

Amway (Malaysia) Holdings Berhad (Company No : 340354-U)
Notes to the Interim Financial Report – 1st Quarter ended 31 March 2015

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

1. Basis of Preparation

These condensed consolidated interim financial statements (Condensed Report) 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 report also complies with IAS 34: Interim Financial Reporting, issued by the International Accounting Standards Board.

This condensed report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014. The audited financial statements of the Group for the year ended 31 December 2014 were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2014, except for the adoption of the following:

Description	Effective date
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to MFRS 2 Share Based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 8 Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 13 Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 116 Property, Plant & Equipment	1 July 2014
Amendments to MFRS 138 Intangible Assets (Annual Improvements to MFRSs 2010-2013 Cycle)	1 July 2014
Amendments to MFRS 124 Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 140 Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014

The adoption of the above Amendments and Annual improvements to Standards, did not have any material financial impact to the Group.

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 2014 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 quarter and financial period ended 31 March 2015.

5. Changes in Estimates

There were no changes in the nature and estimates of amounts reported in prior financial years that have had any material effect in the quarter and financial period ended 31 March 2015.

6. 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 31 March 2015.

7. Dividend Paid

During the quarter under review, the following dividends were paid on 24 March 2015 in respect of the financial year ended 31 December 2014:

- i) interim single tier dividend of 10.0 sen net per share amounting to RM16,438,564.
- ii) special interim single tier dividend of 15.0 sen net per share amounting to RM24,657,847.

8. Operating Segment Information

As in the prior financial year, the Group operates solely in the direct selling industry and distributes 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.

9. Events after the Interim Period

There was no material event subsequent to the current quarter and the financial period ended 31 March 2015 up to the date of this report.

10. 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, or discontinued operations during the quarter ended 31 March 2015.

11. Capital Commitments

Capital commitments not provided in the interim financial statements as at 31 March 2015 are as follows:

	RM'000
Approved and contracted for	285
	<u>285</u>
Contracted Commitments are analyzed as follows:	
Purchase of Equipment, Software and Leasehold Improvements	285
	<u>285</u>

12. Related Party Transactions

Significant related party transactions are as follows:

RM'000	Quarter ended		Year-to-date ended	
	31/3/2015	31/3/2014	31/3/2015	31/3/2014
Sales of goods	350	529	350	529
Purchases of goods	(107,818)	(51,661)	(107,818)	(51,661)
Services provided	3,510	2,426	3,510	2,426
Services received	(3,381)	(3,588)	(3,381)	(3,588)
Royalties expense	(570)	(327)	(570)	(327)

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 increased by 51.0% for the quarter ended 31 March 2015 as compared to the corresponding period in the preceding year, mainly due to pre-GST buy up and well received pre-GST promotions focusing on high value items.

The Group's profit before tax increased by 45.8% for the quarter ended 31 March 2015 as compared to the corresponding period in the preceding year, mainly due to the higher sales.

2. Comparison with Preceding Quarter's Results

The Group's sales revenue increased by 40.1% for the quarter under review as compared to the preceding quarter, mainly due to pre-GST buy up and well received pre-GST promotions focusing on high value items.

The Group's profit before tax increased by 54.2% as compared to the preceding quarter, mainly due to the higher sales.

3. Commentary on Prospects for the Current Financial Year

The record sales registered in the first quarter was primarily due to the strong pre-GST buy up. The implementation of GST will likely have an adverse impact on our Business Owners' purchases in the subsequent quarters. The Board expects 2015 to be an extremely challenging year in view of the impact of both the strength of USD on the cost of importation and the expected period of adjustment in market demand post-GST. However, the Group will stay focused to support our Business Owners to grow their businesses through various sales and marketing initiatives.

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 31/3/2015	Year-to-date ended 31/3/2015
Tax charges/(credits) comprise:		
Current income tax	13,203	13,203
Deferred tax	-	-
Total	13,203	13,203

The effective tax rate of the Group for the current quarter and financial year-to-date 31 March 2015 were higher than the statutory tax rate, mainly due to certain expenses that were disallowed for tax purposes.

6. Realised and Unrealised Profits/(Losses)

RM'000	As at	
	31/3/2015	31/12/2014
Realised	63,105	67,177
Unrealised	4,893	4,892
	67,998	72,069
Less: Consolidation adjustments	(7,415)	(7,228)
Total Group Retained Profits	60,583	64,841

7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 15 May 2015.

8. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 31 March 2015.

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

Not Applicable.

10. Material Litigation

There was no material litigation as at 15 May 2015.

11. Dividends

- i) A first interim single tier dividend of 10.0 sen net per share has been declared on 15 May 2015, based on the existing share capital of 164,385,645 ordinary shares of RM1.00 each.
- ii) For the previous year corresponding quarter, a first interim single tier dividend of 10.0 sen net per share was declared on 7 May 2014, 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 dividend will be determined based on shareholders registered in the record of depositors as at 4 June 2015. The payment date will be 17 June 2015.

The total dividend declared for the financial year ending 31 December 2015 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.

12. Earnings Per Share

The basic earnings per share for the current quarter is calculated by dividing the profit for the quarter amounting RM36,838,000 by the number of shares in issue of 164,385,645.

13. Notes to the Statements of Comprehensive Income

RM'000	Quarter ended		Year-to-date ended	
	31/3/2015	31/3/2014	31/3/2015	31/3/2014
Depreciation of property, plant and equipment	1,807	1,995	1,807	1,995
(Writeback)/allowance for inventories	(23)	440	(23)	440
Inventories written off	22	189	22	189
Net foreign exchange (gain)/loss	(161)	4	(161)	4
Interest income	(1,541)	(1,334)	(1,541)	(1,334)
Loss/(gain) on disposal of plant and equipment	3	(271)	3	(271)

No other income or loss, 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, or interest expense was recognized for the current quarter or financial year-to-date 31 March 2015.