



22ND ANNUAL GENERAL MEETING

17 MAY 2017

Responses to questions from Minority Shareholder Watchdog Group (MSWG)

Amway 22nd AGM 17 May 2017

STRATEGIC & FINANCIAL MATTERS

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QUESTION 1

Group revenue increased from RM1.02 billion in 2015 to RM1.09 billion in 2016. However, in the Management Discussion and Analysis (MD&A), it was stated that the Group's profit before tax decreased by 18.3% mainly due to higher import costs, primarily caused by a weaker Ringgit and higher product prices.

- (i) How would the Board address these issues including the weaker consumer sentiments and higher operating expenses environment to improve its profitability and product pricing to be competitive?
- (ii) What are the key performance indicators for FY2017 and what are the greatest challenges in 2017?

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Answer to Question 1 (i)

The Board would like to highlight the action plan taken by AMWAY Malaysia to address these issues:

- a) AMWAY Malaysia launched a total of 10 new, innovative and high quality products (and 3 bundled solutions) in 2016 that were market-benchmarked for pricing competitiveness. To remain competitive, we continued to support our ABOs and enhanced our product value proposition whilst ensuring/maintaining competitive pricing. Our marketing and R&D teams continue to develop ways to help our ABOs share the unique value proposition for our existing products.

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Answer to Question 1 (i) (contd.)

- b) The Management at AMWAY Malaysia closely managed the various financial challenges, particularly the impacts of Ringgit depreciation as 80% of our imports were directly impacted. Key actions taken by the Management were as follows:
 - Conducted yearly negotiations with AMWAY HQ supplier on exchange rates that resulted in AMWAY Malaysia buying at hedged rates lower than the prevailing market rates. The negotiations in FY2016 resulted in a hedged rate of 6% and 11%, below the average prevailing market rates in 2015 and 2016 respectively.
 - Negotiated to secure competitive product purchase price in the past years. For the period commencing May 2016, we negotiated a 0.5% product purchase price increase. For the period commencing May 2017, we managed to negotiate for a product purchase price decrease of 0.5% which directly improved our profit.

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Answer to Question 1 (ii)

Key performance indicators for FY2017 include sales, profit before tax, ABO performance and experience related indicators such as core ABO force, retention rate, new sign-ups and productivity.

In 2017, the Board expects the sales growth for the year to be extremely challenging as the Group has undergone two consecutive years of strong sales growth coupled with the softer economic landscape arising from declining consumer spending and low consumer confidence, as well as the negative impacts of forex. Furthermore, the weakening Ringgit may continue to put pressure on the operating margin as about 80% of our products are imported from the US and may result in higher import costs.

To mitigate these challenges, the Group will continue to proactively focus on strategies to effectively manage operating costs to offset pressure on profitability and implement various sales and marketing initiatives, as well as ABO experience related infrastructure to support the ABOs' business.

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QUESTION 2

In FY2016, the Group continued to manage its organisational and corporate structure with a number of key Initiatives to help its AMWAY Business Owners (ABOs) and employees achieve greater levels of success.

Could the Board elaborate on the expected improvements for each key initiative and target for FY2017?

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Answer to Question 2

As reported in the Annual Report 2016, several key initiatives mentioned below were identified to help our ABOs and employees achieve greater levels of success:

- National Convention Weekend which consisted of the National Leadership Conference, Leadership Dinner & Dance, National Convention and the Product Exposition with guest speakers & scientists from our Head Office created much excitement amongst the ABOs, prospects and the public. The event gave the attendees the chance to experience the potential ABO business opportunity and the company's rich and diverse heritage.
- Continuing from the successes of the Product Pavilion in garnering crowds and providing a whole new shopping/brand experience, we aim to continue to strengthen our physical presence by renovating and relocating our existing shops as part of our strategy to provide total winning experiences to our ABOs and their customers.

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Answer to Question 2 (contd.)

- The launch of new, top quality and innovative products had always helped our ABOs in their retailing and business expansions. We aspire to continue with the product launches in 2017 from our coreline range of Artistry™ and Nutrilite™.
- BodyKey Fitness Community, an ABO-driven community programme promoted health and wellness via the support of health-based communities and activities in 2016, while providing additional opportunities for them to build their AMWAY business. For 2017, we will focus on creating more enduring and "sticky" communities. In March 2017, we gathered 43 top ABO leaders (Diamonds) whom each recruited two up & coming business builders. These 129 individuals attended an immersive 2-day boot camp focused on all aspects of healthy living, weight management, fitness, nutrition, goal setting, motivation, leadership, etc. to kick start their 60-day team challenge. Programs such as these will likely promote ABOs' business to the next level of success.

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QUESTION 3

- (i) The Group continues to invest in improving mobile capabilities via mobile web improvement, order management systems and enhance fulfilment and distribution networks. How much cost has the Company allocated for updating digital infrastructure expenditure for FY2017?
- (ii) How successful is the Instagram and WeChat apps in attracting the younger generation to the group products?
- (iii) Please elaborate on the traction and results from its Amway Product Pavilion?

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Answer to Question 3

- (i) With regards to actual development, we have been able to leverage on AMWAY Global's expertise and infrastructure to use core applications from other markets' implementations, and focus our efforts and investments on local requirements and integrations.
- (ii) The Group perceives social media apps as a success in attracting ABOs and target markets. The social media apps support not just the younger generation but all generations of ABOs and prospects, who are digitally connected and want greater accessibility and convenience. AMWAY Malaysia's Instagram and WeChat apps received tremendous responses with more than 11,000 and 15,000 followers respectively since its launch in 2016. Both apps served as the social communication platform for our ABOs and the public to communicate and share information on our products and services.

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Answer to Question 3 (contd.)

- (iii) Since the opening of Product Pavilion in September 2016, we have seen an encouraging number of visitors and prospects. The Pavilion is more focused on providing the best ambience and facilities for our ABOs. It allows easy access to products and valuable insights on product quality, research and development, features and ingredients unique for each Brand, with dedicated Brand zones showcasing Nutrilite™, Artistry™, Home Living and Personal Care, along with the Personal Shoppers Catalogue range of lifestyle products. We have seen a 20% increase in the number of purchasers at the Pavilion as compared to the previous shop, in the same location.

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QUESTION 4

We noted that the Group with ABOs ran a recycling programme to collect back all used product containers. Was there any cost incurred in implementing the programme and was the programme well received?

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Answer to Question 4

The recycling programme is supported by ABOs and employees voluntarily without any monetary compensation. This programme was well received as we collected a total of 4.64 metric tonnes in 2016. This programme continues to encourage ABOs and employees to recycle used AMWAY product containers.

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CORPORATE GOVERNANCE MATTERS

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QUESTION 1

Tenure of Independent Director

We noted that two (2) out of four (4) Independent Directors (INEDs) have served the Board for more than 9 years.

We hope that the Board would address the issue on the Board's succession planning.

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Answer to Question 1

We have put in place a continuous evaluation process led by the Nominating Committee in reviewing and assessing the Board's required mix of skills, experience, independence, time commitment, understanding of the business operations and other qualities, including the contribution of each individual Director on an annual basis.

During the meeting held in February 2017, the Nominating Committee conducted an annual performance evaluation and assessment of the Independent Directors and proposed to the Board for the candidates to remain as Independent Directors after assessing the mentioned criteria. The Independent Directors' vast experiences and incredible characteristics had helped to strengthen our corporate governance and the Board's performance.

With regards to succession planning, the Company will engage in a comprehensive and robust search to succeed the Board members, should the need arise, with equally high quality candidates.

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THANK YOU