

**Amway (Malaysia) Holdings Berhad (Company No : 340354-U)**  
**Notes to the Interim Financial Report - 2<sup>nd</sup> Quarter ended 30 June 2010.**

**A. COMPLIANCE WITH FINANCIAL REPORTING STANDARDS (“FRS”) 134,  
INTERIM FINANCIAL REPORTING AND BURSA LISTING  
REQUIREMENTS**

**1. Accounting Policies and Methods of Computation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2009, except that the Group has adopted the new/revised FRS and Issues Committee (“IC”) Interpretations mandatory for annual periods beginning on or after 1 January 2010 as follows:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement Disclosures and Reassessment of Embedded Derivatives
Improvement to FRSs 2009	Improvement to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

- (a) FRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2010). With the adoption of FRS 7, financial assets and financial liabilities are disclosed in the statement of financial position based on their respective classifications. This standard requires additional disclosures regarding fair value measurements and liquidity risk in the full year financial statements, and has no effect on reported profit or equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures have been made in these interim financial statements.
- (b) Amendments to FRS 101 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income (in two separate statements), a statement of cash flows and notes to the financial statements. The total comprehensive income for the period is presented as a one-line item in the statement of changes in equity.
- (c) Amendments to FRS 117 Leases (effective for annual periods beginning on or after 1 January 2010). The amendments to FRS 117 requires entities with existing leases of land and buildings (combined) to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity. However, as a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows:

31 December 2009	As previously reported RM'000	Effects of changes in accounting policy RM'000	As restated RM'000
Property, plant and equipment	70,513	16,287	86,800
Leasehold land	16,287	(16,287)	-

- (d) FRS 139 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). In accordance with the requirement of this standard, financial derivatives are stated at fair value which is equivalent to the marking of the financial derivatives to market, using prevailing market rates. Financial derivatives with positive market values (unrealized gains) are included under current assets and financial derivatives with negative market values (unrealized losses) are included under current liabilities in the statement of financial position. Any gains or losses arising from changes in fair value on financial derivatives during the financial period that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the statement of comprehensive income.

The adoption of other interpretations and revisions to existing FRSs, IC Interpretations and Amendments mandatory for annual periods beginning on or after 1 January 2010 did not result in significant changes in the reported profit or equity or on the disclosures in the financial statements.

## **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 2009 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 & Sensitivity Analysis of Market Risks**

There were no items affecting assets, liabilities, equity, net income or cash flows & sensitivity analysis of market risks that were unusual because of their nature, size or incidence during the quarter under review.

## **5. Material Changes in Estimates**

There were no material changes in the nature and amount of estimates reported in prior interim period of current or prior financial years.

## **6. Capital Management, Issuances, repurchases, and Repayments of Debts and Equity Instruments**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

## **7. Dividends Paid**

The interim single tier dividend of 9.0 sen net per share amounting to RM14,795,000 in respect of the financial year ending 31 December 2010, was paid on 18 June 2010.

## **8. Operating Segment Information**

As in prior financial year, the Group operates solely in the direct selling industry and distribution of 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 are not presented with the adoption of FRS 8.

## **9. Material Events Subsequent to the End of the interim Period**

There had been no material event affecting the earnings of the Group and the Company between 30 June 2010 to 5 August 2010.

## 10. Effects of Changes in the Composition of the Group

There were no changes in the composition of the Company / Group including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring and discontinuing operations during the quarter under review.

## 11. Changes in Contingent Liabilities or Contingent Assets since the last annual balance sheet date

There were no material contingent liabilities or contingent assets as at 5 August 2010.

## 12. Capital Commitments

Authorised capital commitments not recognized in the interim financial statements as at 30 June 2010 are as follows:

	RM'000
Contracted	4,130
Not contracted	5,233
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	<u>9,363</u>
Analysed as follows:	
For purchase of property, plant and equipment	9,363
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	<u>9,363</u>

## 13. Related Party Transactions

The Group's related party transactions in the current quarter and the cumulative period-to-date ended 30 June 2010 are as follows:

RM'000	Sales of goods	Purchases of goods	Services provided	Services received	Royalties Expense	Total for nature of Relationship
Current Quarter	716	47,946	-	1,274	235	50,171
Year-to-date	1,585	103,403	91	3,516	509	109,104

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

### **1. Performance Review**

The Group's sales revenue recorded an increase of 9.8% for the quarter under review and 8.4% for the six months ended 30 June 2010 as compared to the corresponding periods in the preceding year. The growth in sales revenue was due to successful promotions and increase in distributors' productivity driven by enhanced sales and marketing program implemented in the periods under review.

The Group's profit before tax increased by 35.0% for the quarter under review and 8.6% for the six months ended 30 June 2010 as compared to the corresponding periods in the preceding year mainly due to the higher gross margin arising from the increase in sales and the favorable foreign exchange impact.

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

The Group's sales revenue decreased by 4.1% as compared to the preceding quarter higher sales which was due to the pre-price increase buying ahead of the distributor price increase effective 1 March 2010.

The Group's profit before tax increased 34.0% as compared to the preceding quarter mainly due to the favorable foreign exchange impact.

### **3. Commentary on Prospects for the Remaining Period of the Current Financial Year**

Although the economy enjoyed a strong growth in the first half of 2010, key indicators in major global economies are pointing to slowdown in second half of 2010. Notwithstanding this, the Board maintains that the Group is on track to achieve single digit growth in sales revenue in the current financial year.

The Board of Directors is of the opinion that this internal target is achievable based on current market conditions and currently available information. The target will be reviewed periodically by the Board of Directors and any subsequent changes will be conveyed to the market in accordance with Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The above is internal management target and is not an estimate, forecast or projection. In addition, this internal target has not been reviewed by our external auditors.

#### 4. Variance of Actual Profit from Forecast Profit or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee in the current quarter or in the prior financial year.

#### 5. Breakdown of Tax Charges

	<b>Current Quarter 3 months ended 30/06/2010 RM'000</b>	<b>Cumulative period-to-date 6 months ended 30/06/2010 RM'000</b>
<b>Tax charges/credits comprise:</b>		
Malaysian taxation based on profit for the period		
Current income tax	8,938	15,074
Deferred tax	(686)	(1,199)
<b>Total</b>	<b>8,252</b>	<b>13,875</b>

The effective tax rates for the current quarter and financial year-to-date of the Group are higher than the statutory tax rate mainly due to certain expenses disallowed for tax purposes.

#### 6. Profit/ Loss on Sale of Unquoted Investment and/or Properties

There were no disposals of investments during the quarter under review and financial year-to-date.

#### 7. Quoted Securities

There was no purchase or disposal of quoted securities by the Group for the quarter under review and financial year-to-date.

#### 8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 5 August 2010.

#### 9. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 June 2010.

## 10. Derivative Financial Instruments

With the adoption of FRS 139, financial derivatives are recognized on their respective contract dates. The related accounting policies are disclosed in note A1 in the section on Notes to the Interim Report.

As at the date of the statement of financial position 30 June 2010, the currency forward contracts which have been entered into by the Group to hedge its foreign purchases in foreign currency are as follows:

<b>Derivative (RM'000)</b>	<b>Contract amount</b>	<b>Fair value amount</b>	<b>Difference</b>
US Dollar			
1. Currency forward contracts:			
- Less than 1 year	39,493	39,090	(403)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-

It is, and has been throughout the period under review, the Group's policy that no trading in derivative financial instruments and no speculative transactions shall be undertaken. The currency forward contracts are transacted with the Group's bankers for the purposes of hedging the purchases of products in US Dollars.

For the quarter ended 30 June 2010, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous year. Also, there have been no changes to the Group's financial risk management objectives and policies since the previous financial year end.

## 11. Gains and Losses arising from Fair Value Changes of Financial Liabilities

The gains and losses arising from fair value changes of financial liabilities measured at fair value through profit or loss for current and cumulative quarters are as follows:

<b>Type</b>	<b>Current year quarter Gain RM'000</b>	<b>Current year-to-date (Losses) RM'000</b>	<b>Basis of fair value measurement</b>	<b>Reasons for Gain/ (Losses)</b>
Derivative financial instruments (Refer to Note B 10)	1,366	(403)	Foreign currency as of financial position date	Foreign exchange movements

## **12. Material Litigation**

There was no material litigation as at 5 August 2010.

## **13. Dividend**

- (a)
  - i) A second interim single tier dividend of 9.0 sen net per share has been declared on 5 August 2010, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each.
  - ii) For the previous corresponding quarter, an interim single tier dividend of 7.0 sen net per share has been declared on 19 August 2009, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each.
  - iii) In respect of deposited securities, entitlements to the second interim single tier dividend will be determined based on shareholders registered in the record of depositors as at 23 August 2010. The payment date is 7 September 2010.
- (b) The total dividend declared to date for the current financial year ending 31 December 2010 is as follows:
  - i) First interim single tier dividend of 9.0 sen net per share, based on the share capital of 164,385,645 ordinary shares of RM1.00 each.
  - ii) Second interim single tier dividend of 9.0 sen net per share, based on the share capital of 164,385,645 ordinary shares of RM1.00 each.

## **14. Earnings Per Share**

The basic earnings per share for the current quarter is calculated by dividing the profit for the period amounting RM21,721,000 by the number of shares in issue of 164,385,645.