowance)/Allowance for expected credit loss	(547)	99	55	59
Realised foreign exchange loss/ (gain)	47	1	83	65
Unrealised foreign exchange (gain)/ loss	(9)	9	(56)	61
Finance costs	170	132	600	614
Interest income	(1,197)	(968)	(3,763)	(4,383)
Gain on disposal of property, plant and equipment	(21)	(1,586)	(23)	(5,688)
Property, plant and equipment written off	61	1	70	83
Gain on termination of lease liability	-	-	(2)	-

No other income including investment income, gain/(loss) on disposal of quoted or unquoted investments or properties, impairment of assets and gain/(loss) on derivatives was recognised for the current quarter or financial year ended 31 December 2021.