

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 2022. The audited financial statements of the Group for the year ended 31 December 2022 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 condensed consolidated financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

Description	Effective for annual periods beginning on or after
MFRS 17 and Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of the above new standard and amendments 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 2022 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 current quarter and financial period ended 31 March 2023.

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 current quarter and financial period ended 31 March 2023.

6. Issues, Repurchases, and Repayments of Debt and Equity Securities

There were no issuances, repurchases, or repayments of debt and equity securities during the current quarter and financial period ended 31 March 2023.

7. Dividends Paid

Dividends paid during the financial period ended 31 March 2023 are as follows:

- i) Fourth single tier interim dividend of 5.0 sen net per share and a special single tier interim dividend of 18.0 sen net per share totalling RM37,808,000 in respect of financial year ended 31 December 2022 was paid on 29 March 2023.

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 2023 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 current quarter and the financial period ended 31 March 2023.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 March 2023 are as follows:

	31.03.2023
	RM'000
Development costs and property, plant and equipment:	
- Approved and contracted for	443
- Approved and not contracted for	22,412
	<u>22,855</u>
Contracted commitments are analysed as follows:	
- Purchase of equipment, building improvement and system development costs	<u>443</u>

12. Related Party Transactions

Significant related party transactions with related companies are as follows:

RM'000	Quarter and Year-to-date ended	
	31.03.2023	31.03.2022
Sales of goods	19	12
Purchases of goods	(92,653)	(158,423)
Royalties expense	(1,079)	(1,227)

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

1. Performance Review

RM'000	Quarter and Year-to-date ended		Changes
	31.03.2023	31.03.2022	
Revenue	372,815	391,230	(4.7%)
Cost of Sales	(300,037)	(318,024)	(5.7%)
Gross Profit	72,778	73,206	(0.6%)
Profit Before Tax	25,759	26,665	(3.4%)
Profit After Tax	19,566	20,172	(3.0%)

Group revenue for the quarter ended 31 March 2023 was lower than the same period last year by 4.7% mainly due to higher comparison in the previous year's quarter which benefited from a surge in demand for the health & wellness and home appliances products ahead of a price increase.

The Group's profit before tax for the quarter ended 31 March 2023 lower by 3.4% compared to the same period last year due to lower sales.

2. Comparison with the Preceding Quarter's Results

RM'000	Current	Preceding	Changes
	quarter ended 31.03.2023	quarter ended 31.12.2022	
Revenue	372,815	397,136	(6.1%)
Cost of Sales	(300,037)	(317,131)	(5.4%)
Gross Profit	72,778	80,005	(9.0%)
Profit Before Tax	25,759	31,929	(19.3%)
Profit After Tax	19,566	22,977	(14.8%)

Group revenue for the current quarter ended 31 March 2023 was 6.1% lower than the preceding quarter mainly due to a higher base in preceding quarter resulted from good respond of new launches such as XS Ignite and Artistry Vitamin C+HA3 serum.

The Group's profit before tax for the current quarter ended 31 March 2023 dropped by 19.3% compared to the preceding quarter mainly attributed by lower sales coupled with reversal from the incentives trip provisions due to trip cancellation in preceding quarter.

3. Commentary on Prospects

The first quarter of 2023 saw a decline in the Group's sales when compared to the same period last year. The first quarter of 2022 provided a higher comparable due to an increase in product demand by Amway Business Owners (“ABOs”) and customers ahead of a price increase. The Group is currently providing a BIG Health solution that offers a comprehensive approach to health and wellness. On the back of this initiative and combined with other attractive sales and marketing programs, the Group remains cautiously optimistic to deliver a flat to modest revenue growth for 2023.

The Group will also continue to be prudent and agile in its operations with a focus on business sustainability, such as ABO-centric programs, supply chain capacity uplift, new product launches & promotions, BIG Health solution, as well as ongoing upgrades to the digital platform, and related delivery infrastructure. Collectively, the costs of these critical business investments, plus the rising costs generally due to inflation will exert pressure on the operating margin for 2023.

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 and Year-to-date ended	
	31.03.2023	31.03.2022
Sales of consumer products	368,241	386,118
Sign up and renewal fees and other service fees	4,574	5,112
Total	372,815	391,230
Timing of revenue recognition:		
At point in time	369,374	387,725
Over time	3,441	3,505
Total	372,815	391,230

6. Income Tax Expense

RM’000	Quarter and Year-to-date ended	
	31.03.2023	31.03.2022
Tax charges/(credits) comprise:		
Current income tax	8,359	15,714
Deferred tax	(2,166)	(9,221)
Total	6,193	6,493

The effective tax rate of the Group for the current quarter ended 31 March 2023 approximates the statutory tax rate of 24%.

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 24 May 2023.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 March 2023.

9. Material Litigation

There was no material litigation as at 24 May 2023.

10. Dividends proposed or declared

- i) A first single tier interim dividend of 5.0 sen net per share has been declared on 24 May 2023.

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 12 June 2023. The payment date will be on 23 June 2023.

- 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 2022.

The total dividend declared for the financial year ending 31 December 2023 is as follows:

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

11. Earnings Per Share

	Quarter and Year-to-date ended	
	31.03.2023	31.03.2022
Profit after tax attributable to owners of the parent (RM'000)	19,566	20,172
Numbers of shares in issue ('000)	164,386	164,386
Basic and diluted earnings per share (sen)	11.90	12.27

12. Notes to the Condensed Consolidated Statement of Comprehensive Income

RM'000	Quarter and Year-to-date ended	
	31.03.2023	31.03.2022
Depreciation of property, plant and equipment	1,016	1,109
Gain on disposal of property, plant and equipment	-	(1)
Amortisation of intangible assets	1,931	2,323
Intangible assets written off	13	-
Depreciation of right-of-use assets	912	914
Finance costs	145	143
Interest income	(1,407)	(1,029)
Net allowance/(reversal of allowance) for expected credit loss	403	(80)
Net allowance/(reversal of allowance) for inventory obsolescence	1,674	(2,046)
Inventories written off	670	1,400
Net changes in provision for assurance-type warranties	614	597
Net realised loss on foreign exchange	272	11
Net unrealised (gain)/loss on foreign exchange	(147)	7

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 period ended 31 March 2023.