

Amway (Malaysia) Holdings Berhad (Company No : 340354-U)
Notes to the Interim Financial Report - 1st Quarter ended 31 March 2012

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

1. First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)

These condensed consolidated interim financial statements, for the period ended 31 March 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company registered office at Lot 6.5, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position is set out in Note 2 below. These notes include reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS.

2. Significant Accounting Policies and Applications of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for the below, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except for as discussed below:

2. Significant Accounting Policies and Applications of MFRS 1 (cont'd)

(a) Foreign Currency Translation Reserve

Under FRS, the Group recognized translation differences of foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS.

Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM201,000 (31 March 2011: 212,000, 31 December 2011: RM232,000) were adjusted to retained earnings.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

Reconciliation of equity as at 1 January 2011

RM'000	FRS as at 1 Jan 2011	Reclassifications	FRS as at 1 Jan 2011
Equity			
Foreign currency translation reserve	201	(201)	-
Retained earnings	44,190	201	44,391

Reconciliation of equity as at 31 March 2011

RM'000	FRS as at 31 Mar 2011	Reclassifications	FRS as at 31 Mar 2011
Equity			
Foreign currency translation reserve	212	(212)	-
Retained earnings	49,668	212	49,880

Reconciliation of equity as at 31 December 2011

RM'000	FRS as at 31 Dec 2011	Reclassifications	FRS as at 31 Dec 2011
Equity			
Foreign currency translation reserve	232	(232)	-
Retained earnings	25,654	232	25,886

3. 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 2011 was not subject to any qualification.

4. Seasonal or Cyclical Factors

There were no major seasonal or cyclical factors that affected operations.

5. 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 period under review.

6. Changes in Estimates

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

7. Issues, Repurchases, and Repayments of Debt and Equity Securities

There were no issues, repurchases, or repayments of debt and equity securities during the quarter ended 31 March 2012.

8. Dividend Paid

During the quarter under review, the fourth interim single tier dividend of 9.0 sen net per share amounting to RM14,795,000 was paid on 30 March 2012 in respect of the financial year ended 31 December 2011.

9. 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 is not presented with the adoption of MFRS 8.

10. Events after the interim Period

There had been no events affecting the earnings of the Group and the Company between 31 March 2012 to 30 May 2012.

11. 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 ended 31 March 2012.

12. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 March 2012 are as follows:

	RM'000
Approved and contracted for	346
Approved and not contracted for	5,337

	<u>5,683</u>

Contracted Commitments are analysed as follows:

Purchase of Furniture, Fittings and Equipment	171
Leasehold Improvement	175
	<u>175</u>

13. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter & year-to-date ended	
	31/03/2012	31/03/2011
Sales of goods	515	591
Purchases of goods	(45,745)	(44,055)
Services provided	951	-
Services received	(2,378)	(1,614)
Royalties expense	(302)	(326)

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 3.8% for the quarter ended 31 March 2012 as compared to the corresponding period in the preceding year due to success of sales and marketing programs to stimulate demand of Amway products.

The Group's profit before tax increased by 6.0% for the quarter under review as compared to the corresponding period in the preceding year mainly due to higher sales revenue.

2. Comparison with Preceding Quarter's Results

The Group's sales revenue was marginally lower for the quarter under review 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 13.5% as compared to the preceding quarter in line with lower sales revenue and higher promotional expenses incurred in the period under review.

3. Commentary on Prospects for the Current Financial Year

Based on the quarter 1 performance and the sales and marketing programs put in place for current year, the Group maintains its single digit growth in sales revenue target for the 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. Income Tax Expense

RM'000	Quarter and year-to-date ended	
	31/03/2012	31/03/2011
Tax charges/(credits) comprise:		
Malaysian taxation based on profit for the period		
Current income tax	6,317	8,117
Deferred tax	1,141	(1,022)
Total	7,458	7,095

The effective tax rate of the Group for the current quarter and previous corresponding quarter was higher than the statutory tax rate of the respective year mainly due to certain expenses disallowed for tax purposes.

6. Realised and Unrealised Profits/(Losses)

RM'000	As at	
	31/03/2012	31/12/2011
Realised	33,304	25,305
Unrealised	4,884	6,117
	38,188	31,422
Less: Consolidation adjustments	(5,768)	(5,768)
Total Group Retained Profits	32,420	25,654

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 30 May 2012.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 March 2012.

9. Derivative Financial Instruments

There were no Derivative Financial Instruments for the quarter ended 31 March 2012.

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

Not Applicable.

11. Material Litigation

There was no material litigation as at 30 May 2012.

12. Dividend

- (a) i) A first interim single tier dividend of 10.0 sen net per share has been declared on 30 May 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 11 May 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 first interim single tier dividend will be determined based on shareholders registered in the record of depositors as at 14 June 2012. The payment date is 28 June 2012.
- (b) The total dividend declared for the financial year ending 31 December 2012 as follows:
- i) First interim single tier dividend of 10.0 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 RM21,561,000 by the number of shares in issue of 164,385,645.

14. Profit Before Tax for the Period

RM'000	Quarter & year-to-date ended	
	31/3/2012	31/3/2011
Profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment	2,122	2,210
Provision/(Writeback) of slow moving inventories	445	(1,012)
Realised loss on foreign exchange	48	69
and after crediting:		
Interest Income	956	912
Unrealised gain on foreign exchange	99	170
Gain on disposal of plant and equipment	12	3

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-to-date ended 31 March 2012.