

**Amway (Malaysia) Holdings Berhad (Company No : 340354-U)**  
**Notes to the Interim Financial Report - 4<sup>th</sup> Quarter ended 31 December 2011.**

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

**1. Basis of Preparation**

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 FRS 121, FRS 128, FRS 131, FRS 132, FRS 134, FRS 139 and Amendments to IC Interpretation 13 IC Interpretation 4 IC Interpretation 16 IC Interpretation 17 IC Interpretation 18 Amendments to IC Interpretation 9	Determining Whether an Arrangement Contains a Lease Hedges of a Net Investment in a Foreign Operation Distributions of Non-cash Assets to Owners Transfers of Assets from Customers Reassessment of Embedded Derivatives

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.

## Convergence of the FRSs with the International Financial Reporting Standards

On 19 November 2011, the MASB issued the new Malaysia Financial Reporting Standards (“MFRS”) framework, consisting of accounting standards which are in line with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). This MFRS framework is effective for annual periods beginning on or after 1 January 2012. As at 31 December 2011, all the FRSs issued under the existing FRS framework are the same as the MFRS issued under the MFRS framework, except for differences in relation to the transitional provisions as well as differences in effective dates contained in certain of the existing FRSs.

Upon the adoption of the MFRS framework, the financial statements of the Group will be equivalent to the financial statements that comply with IFRS.

### **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 year.

### **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 year.

### **7. Dividend Paid**

During the quarter under review, the following dividends were paid on 21 December 2011 in respect of the financial year ended 31 December 2011:

- 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. Events after the interim Period

There had been no events affecting the earnings of the Group and the Company between 31 December 2011 to 15 February 2012.

## 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 year.

## 11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 December 2011 are as follows:

	RM'000
Approved and contracted for	496
Approved and not contracted for	5,967
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	<u>6,463</u>
Contracted Commitments are analysed as follows:	
Purchase of Furniture, Fittings and Equipment	437
Leasehold Improvement	59
	<u>496</u>

## 12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Sales of goods	882	552	2,753	2,846
Purchases of goods	(60,488)	(46,045)	(204,299)	(194,572)
Services provided	1,367	3,356	3,712	3,447
Services received	(4,960)	(2,907)	(10,618)	(7,652)
Royalties expense	(551)	(317)	(1,605)	(1,197)

## **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 2.3% for the year ended 31 December 2011 as compared to the corresponding period in the preceding year due to aggressive sales and marketing programs to stimulate demand in support of Amway Distributors' retailing and sponsoring activities. Group's sales revenue was relatively flat, for the quarter under review, as compared to the corresponding period in the preceding year.

The Group's profit before tax increased by 19.8% for the quarter under review as compared corresponding period in the preceding year mainly due to improved gross margin arising from the lower cost of products and lower operating expense.

The Group's profit before tax increased by 10.8% for the year ended 31 December 2011 as compared to the corresponding period in the preceding year mainly due to improved gross margin arising from the lower cost of products offset by higher advertising and promotional expenses and higher operating cost arising from investment in consumer access driven strategies.

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

The Group's sales revenue decreased by 13.8% as compared to the preceding quarter mainly due to higher distributor productivity driven by sales and marketing program implemented in the preceding quarter.

The Group's profit before tax decreased by 2.5% as compared to the preceding quarter in line with lower sales revenue in the period under review.

### **3. Commentary on Prospects for the Financial Year Ending 31 December 2012**

Due to the continuous uncertainty in global economic outlook, the Group expects to achieve single digit growth in sales revenue for the financial year in 2012.

The Board of Directors is of the opinion that this outlook is realistic 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. Income Tax Expense

RM'000	Quarter ended		Year ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
<b>Tax charges/(credits) comprise:</b>				
Malaysian taxation based on profit for the period				
Current income tax	6,700	3,745	31,466	27,256
Deferred tax	1,953	5,962	(439)	3,621
<b>Total</b>	<b>8,653</b>	<b>9,707</b>	<b>31,027</b>	<b>30,877</b>

The effective tax rate of the Group for the current quarter and financial year ended 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	
	31/12/2011	31/12/2010
Realised	25,305	44,219
Unrealised	6,117	5,719
	31,422	49,938
Less: Consolidation adjustments	(5,768)	(5,748)
<b>Total Group Retained Profits</b>	<b>25,654</b>	<b>44,190</b>

## 7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 15 February 2012.

## 8. Group Borrowings and Debt Securities

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

## 9. Derivative Financial Instruments

There were no Derivative Financial Instruments for the quarter ended 31 December 2011.

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

Not Applicable.

## 11. Material Litigation

There was no material litigation as at 15 February 2012.

## **12. Dividend**

- (a)
  - i) A fourth interim single tier dividend of 9.0 sen net per share has been declared on 15 February 2012, 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 16 February 2011, 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 19 March 2012. The payment date is 30 March 2012.
- (b) The total dividend declared for the financial year ended 31 December 2011 are 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.

## **13. Earnings Per Share**

The basic earnings per share for the current quarter is calculated by dividing the profit for the period amounting RM24,899,000 by the number of shares in issue of 164,385,645.

#### 14. Profit for the Period/Year

RM'000	Quarter ended		Year ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
<b>Profit for the period/year is arrived at after charging:</b>				
Depreciation of property, plant and equipment	6,229	4,062	9,769	7,210
Impairment loss for trade receivables	116	50	235	34
(Writeback)/ provision of slow moving inventories	(403)	1,151	(545)	818
Realised loss on foreign exchange	27	1,597	199	3,473
<b>and after crediting:</b>				
Interest Income	1,279	1,197	4,682	4,077
Unrealised gain on foreign exchange	9	1,647	91	25
(Loss)/Gain on disposal of plant and equipment	(8)	124	(19)	179

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted or unquoted investments or properties and exceptional items for the current quarter and financial year ended 31 December 2011.