

**Amway (Malaysia) Holdings Berhad (Registration No. 199501011153 (340354-U))**  
**Notes to the Interim Financial Report – 1<sup>st</sup> Quarter ended 31 March 2022**

**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 2021. The audited financial statements of the Group for the year ended 31 December 2021 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 2021, except for the adoption of the following which is applicable to the Group:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 3: Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 116: Proceeds Before Intended Use	1 January 2022
Annual Improvements to MFRS: MFRS 9 Financial Instruments - Fees in the '10 Percent Test' for Derecognition of Financial Liabilities	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022

The adoption of the amendments and annual improvements to published standards above 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 2021 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 31 March 2022.

#### **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 31 March 2022.

#### **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 31 March 2022.

#### **7. Dividends Paid**

Dividends paid during the financial period ended 31 March 2022 are as follows:

- i) 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 totalling RM14,795,000 in respect of financial year ended 31 December 2021 was paid on 25 March 2022.

#### **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 31 March 2022 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 31 March 2022.

## 11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 March 2022 are as follows:

	31/03/2022 RM'000
Approved and contracted for	11
Approved and not contracted for	14,412
	<u>14,423</u>
Contracted commitments are analysed as follows:	
Purchase of equipment	<u>11</u>

## 12. Related Party Transactions

Significant related party transactions are as follows:

<b>RM'000</b>	<b>Quarter-to-date ended</b>	
	<b>31/03/2022</b>	<b>31/03/2021</b>
Sales of goods	12	17
Purchases of goods	(158,423)	(110,790)
Royalties expense	(1,227)	(1,366)

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

### 1. Performance Review

	Quarter-to-date ended		Changes
	31/03/2022 (RM'000)	31/03/2021 (RM'000)	
Revenue	391,230	353,653	10.6%
Cost of Sales	(318,024)	(283,267)	12.3%
Gross Profit	73,206	70,386	4.0%
Profit Before Tax	26,665	26,753	(0.3%)
Profit After Tax	20,172	20,113	0.3%

Group revenue for quarter ended 31 March 2022 was 10.6% higher than the same period last year mainly driven by stronger demand for health & wellness products due to pre-price increase buy-up, good responses for overall promotion and growth in the buyer base due to increase Amway Privileged Customer (APC) count.

The Group's profit before tax for the quarter ended 31 March 2022 saw a slight decrease of 0.3% compared to the same period last year mainly driven by higher core plus sales incentive due to the timing of true up adjustment only took place in second half of the prior year for higher incentive accrual.

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

	Current Quarter ended	Preceding Quarter ended	Changes
	31/03/2022 (RM'000)	31/12/2021 (RM'000)	
Revenue	391,230	392,414	(0.3%)
Cost of Sales	(318,024)	(330,889)	(3.9%)
Gross Profit	73,206	61,525	19.0%
Profit Before Tax	26,665	1,772	1,404.8%
Profit After Tax	20,172	852	2,267.6%

Group revenue for the current quarter ended 31 March 2022 was lower than the preceding quarter by 0.3% due to higher base in previous quarter with the launch of Atmosphere Mini and extended trade-in promotion for Sky (air purifier), mitigated by stronger demand for health & wellness products and pre-price increase buy-up.

The Group's profit before tax for the current quarter ended 31 March 2022 increased more than 14 times as compared to the preceding quarter mainly due to true up adjustment in view of the higher pay-out for ABO's bonus and selling expenses in preceding quarter.

### 3. Commentary on Prospects

In light of the prospects of an improving economic environment and building upon the successful launch of Amway Privileged Customer, the expansion of CorePLUS+ discretionary ABO incentive programmes, as well as the solid fundamentals established in 2021, the Group's revenues continued to grow in the first quarter of 2022. Moreover, the Group is optimistic to deliver a moderate topline sales growth for full year 2022.

The Group continues 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 ongoing upgrades to the digital platform and related delivery infrastructure. However, the costs associated with these investments, along with inflationary risk, will exert pressure on the Group's operating margin. For the full year, the Group anticipates improving profitability marginally by mitigating these headwinds through several strategies, including the normalisation of the sales incentive plan which was rolled out in the prior year.

### 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-to-date ended	
	31/03/2022	31/03/2021
Sales of consumer products	386,118	348,888
Sign up and renewal fees and other service fees	5,112	4,765
<b>Total</b>	<b>391,230</b>	<b>353,653</b>
Timing of revenue recognition:		
At point in time	387,725	349,684
Over time	3,505	3,969
<b>Total</b>	<b>391,230</b>	<b>353,653</b>

### 6. Income Tax Expense

RM'000	Quarter-to-date ended	
	31/03/2022	31/03/2021
<b>Tax charges/(credits) comprise:</b>		
Current income tax	15,714	13,799
Deferred tax	(9,221)	(7,159)
<b>Total</b>	<b>6,493</b>	<b>6,640</b>

The effective tax rate of the Group for the current quarter ended 31 March 2022 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 May 2022.

## 8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 March 2022.

## 9. Material Litigation

There was no material litigation as at 25 May 2022.

## 10. Dividends proposed or declared

- i) A first single tier interim dividend of 5.0 sen net per share has been declared on 25 May 2022.

In respect of deposited securities, entitlement to the first single tier interim dividend will be determined based on shareholders registered in the record of depositors as at 13 June 2022. The payment date will be on 24 June 2022.

- ii) In the previous year corresponding quarter, a first single tier interim dividend of 5.0 sen net per share was declared on 25 May 2021.

The total dividend declared for the financial year ending 31 December 2022 are as follows:

- i) First single tier interim dividend of 5.0 sen net per share.

## 11. Earnings Per Share

	Quarter-to-date ended	
	31/03/2022	31/03/2021
Profit after tax attributable to owners of the parent (RM'000)	20,172	20,113
Numbers of shares in issue ('000)	164,386	164,386
Basic and diluted earnings per share (sen)	12.27	12.24

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

RM'000	Quarter-to-date ended	
	31/03/2022	31/03/2021
Depreciation of property, plant and equipment	1,109	1,176
Depreciation of right-of-use assets	914	823
Amortisation of intangible assets	2,323	2,172
(Reversal of allowance)/Allowance for inventory obsolescence	(2,046)	2,175
Inventories written off	1,400	901
Net changes in provision for assurance-type warranties	597	817
(Reversal of allowance)/Allowance for expected credit loss	(80)	113
Realised foreign exchange loss	11	12
Unrealised foreign exchange loss/(gain)	7	(44)
Finance costs	143	145
Interest income	(1,029)	(762)
Gain on disposal of property, plant and equipment	(1)	-
Property, plant and equipment written off	-	1
Gain on lease modification	-	(1)

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-to-date ended 31 March 2022.