

**Amway (Malaysia) Holdings Berhad (Company No : 340354-U)**  
**Notes to the Interim Financial Report - 1<sup>st</sup> Quarter ended 31 March 2011.**

**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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010, except for the adoption of the following new Financial Reporting Standards(FRSs), Amendments to FRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2011.

|   |  |
|---|--|
| FRS 1   | First-time Adoption of Financial Reporting Standards                         |
| FRS 3   | Business Combinations (Revised)  |
| FRS 127   | Consolidated and Separate Financial Statements                               |
| Amendments to FRS 1   | Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters |
| Amendments to FRS 1   | Additional Exemptions for First-time Adopters                                |
| Amendments to FRS 2   | Share-based Payment  |
| Amendments to FRS 2   | Group Cash-settled Share-based Payment Transactions                          |
| Amendments to FRS 5   | Non-current Assets Held for Sale and Discontinued Operations                 |
| Amendments to FRS 7   | Improving Disclosures about Financial Instruments                            |
| Amendments to FRS 132   | Financial Instruments: Presentation  |
| Amendments to FRS 138   | Intangible Assets  |
| Amendments to FRS 1, FRS 3, FRS 7, FRS 101  | Improvements to FRSs (2010)  |
| FRS 121, FRS 128, FRS 131, FRS 132, FRS 134, FRS 139 and Amendments to IC Interpretation 13 |  |
| IC Interpretation 4   | Determining Whether an Arrangement Contains a Lease                          |
| IC Interpretation 16  | Hedges of a Net Investment in a Foreign Operation                            |
| IC Interpretation 17  | Distributions of Non-cash Assets to Owners                                   |
| IC Interpretation 18  | Transfers of Assets from Customers   |
| Amendments to IC Interpretation 9   | Reassessment of Embedded Derivatives   |

IC Interpretation 12 Service Concession Arrangements will also be effective for annual periods beginning on or after 1 July 2010. This IC Interpretation, is, however, not applicable to the Group.

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not have any effect on the financial performance, position or presentation of the financials of the Group, other than the disclosures under the Amendments to FRS 7 which will affect the 2011 annual 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 2010 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 financial year-to-date ended 31 March 2011.

## **5. Changes in Estimates**

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

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

There were no issues, repurchases, or repayments of debt and equity securities during the financial year-to-date ended 31 March 2011.

## **7. Dividend Paid**

During the quarter ended 31 March 2011, the fourth interim single tier dividend of 9.0 sen net per share amounting to RM14,795,000 was paid on 22 March 2011 in respect of the financial year ended 31 December 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. Events after the interim Period**

There had been no events affecting the earnings of the Group and the Company between 31 March 2011 to 11 May 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 financial year-to-date ended 31 March 2011.

## 11. Capital Commitments

Authorised capital commitments not recognised in the interim financial statements as at 31 March 2011 are as follows:

|  |        |
|--|--------|
|  | RM'000 |
| Contracted                                       | 1,443  |
| Not contracted                                   | 8,474  |
|  | -----  |
|  | 9,917  |
|  | =====  |
| Contracted Commitments are analysed as follows:  |        |
| Leasehold Improvements and Purchase of Equipment | 1,443  |
|  | =====  |

## 12. Related Party Transactions

Significant related party transactions are as follows:

| RM'000             | Quarter and<br>year-to-date ended |               |
|--------------------|-----------------------------------|---------------|
|                    | 31/3/2011                         | 31/3/2010     |
| Sales of goods     | 591                               | 869           |
| Purchases of goods | 44,055                            | 55,457        |
| Services provided  | -                                 | 91            |
| Services received  | 1,614                             | 2,242         |
| Royalties expense  | 326                               | 275           |
| <b>Total</b>       | <b>46,586</b>                     | <b>58,934</b> |

## **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 a decrease of 1.6% for the quarter under review as compared to the corresponding period in the preceding year. The decrease in sales revenue was mainly due to weaker consumer spending arising from firming inflationary expectation coupled with the sales of corresponding period was boosted by pre-price increase buying ahead of the distributor price increase effective 1 March 2010.

Despite the marginally lower sales revenue, the Group's profit before tax increased by 22.4% for the quarter under review as compared to the corresponding period in the preceding year mainly due to the favorable foreign exchange impact on purchase of imported products.

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

The Group's sales revenue decreased by 6.2% as compared to the preceding quarter mainly due to higher distributor productivity driven by enhanced sales and marketing program implemented in the preceding quarter.

The Group's profit before tax decreased by 2.3% as compared to the preceding quarter in line with lower sales.

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

The rising inflation caused by the higher price of foods and gasoline has weakened consumer sentiment, making the operating environment more challenging than what the Company had anticipated earlier. As a result, the Company plans to intensify its sales and marketing activities to support distributors to grow their business. The Company is cautiously optimistic of achieving 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. Profit Forecast or Profit Guarantee**

There was no profit forecast or profit guarantee issued by the Group.

## 5. Breakdown of Tax Charges

| RM'000  | Quarter and<br>year-to-date ended |              |
|---|-----------------------------------|--------------|
|   | 31/3/2011                         | 31/3/2010    |
| <b>Tax charges/credits comprise:</b>              |                                   |              |
| Malaysian taxation based on profit for the period |                                   |              |
| Current income tax                                | 8,117                             | 6,136        |
| Deferred tax                                      | (1,022)                           | (513)        |
| <b>Total</b>                                      | <b>7,095</b>                      | <b>5,623</b> |

The effective tax rate of the Group for the current and previous corresponding quarter was 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         |               |
|-------------------------------------|---------------|---------------|
|                                     | 31/3/2011     | 31/12/2010    |
| Realised                            | 48,896        | 44,219        |
| Unrealised                          | 6,520         | 5,719         |
|                                     | 55,416        | 49,938        |
| Less: Consolidation adjustments     | (5,748)       | (5,748)       |
| <b>Total Group Retained Profits</b> | <b>49,668</b> | <b>44,190</b> |

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

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

## 8. Quoted Securities

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

## 9. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 11 May 2011.

## 10. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 March 2011.

## 11. Derivative Financial Instruments

With the adoption of FRS 139, financial derivatives are recognized on their respective contract dates.

As at the date of the statement of financial position 31 March 2011, 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                   |                        |                          |                   |
| Currency forward contracts: |                        |                          |                   |
| - Less than 1 year          | 9,093                  | 9,078                    | (15)              |
| - 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 31 March 2011, 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 quarter and financial year-to-date ended 31 March 2011 are as follows:

| <b>Type</b>  | <b>Current quarter Gains/(Losses) RM'000</b> | <b>Financial year-to-date Gains/(Losses) RM'000</b> | <b>Basis of fair value measurement</b>         | <b>Reasons for Gains/(Losses)</b>       |
|--|--|---|--|---|
| Derivative financial instruments (Refer to Note B11) | (15)   | (15)  | Foreign currency as of financial position date | Unfavourable foreign exchange movements |

### **13. Material Litigation**

There was no material litigation as at 11 May 2011.

### **14. Dividend**

- (a) i) A first interim single tier dividend of 9.0 sen net per share has been declared on 11 May 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 9.0 sen net per share has been declared on 19 May 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 first interim single tier dividend will be determined based on shareholders registered in the record of depositors as at 27 May 2011. The payment date is 10 June 2011.
- (b) The total dividend declared for the financial year ending 31 December 2011 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.

### **15. Earnings Per Share**

The basic earnings per share for the current quarter is calculated by dividing the profit for the period amounting RM20,273,000 by the number of shares in issue of 164,385,645.