

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:

Description	Effective for annual periods beginning on or after
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 30 June 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 30 June 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 30 June 2022.

7. Dividends Paid

Dividends paid during the financial period ended 30 June 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; 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 2022 was paid on 24 June 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 30 June 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 30 June 2022.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 30 June 2022 are as follows:

	30/06/2022
	RM'000
Approved and contracted for	582
Approved and not contracted for	13,549
	<u>14,131</u>
Contracted commitments are analysed as follows:	
Purchase of equipment, building improvement and system development costs	<u>582</u>

12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year-to-date ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Sales of goods	12	12	24	29
Purchases of goods	(161,333)	(82,175)	(319,756)	(192,965)
Royalties expense	(1,164)	(1,353)	(2,391)	(2,719)
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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

1. Performance Review

	Quarter ended			Year-to-date ended		
	30/06/2022 (RM'000)	30/06/2021 (RM'000)	Changes	30/06/2022 (RM'000)	30/06/2021 (RM'000)	Changes
Revenue	354,618	355,912	(0.4%)	745,848	709,565	5.1%
Cost of Sales	(285,873)	(287,573)	(0.6%)	(603,897)	(570,840)	5.8%
Gross Profit	68,745	68,339	0.6%	141,951	138,725	2.3%
Profit Before Tax	20,020	10,661	87.8%	46,685	37,414	24.8%
Profit After Tax	14,978	7,856	90.7%	35,150	27,969	25.7%

Group revenue for the quarter ended 30 June 2022 was marginally lower by 0.4% than last period mainly due to the softer demand in home appliances, however the downside was mostly mitigated by strong growth in the health and wellness and personal care categories driven by increase in the buyer base.

The Group's profit before tax for the quarter ended 30 June 2022 increased by 87.8% against the same period last year mainly due to price increase and normalisation of ABO sales incentives.

Group revenue for the six-month ended 30 June 2022 was 5.1% higher than the same period last year mainly driven by price increase in March and April month as well as good responses to sales and marketing promotion especially in the health and supplements category.

For the six months ended 30 June 2022, the Group recorded a 24.8% increase in profit before tax compared to the same period last year mainly driven by sales growth, price increase and normalisation of ABO sales incentives.

2. Comparison with the Preceding Quarter's Results

	Current Quarter ended 30/06/2022 (RM'000)	Preceding Quarter ended 31/03/2022 (RM'000)	Changes
Revenue	354,618	391,230	(9.4%)
Cost of Sales	(285,873)	(318,024)	(10.1%)
Gross Profit	68,745	73,206	(6.1%)
Profit Before Tax	20,020	26,665	(24.9%)
Profit After Tax	14,978	20,172	(25.7%)

Group revenue for the current quarter ended 30 June 2022 was 9.4% lower than the preceding quarter arising from pre-price increase buy-up in preceding quarter.

The Group's profit before tax for the current quarter ended 30 June 2022 decreased by 24.9% compared to the preceding quarter mainly attributed by lower sales and timing difference in sales and marketing events.

3. Commentary on Prospects

The Group has delivered revenue growth in the first half of 2022 on the back of the successful launch of Amway Privileged Customer, the expansion of Core Plus discretionary ABO incentive programmes, as well as the solid fundamentals established in 2021. The ongoing global supply chain disruption and rising inflation coupled with geopolitical crises will continue to put pressure on global economic growth. Despite these economic headwinds, the Group is optimistic to deliver a moderate topline sales growth for the full year of 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 and weaker Ringgit, will exert pressure on the Group's operating margin. For the full year, the Group anticipates marginal improvement in profitability 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 ended		Year-to-date ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Sales of consumer products	349,471	350,936	735,589	699,824
Sign up and renewal fees and other service fees	5,147	4,976	10,259	9,741
Total	354,618	355,912	745,848	709,565
Timing of revenue recognition:				
At point in time	350,940	351,668	738,664	701,352
Over time	3,678	4,244	7,184	8,213
Total	354,618	355,912	745,848	709,565

6. Income Tax Expense

RM'000	Quarter ended		Year-to-date ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Tax charges/(credits) comprise:				
Current income tax	12,764	15,035	28,478	28,834
Deferred tax	(7,722)	(12,230)	(16,943)	(19,389)
Total	5,042	2,805	11,535	9,445

The effective tax rate of the Group for the current quarter and financial year-to-date ended 30 June 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 24 August 2022.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 June 2022.

9. Material Litigation

There was no material litigation as at 24 August 2022.

10. Dividends proposed or declared

- i) A second single tier interim dividend of 5.0 sen net per share has been declared on 24 August 2022.

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 12 September 2022. The payment date will be on 23 September 2022.

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

11. Earnings Per Share

	Quarter ended		Year-to-date ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Profit after tax attributable to owners of the parent (RM'000)	14,978	7,856	35,150	27,969
Numbers of shares in issue ('000)	164,386	164,386	164,386	164,386
Basic and diluted earnings per share (sen)	9.11	4.78	21.38	17.01

12. Notes to the Condensed Consolidated Statements of Comprehensive Income

RM'000	Quarter ended		Year-to-date ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Depreciation of property, plant and equipment	1,116	1,157	2,225	2,333
Depreciation of right-of-use assets	950	828	1,864	1,651
Amortisation of intangible assets	2,233	2,157	4,556	4,329
(Reversal of)/Allowance for inventory obsolescence	(33)	(1,817)	(2,079)	358
Inventories written off	436	211	1,836	1,112
Net changes in provision for assurance-type warranties	575	381	1,172	1,198
Allowance/(Reversal of allowance) for expected credit loss	3	(245)	(77)	(132)
Realised foreign exchange loss/(gain)	13	(2)	24	10
Unrealised foreign exchange (gain)/loss	(21)	14	(14)	(30)
Finance costs	148	142	291	287
Interest income	(1,048)	(790)	(2,077)	(1,552)
Property, plant and equipment written off	6	8	6	9
Gain on disposal of property, plant and equipment	-	-	(1)	-
Gain on termination of lease	-	(1)	-	(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 and financial year-to-date ended 30 June 2022.