

Amway (Malaysia) Holdings Berhad (Company No : 340354-U)
Notes to the Interim Financial Report - 4th Quarter ended 31 December 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 FRSs 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 (unrealised gains) are included under current assets and financial derivatives with negative market values (unrealised 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 year 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. Dividend Paid

During the quarter under review, the following dividends were paid on 14 December 2010 in respect of the financial year ended 31 December 2010:

- i) interim single tier dividend of 9.0 sen net per share amounting to RM14,795,000
- ii) special interim single tier dividend of 30.0 sen net per share amounting to RM49,316,000

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 31 December 2010 to 16 February 2011.

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 16 February 2011.

12. Capital Commitments

Authorised capital commitments not recognised in the interim financial statements as at 31 December 2010 are as follows:

	RM'000
Contracted	1,120
Not contracted	-

	<u>1,120</u>
Analysed as follows:	
For purchase of property, plant and equipment	1,120

13. Related Party Transactions

The Group's related party transactions in the current quarter and the financial year ended 31 December 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	577	46,045	2,771	2,907	317	52,617
Financial Year 2010	2,871	194,572	2,862	7,652	1,197	209,154

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 7.1% for the quarter under review and 8.4% for the year ended 31 December 2010 as compared to the corresponding periods in the preceding year. The growth in sales revenue was mainly attributable to increase in distributors' productivity driven by sales and marketing program implemented in the periods under review, the effort index adjustment and the distributor price increase implemented in first half of the year.

The Group's profit before tax increased by 25.4% for the quarter under review and 10.4% for the year ended 31 December 2010 as compared to the corresponding periods in the preceding year mainly due to the increase in sales revenue.

2. Comparison with Preceding Quarter's Results

The Group's sales revenue decreased by 3.9% as compared to the preceding quarter mainly due to enhanced sales and marketing program implemented in the preceding quarter.

The Group's profit before tax decreased by 2.7% as compared to the preceding quarter in line with lower sales.

3. Commentary on Prospects for the Financial Year Ending 31 December 2011

Based on the current economic outlook coupled with sales and marketing program lined up for the new financial year, the Board expects the Group to achieve a single digit growth in sales revenue in 2011.

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. Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee issued by the Group during the quarter under review.

5. Breakdown of Tax Charges

RM'000	3 months ended 31/12/2010	12 months ended 31/12/2010
Tax charges/credits comprise:		
Malaysian taxation based on profit for the period		
Current income tax	3,745	27,256
Deferred tax	5,962	3,621
Total	9,707	30,877

The effective tax rates for the current quarter and financial year ended 31 December 2010 of the Group are higher than the statutory tax rate mainly due to certain expenses disallowed for tax purposes.

6. Realised and Unrealised Profits/Losses

RM'000	As at 31/12/ 2010	As at 30/9/2010
Realised	44,219	82,358
Unrealised	5,719	13,327
	49,938	95,685
Less: Consolidation adjustments	(5,748)	(5,692)
Total Group Retained Profits	44,190	89,993

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

There were no disposals of investments during the quarter under review and financial year ended 31 December 2010.

8. Quoted Securities

There was no purchase or disposal of quoted securities by the Group for the quarter under review and financial year ended 31 December 2010.

9. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 16 February 2011.

10. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 December 2010.

11. 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.

There are no outstanding forward contracts entered into by the Group, as at the date of the statement of financial position 31 December 2010.

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 31 December 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.

12. 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:

Type	Current year quarter Gains/(Losses) RM'000	Financial year- to-date Gains/(Losses) RM'000	Basis of fair value measurement	Reasons for Gains/(Losses)
Derivative financial instruments (Refer to Note B11)	528	0	Foreign currency as of financial position date	Foreign exchange movements

13. Material Litigation

There was no material litigation as at 16 February 2011.

14. Dividend

- (a)
 - i) A fourth interim single tier dividend of 9.0 sen net per share has been declared on 16 February 2011, 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 24 February 2010, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each.
 - iii) In respect of deposited securities, entitlement to the fourth interim single tier dividend will be determined based on shareholders registered in the record of depositors as at 8 March 2011. The payment date is 22 March 2011.
- (b) The total dividend declared for the financial year ended 31 December 2010 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.
 - iii) Third 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.
 - iv) Special interim single tier dividend of 30.0 sen net per share, based on the share capital of 164,385,645 ordinary shares of RM1.00 each.
 - v) Fourth 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.

15. Earnings Per Share

The basic earnings per share for the current quarter is calculated by dividing the profit for the period amounting RM18,308,000 by the number of shares in issue of 164,385,645.