

Amway (Malaysia) Holdings Berhad (Company No : 340354-U)
Notes to the Interim Financial Report – 3rd Quarter ended 30 September 2012

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

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

This condensed consolidated interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This condensed consolidated interim financial statements also complies 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”).

This condensed consolidated interim financial statements is the Group’s first MFRS compliant condensed consolidated interim financial statements and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied.

The MFRS are effective for the Group from 1 January 2012 and the date of transition to the MFRS framework for the purpose of the first MFRS compliant condensed consolidated interim financial statements is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transition from FRS to MFRS is described in Note 2 below.

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:

(a) Foreign Currency Translation Reserve

Under FRS, the Group recognized translation differences on foreign operations as 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 the date of transition to MFRS, the cumulative foreign currency translation differences of RM201,000 (30 September 2011 : RM197,000, 31 December 2011 : RM232,000) were adjusted to retained earnings.

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

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)	-
<u>Retained earnings</u>	<u>44,190</u>	<u>201</u>	<u>44,391</u>

Reconciliation of equity as at 30 September 2011

RM'000	FRS as at 30 Sep 2011	Reclassifications	FRS as at 30 Sep 2011
Equity			
Foreign currency translation reserve	197	(197)	-
<u>Retained earnings</u>	<u>64,866</u>	<u>197</u>	<u>65,063</u>

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)	-
<u>Retained earnings</u>	<u>25,654</u>	<u>232</u>	<u>25,886</u>

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 quarter and financial period ended 30 September 2012.

6. Changes in Estimates

There were no changes in the nature and amount of estimates reported in current quarter and financial period ended 30 September 2012.

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

There were no issuances, repurchases, or repayments of debt and equity securities during the quarter and financial period ended 30 September 2012.

8. Dividend Paid

During the quarter under review, the second interim single tier dividend of 10.0 sen net per share amounting to RM16,438,564.50 was paid on 26 September 2012 in respect of the financial year ending 31 December 2012.

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 was no material event subsequent to the current quarter and financial period ended 30 September 2012 up to the date of this report.

11. Effects of Changes in the Composition of the Group

There were no changes in the composition of the Group including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring and discontinuing operations during the quarter ended 30 September 2012.

12. Capital Commitments

Capital commitments not provided in the interim financial statements as at 30 September 2012 are as follows:

	RM'000
Approved and contracted for	2,185
Approved and not contracted for	2,015

	4,200
	=====
Contracted Commitments are analysed as follows:	
Purchase of Furniture, Fittings and Equipment	363
Building/ Leasehold Improvement	1,822
	=====

13. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year-to-date ended	
	30/9/2012	30/9/2011	30/9/2012	30/9/2011
Sales of goods	617	449	1,947	1,871
Purchases of goods	(56,373)	(57,635)	(145,659)	(143,811)
Services provided	992	1,415	2,870	2,345
Services received	(2,453)	(3,332)	(7,300)	(5,658)
Royalties expense	(699)	(430)	(1,400)	(1,054)

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 6.0% for the quarter under review and 7.0% for the nine months ended 30 September 2012 as compared to the corresponding periods in the preceding year. The growth in sales revenue was mainly attributable to the success of sales and marketing programs.

The Group's profit before tax increased by 3.5 % for the quarter under review and 13.0% for the nine months ended 30 September 2012 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 increased by 18.8% for the quarter under review as compared to the preceding quarter driven by sales and marketing program implemented in the current quarter.

The Group's profit before tax increased by 4.3% as compared to the preceding quarter in line with higher sales revenue in the period under review.

3. Commentary on Prospects for the Current Financial 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 ended		Year-to-date ended	
	30/9/2012	30/9/2011	30/9/2012	30/9/2011
Tax charges/(credits) comprise:				
Malaysian taxation based on profit for the period				
Current income tax	7,520	7,308	25,971	24,766
Deferred tax	1,485	1,340	(668)	(2,392)
Total	9,005	8,648	25,303	22,374

The effective tax rate of the Group for the current quarter and previous corresponding quarter and financial-year-to-date 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	
	30/9/2012	31/12/2011
Realised	50,572	25,305
Unrealised	6,693	6,117
	57,265	31,422
Less: Consolidation adjustments	(5,768)	(5,768)
Total Group Retained Profits	51,497	25,654

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 14 November 2012.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 September 2012.

9. Derivative Financial Instruments

There were no derivative financial instruments for the quarter ended 30 September 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 14 November 2012.

12. Dividends

- (a)
 - i) A third interim single tier dividend of 10.0 sen net per share has been declared on 14 November 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 November 2011, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each. A special interim single tier dividend of 30.0 sen net per share has also been declared on 16 November 2011, based on the share capital of 164,385,645 ordinary shares of RM1.00 each.
 - iii) In respect of deposited securities, entitlement to the third interim single tier dividend will be determined based on shareholders registered in the record of depositors as at 30 November 2012. The payment date is 14 December 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.
 - ii) Second 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.
 - iii) Third 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 RM26,632,000 by the number of shares in issue of 164,385,645.

14. Notes to the Statements of Comprehensive Income

RM'000	Quarter ended		Year-to-date ended	
	30/9/2012	30/9/2011	30/9/2012	30/9/2011
Depreciation of property, plant and equipment	2,014	2,016	6,209	6,285
Provision for inventories	253	349	732	704
Inventories written off	38	232	290	-
Foreign exchange loss/(gain)	1	(16)	(109)	91
Interest Income	1,294	1,325	3,350	3,403
(Gain)/loss on disposal of plant and equipment	(30)	0	(42)	4

Other than the above, there were no other income including investment income, gain / (loss) on disposal of quoted or unquoted investments or properties, gain / (loss) on derivatives, provision for and write off of receivables, impairment of assets nor interest expense for the current quarter and financial year-to-date ended 30 September 2012.