

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
Amendments to MFRS 112: International Tax Reform—Pillar Two Model Rules	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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2023.

7. Dividends Paid

Dividends paid during the financial year ended 31 December 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 RM37,808,698 in respect of financial year ended 31 December 2022 was paid on 29 March 2023;
- 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 2023 was paid on 23 June 2023;
- 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 2023 was paid on 22 September 2023; 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 2023 was paid on 15 December 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 year ended 31 December 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 year ended 31 December 2023.

11. Capital Commitments

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

	31/12/2023
	RM'000
Development costs and property, plant and equipment:	
- Approved and contracted for	265
- Approved and not contracted for	19,829
	<u>20,094</u>
Contracted commitments are analysed as follows:	
- Purchase of equipment, building improvement and system development costs	<u>265</u>

12. Related Party Transactions

Significant related party transactions with related companies are as follows:

	Quarter ended		Year ended	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Sales of goods	14	280	157	334
Purchases of goods	(101,446)	(84,408)	(344,918)	(523,423)
Royalties expense	(914)	(1,277)	(3,961)	(4,908)
Sale of property, plant and equipment	-	-	-	161

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
	31/12/2023 (RM'000)	31/12/2022 (RM'000)		31/12/2023 (RM'000)	31/12/2022 (RM'000)	
Revenue	358,278	397,136	(9.8%)	1,408,259	1,514,774	(7.0%)
Cost of Sales	(263,570)	(317,131)	(16.9%)	(1,059,539)	(1,204,020)	(12.0%)
Gross Profit	94,708	80,005	18.4%	348,720	310,754	12.2%
Profit Before Tax	42,837	31,929	34.2%	152,586	103,102	48.0%
Profit After Tax	32,405	22,977	41.0%	115,926	76,881	50.8%

Group revenue for the quarter and year ended 31 December 2023 were lower by 9.8% and 7.0% respectively than the same period last year. The decline was largely due to weakened demand for health and wellness products as well as home appliances.

However, the Group's profit before tax for the quarter and year-to-date ended 31 December 2023 increased by 34.2% and 48.0% respectively against the same period last year benefited by price increase and lower sales incentives payout in line with lower sales.

2. Comparison with the Preceding Quarter's Results

	Current quarter ended 31/12/2023 (RM'000)	Preceding quarter ended 30/09/2023 (RM'000)	Changes
Revenue	358,278	333,473	7.4%
Cost of Sales	(263,570)	(223,585)	17.9%
Gross Profit	94,708	109,888	(13.8%)
Profit Before Tax	42,837	60,340	(29.0%)
Profit After Tax	32,405	46,211	(29.9%)

Group revenue for the current quarter ended 31 December 2023 was 7.4% higher than the preceding quarter mainly driven by home appliance promotional campaign and new launches.

The Group's profit before tax for the current quarter ended 31 December 2023 decreased by 29.0% compared to the preceding quarter. This was mainly attributable to normalisation of ABO incentives in current quarter and higher operating expenses.

3. Commentary on Prospects

Following two years of extraordinary growth and record-high revenue in the preceding year, the Group's sales underwent a rebalancing phase in FY2023, resulting in a 7.0% decline in sales. This decline was attributed to a combination of factors, including inflationary pressure, weakened consumer sentiment due to economic uncertainty, as well as consumer priorities shifting away from pandemic-specific health concerns. Transitioning into 2024, the Group foresees similar headwinds from these macroeconomic factors and anticipates some continued downward pressure on sales.

To sustain long-term success, the Group will transition from its current focus on physical health to a more encompassing “Health and Wellbeing” approach, reflecting Amway’s commitment to delivering holistic solutions that cater to the targeted needs of our consumers. This approach will involve strategic investments in ABO-centric programs, innovative product launches, the cultivation of health-centric communities, and the necessary infrastructure and technology upgrades. Collectively, these investments coupled with the anticipated ongoing inflationary impact on the cost of products, will also exert downward pressure on the 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:

	Quarter ended		Year ended	
	31/12/2023 (RM'000)	31/12/2022 (RM'000)	31/12/2023 (RM'000)	31/12/2022 (RM'000)
Sales of consumer products	350,752	391,908	1,385,765	1,494,255
Sign up and renewal fees and other service fees	7,526	5,228	22,494	20,519
Total	358,278	397,136	1,408,259	1,514,774
Timing of revenue recognition:				
At point in time	351,582	392,976	1,390,252	1,499,738
Over time	6,696	4,160	18,007	15,036
Total	358,278	397,136	1,408,259	1,514,774

6. Income Tax Expense

	Quarter ended		Year ended	
	31/12/2023 (RM'000)	31/12/2022 (RM'000)	31/12/2023 (RM'000)	31/12/2022 (RM'000)
Tax charges/(credits) comprise:				
Current income tax	(984)	(9,824)	30,344	27,143
Deferred tax	11,416	18,776	6,316	(922)
Total	10,432	8,952	36,660	26,221

The effective tax rate of the Group for the current quarter ended 31 December 2023 is higher than the statutory tax rate due to certain expenses are not deductible for tax purposes. The effective tax rate of the Group for the financial year ended 31 December 2023 approximates the statutory tax rate of 24%.

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 28 February 2024.

8. Group Borrowings and Debt Securities

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

9. Material Litigation

There was no material litigation as at 28 February 2024.

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 40.0 sen per share have been declared on 28 February 2024.

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 15 March 2024. The payment date will be on 27 March 2024.

- 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 18.0 sen net per share was declared on 27 February 2023.

The total dividend declared for the financial year ended 31 December 2023 is 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 40.0 sen net per share.

11. Earnings Per Share

	Quarter ended		Year ended	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Profit after tax attributable to owners of the parent (RM'000)	32,405	22,977	115,926	76,881
Numbers of shares in issue ('000)	164,386	164,386	164,386	164,386
Basic and diluted earnings per share (sen)	19.71	13.98	70.52	46.77

12. Notes to the Condensed Consolidated Statement of Comprehensive Income

	Quarter ended		Year ended	
	31/12/2023 (RM'000)	31/12/2022 (RM'000)	31/12/2023 (RM'000)	31/12/2022 (RM'000)
Depreciation of property, plant and equipment	1,076	1,165	4,135	4,507
Depreciation of right-of-use assets	1,420	824	4,166	3,628
Amortisation of intangible assets	770	2,060	6,557	8,836
Net (reversal of allowance)/allowance for inventory obsolescence	(1,071)	(1,154)	2,289	213
Inventories written off	1,006	830	3,330	4,244
Net changes in provision for assurance-type warranties	399	580	1,125	2,341
Net allowance for expected credit loss	281	129	448	138
Net realised loss/(gain) on foreign exchange	71	(46)	604	31
Net unrealised loss on foreign exchange	122	221	51	104
Finance costs	241	173	667	603
Interest income	(2,729)	(1,322)	(7,838)	(4,558)
Intangible asset written off	-	1,312	13	1,312
Property, plant and equipment written off	5	-	8	57
Gain on disposal of property, plant and equipment	-	-	-	(162)

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 ended 31 December 2023.