



Amway (Malaysia) Holdings Berhad  
(340354 U)

2002 ANNUAL REPORT

# 2002

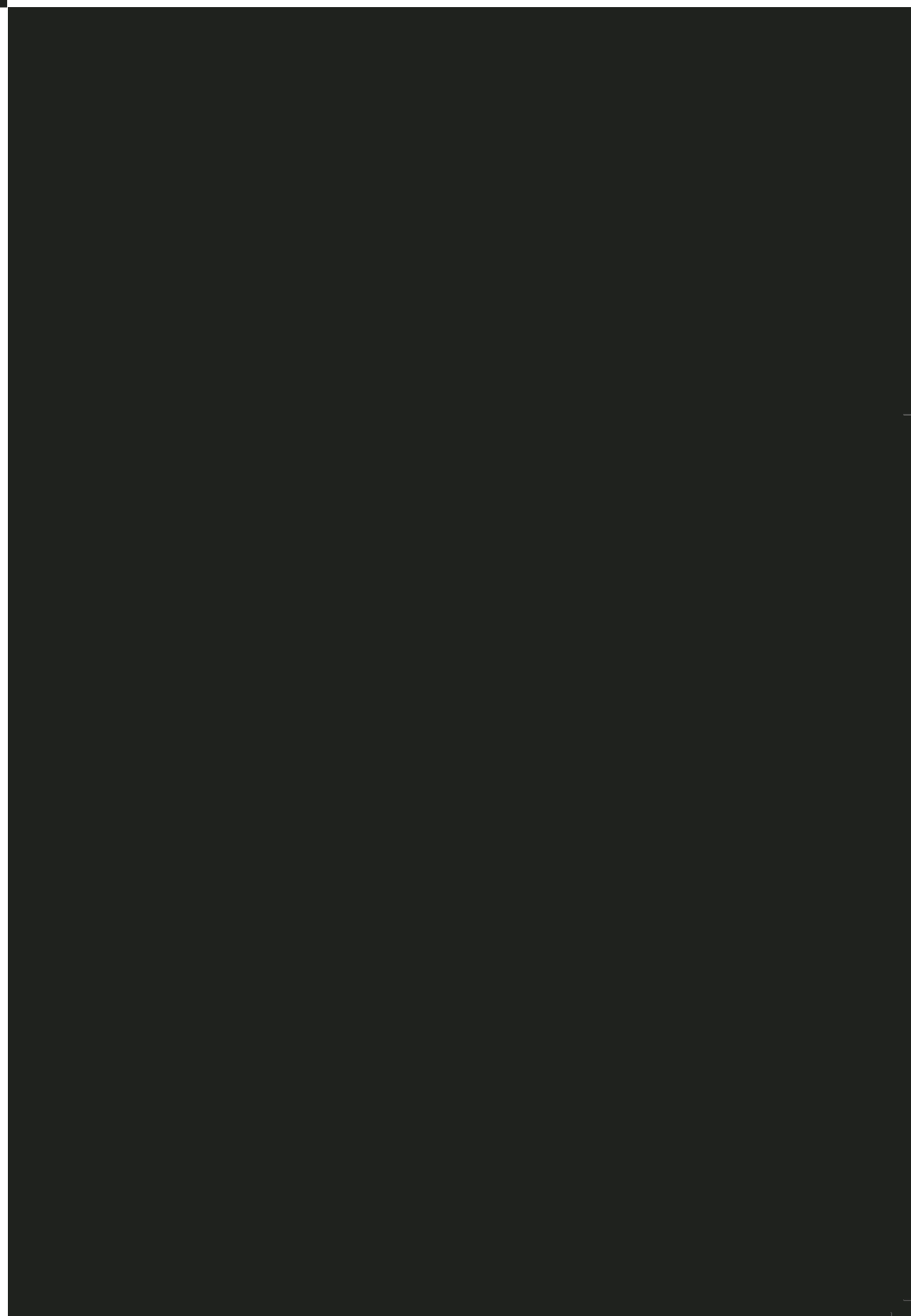
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*Where life gets better*



2002

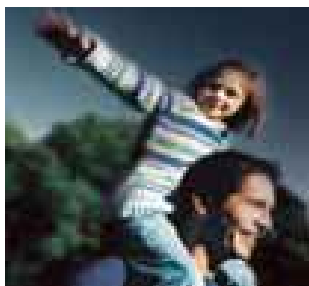




Amway is here to support your desire for independence,  
to fulfil your wish to be rewarded for your hard work.

You are finally in control of your life, connected to  
people you can respect and who respect you.

You are supported by a company and a range of  
products you can trust. Amway is the place where life  
gets better, for you and for your family.



## C o n t e n t s

pg02 Five Year Financial Highlights pg04 Chairman's Letter pg08 Surat Pengerusi pg12 Operations Review pg17 Corporate Information pg18 Profile of Directors pg21 Statement on Corporate Governance pg26 Audit Committee Report pg29 Statement of Internal Control pg30 Directors' Report pg33 Statement by Directors pg33 Statutory Declaration pg34 Report of the Auditors pg35 Balance Sheet pg36 Income Statements pg37 Consolidated Statements of Changes in Equity pg38 Statement of Changes in Equity pg39 Cash Flow Statements pg41 Notes to the Financial Statements pg56 Regional Distribution Centres pg56 Particulars of Properties pg57 Notice of Annual General Meeting pg59 Analysis of Shareholdings



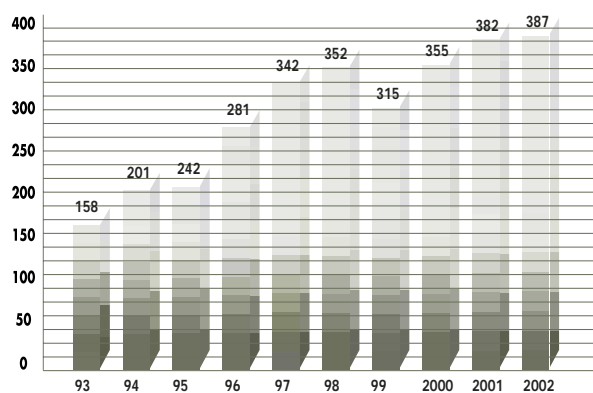
# Five Year Financial HIGHLIGHTS

	1998 RM Million	1999 RM Million	2000 RM Million	2001 RM Million	2002 RM Million
Sales Revenue	352	315	355	382	387
Profit Before Taxation	103	59	68	74	76
Net Profit For The Year	71	58 <sup>#</sup>	48	52	56
Net Earnings Per Share (Sen)	70.9	59.4	48.4	31.6 <sup>**</sup>	34.0
Core Distributor Force (in Thousand)	123	137	150	159	157

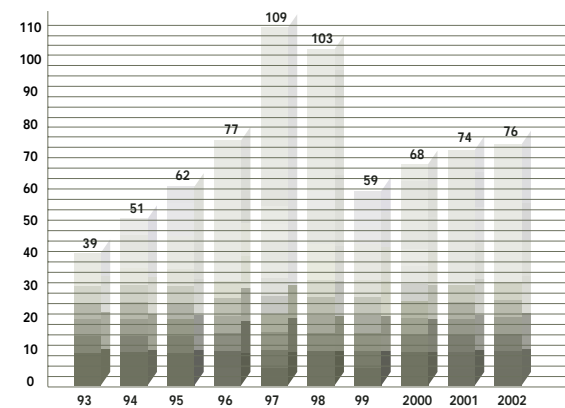
<sup>\*\*</sup>Based on enlarged capital after 2 for 3 bonus issue during the year.

<sup>#</sup>The tax expense provided by the Group was minimum in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999.

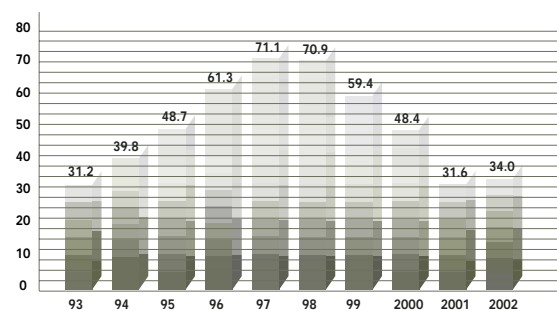
Sales Revenue  
RM' MILLION



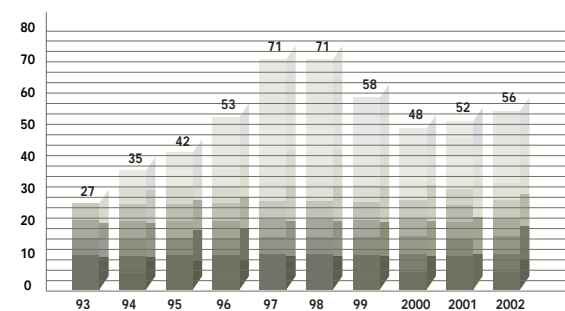
Profit Before Taxation  
RM' MILLION



Net Earnings Per Share  
Sen



Net Profit For The Year  
RM' MILLION



Freedom is our natural state and the most conducive environment in which we live, work, achieve and grow. It allows for our belief in God and for the opportunity to build a meaningful, purposeful life. The Amway business recognises, supports and expands our freedom, which is both personal and economic. Thus it is our responsibility to ensure, protect and sustain our freedom.

# Freedom

A photograph of a man with dark hair and a beard, wearing a blue sweater and a denim jacket, carrying a young girl on his shoulders. The girl is wearing a colorful plaid shirt and has her arms raised in the air. They are outdoors, with green foliage in the background. The word "Freedom" is overlaid in large white letters on the lower left side of the image.

# CHAIRMAN'S LETTER

"We recognise that we are in the business of helping people live better lives. As such, we are constantly challenging ourselves to get better – to enhance the Amway business opportunity, to stay relevant."

## Overview

The effects of the global economic slowdown in 2001 continued into the new Fiscal Year amidst growing difficulties in the external environment. Consumer spending remained cautious against a backdrop of sluggish employment market and marginal increases in income levels. Although there were sporadic signs of improvement in the economy, we continue to face, like many other businesses, a very lethargic marketplace fraught with uncertainties.

In tandem with the improving economy, your Company's 1st quarter sales were encouraging, starting the year on a positive note. The momentum however, did not keep up over the ensuing months, when sales began to dip, attributed to several factors. Your Company's 25th Anniversary celebrations, which were loaded with incentives and activities, had caused Distributors to work extra hard throughout the previous Fiscal Year and many understandably opted to slowdown their pace thereafter for a much-deserved rest. Distributor Leader activities were particularly low following the 2001 Alaskan Leadership Seminar. While the World Cup fever ran up excitement nationwide, it did little for your Company, since Distributor retailing and sponsoring activities, typically conducted in the evenings, were adversely impacted. As mentioned, cautious consumer spending arising from uncertainties in the global scene also compounded the negative trend.

To stimulate consumer demand and arrest the decline, your Management took decisive action to pursue comparatively bold and unprecedented measures particularly in the area of marketing. This included product introductions and aggressive promotion of high-ticket items with Easy Payment Plans (EPP). During the year, your Company also announced proposed enhancements to its Sales Incentive Programme (SIP) and Non-Cash Award (NCA) programme. This announcement was significant as Distributors vying for qualification in the new Fiscal Year, immediately set about building their sales momentum. The prospect of enhanced profitability not only triggered productivity but also helped boost Distributor morale. At the same time, marketing initiatives were seen to positively stimulate demand, facilitating Distributors' retailing efforts in an otherwise lacklustre market environment.

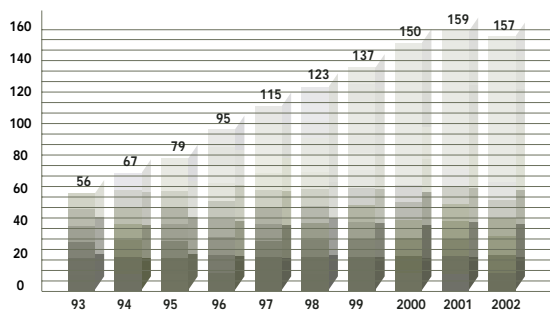
I would like to particularly highlight the Water Treatment System (WTS) Trade-In programme with Easy Payment Plan (EPP), one of the most aggressive promotions we have ever attempted. Under this programme, customers could return an existing brand of WTS for an upgrade to this new WTS model and receive a significant rebate for each unit returned. The objective of this initiative was to protect your Company's market share and to generate sales activities. Given the high number of WTS units in the market for more than 10 years now, the potential for success was tremendous. Through this promotion alone, your Company generated an impressive RM12 million in revenue in the 4th quarter. This initiative, which is to be the start of a pilot Relationship Management (RM) project for your company, also has far reaching implications in the future, because it creates repeat sales of replacement parts such as the UV Bulb and the Carbon Filter. Your Board believes that the potential of these products to the business cannot be minimised and expects to generate approximately RM2.0 million from this promotion in Fiscal Year 2003. Our investment in such innovative programmes exemplifies our commitment to take on the competition.



Amidst the extreme pressures, which challenged us throughout the year, we nevertheless celebrated the qualification of 2 new Crown Ambassadors, the highest level of achievement award in the Amway business. The year also saw the qualification of 3 new Double Diamonds, 2 Founder Executive Diamonds, 2 Founder Diamonds (the latter two being new higher qualifications introduced during the year) and 1 new Diamond. The Board would like to take this opportunity to congratulate the high achievers for pursuing relentlessly despite the economic impediment, proving once again the supremacy and resilience of the Amway Distributor force.

As anticipated, the opening of the Singapore market in April 2002 offered some stimulus and excitement in the field. Distributors saw the new market as an opportunity for them to expand their business. Singapore, however, remains a separate market and does not constitute part of the AMHB Group. Applications grew more than 4% during the year, with a noted resurgence in applications from the Chinese community compared to the same period last year. We are heartened by this development, as applications from this group, have been on the downtrend in previous years. Your Company, nevertheless, experienced a marginal decline in Core Distributor Force (CDF), down 1.4% to 157,000. I am pleased to report that the Bumiputera market continues to show promise with increases registered in applications and CDF composition to 43% and 21% respectively. I am also gratified to note that renewal rate of Distributorships remained healthy, demonstrating Distributors' continued faith and confidence in the business.

Core Distributor Force  
(IN THOUSANDS)



In line with our business philosophy of helping people live better lives, we are constantly challenging ourselves to get better, to enhance the Amway business opportunity and to stay relevant. The year saw us putting in place several initiatives to make that happen. Your Company injected additional funds into its SIP and NCA

programmes with a view to enhance the attractiveness of the business opportunity and to incentivise Distributors to grow their business. Such programmes not only help improve Distributors' morale, productivity and profitability but also drive business growth. Noteworthy is the choice of Cape Town, South Africa as the venue for Fiscal Year 2003 Leadership Seminar – a move that should see positive impact in the very near term. The implementation of direct bonus payment to Distributors in May 2002 also added new appeal to the Amway business opportunity.

We also made enhancements to our corporate website, which was successfully launched in Fiscal Year 2001. Amway2u.com has put us in good stead to face a more sophisticated market, complementing our "high touch" approach with "high tech" capabilities. Building on this success, we lost no time in using this medium to enhance the company image while allowing Distributors to explore a whole new market. The Board is heartened to note that at the close of the Fiscal Year, approximately 18% of the national orders are taken over the net. Coupled with AMTEL (Amway's voice-activated response system), 43% of the national orders are in fact currently taken electronically. Moving forward, we will continue to encourage Distributors to channel their orders in this manner so that we can increase productivity and cope with future growth without constraints. We have full confidence that there will be a continued and rapid upward trend in this area. In preparation, we added new and enhanced features to the Amway site during the year, making it possible for Distributors to perform amongst others, on-line event registration and inquiry services, on-line price list inquiry and on-line ordering for purchase-with-purchase promotions. Your Company is committed to allocate further resources in the area of information technology to enhance productivity and efficiency. For Fiscal Year 2002, IT initiatives constitute 45% of your Company's total capital expenditure.

I am particularly heartened to note that your Management has taken extra efforts to nurture the "high touch" aspect of the business, which undoubtedly is our strength. In this age of technology, it is indeed easy to forget the importance of relationships and personal touch. So I welcome and applaud the programme put in place by your Management to achieve a service excellence culture within the AMHB Group.

During the year in review, Amway Corporation adopted a brand new logo, which reflected renewed pride and enthusiasm in its worldwide direct selling brand. The familiar globe and rectangle, the literal symbol of Amway's status as an international company was replaced by a straightforward, fresh and contemporary style. Locally, your Company unveiled this logo for the first time at its National Convention in July 2002, to positive response all round.



## Financials

### Results

Fiscal Year 2002 closed with an annual turnover of RM387.1 million, a marginal growth of 1% over Fiscal Year 2001 but nevertheless, technically another record sales! Your Company achieved pre-tax profit of RM75.7 million against RM74.2 million in the previous year. Evaluated against the business realities of the year, the Group's performance is commendable. Your Management had to make tough decisions and unprecedented moves during the year to keep sales at respectable levels. We were aggressive in boosting sales and driving the top line, but without causing any erosion to the Company's operating margin. This was mainly achieved by keeping our efficiency high, while keeping our costs down and by making meaningful reductions in inventory reserves to minimize wastage. We must also attribute our resilience once again to the Amway Distributors, particularly the leaders who believed in this business opportunity wholeheartedly and who persevered despite the odds. This business is clearly built on the enterprise, drive and motivation of each and every individual that comes in contact with it. Their irrepressible spirit contributes significantly to our continued good performance in tumultuous times.

### Corporate Governance

In compliance with the Malaysian Code of Corporate Governance, the Company conducted a Director Familiarisation Programme for three Non-Executive Directors. All Directors also successfully completed the Mandatory Accreditation Programme for Directors of Public Listed Companies.

At your Company's 7th Annual General Meeting, we successfully procured shareholders' mandate for recurrent related party transactions in accordance with KLSE Listing requirements and their approval to distribute the unutilised proceeds raised from the initial public offering in the form of special dividends of 25 sen per ordinary share. That dividend was paid on 13 March 2002.

## Business Environment

During the Fiscal Year, the Company successfully renewed its Direct Sales License for a further 3-year term, stamping once again its good reputation. I am pleased to report that your Company also made it to Asia Money's Top 10 list in noteworthy categories such as overall best managed company, corporate governance and treatment of minority shareholders. Such recognition speaks volumes for the integrity of the Company that you are in partnership with.

## Outlook

Globally, the Amway business has gone through a period of enormous corporate, strategic and technological change, and today we are beginning to see the results – Amway as a global enterprise is well positioned to compete effectively and well poised to effect new stages of growth in its business. We believe this will positively impact the performance of Amway affiliates worldwide. We are hopeful that consumer sentiments will strengthen in the near term provided external factors do not adversely impact the domestic economy further.

Our demographics are shifting and the business needs to appeal to a younger and more contemporary audience. As such, we recognise that there is an urgent need for us to effect positive measures so that we can effectively take on the competition and maintain our market share. To this end, we have taken proactive steps through some of the Fiscal Year 2002 initiatives I have mentioned. We will use technology in a bigger way to enhance operational efficiency without compromising our service levels to Distributors. We will use Relationship Management (RM) as an organisation-wide approach to analytically understand and measurably influence our target audiences particularly the Distributors through integrated and targeted business communications at all "touchpoints". We believe our efforts at RM will help us to grow sales, increase market share and enhance brand reputation by attracting, activating and retaining loyal Distributors, improving the Amway Brand by creating a Contact Centre that integrates all "touchpoints" and by bettering Product Brands through Direct, Multi-Channel and Personalised Marketing.

Amway Distributors are our valued partners and we shall spare no effort investing in them, through the Amway Sales and Marketing Plan, its reward and recognition and other related incentive programmes. We are determined to continue to be aggressive and dynamic in our approach and will pursue appropriate strategic measures to sustain our competitive edge, if necessary at the expense of margin, in the near term.

As the undisputed industry leader in Malaysia and one of the most highly regarded Amway affiliates in the world, we are not about to rest on our laurels. Instead we will constantly focus our energies at getting better. Because when we get better, we know thousands of lives, if not millions of lives here in Malaysia get better along with us.

## Appreciation

The Board wishes to record here the excellent leadership of Tan Sri Azmi Wan Hamzah, who retired in March 2002. Tan Sri, who led the AMHB Board since 1996, steered the Group with integrity and vision. His premature retreat from the corporate scene to concentrate on pursuing his personal goals, is a loss not only to AMHB but also to the business world. The Board takes this opportunity to thank him for his past services. As the new Chairman, effective 1 April 2002, I am gratified to have the opportunity to work alongside such an illustrious and motivated group of people. On behalf of the Board, I thank Amway Distributors, the Management and Staff for their buoyant spirit and hard work, which saw us through yet another incredible year. To the government authorities, our business associates and shareholders, I thank you for your valued support and partnership. I look to your continued cooperation as we strive to make this Company better and more dynamic in the 21st century.

TAN SRI DATUK AHMAD FAROUK  
Chairman

The family is our primary social structure, providing love and nurturing, heritage and legacy. The family provides us with a consistent set of values and a framework for growth and the ability to thrive as individuals. The Amway business respects and supports the family, as evidenced by the prominence of "family" in Amway Distributorships.

# Family

# SURAT PENGURUSI

"Kami akui bahawa kami menjalankan perniagaan yang membantu orang menjalani kehidupan yang lebih baik. Oleh kerana itu, kami sentiasa mencabar diri supaya menjadi lebih baik – untuk mempertingkatkan peluang perniagaan Amway, agar ia kekal relevan."

## Tinjauan

Kesan-kesan kemelesetan ekonomi global pada 2001 berterusan sehingga ke Tahun Fiskal baru, di sebalik kesukaran yang kian bertambah di persekitaran luaran. Tahap perbelanjaan pengguna yang tetap berhati-hati di persekitaran suasana pasaran pekerjaan yang lembap dan peningkatan paras pendapatan yang sedikit. Walaupun terdapat sedikit tanda pemulihan dalam ekonomi, kami terus berhadapan dengan pasaran yang amat lembap dan penuh ketidaktentuan, seperti perniagaan yang lain.

Seiring dengan ekonomi yang lebih baik, Syarikat anda memulakan Tahun Fiskal secara positif dengan jualan suku pertama yang memberangsangkan. Namun, momentum itu tidak berterusan pada bulan-bulan berikutnya apabila jualan mula menurun disebabkan beberapa faktor. Sambutan Ulang Tahun Ke 25 Syarikat anda yang dipenuhi dengan insentif dan aktiviti telah menyebabkan para Pengedar bekerja lebih keras di sepanjang Tahun Fiskal sebelumnya dan seperti yang dijangkakan ramai memilih untuk memperlakukan rentak selepas itu untuk berehat seketika. Aktiviti Pemimpin Pengedar ternyata menurun selepas Seminar Kepimpinan Alaska 2001. Demam Piala Dunia yang melanda seluruh negara tidak banyak membantu Syarikat anda kerana aktiviti penjualan dan penjajaan Pengedar, yang biasanya dijalankan pada sebelah malam, terjejas teruk. Seperti yang dinyatakan, perbelanjaan pengguna yang berhati-hati akibat ketidaktentuan dalam suasana global juga menokok aliran negatif ini.

Demi merangsang permintaan pengguna dan mengekang penurunan, pihak Pengurusan anda telah memutuskan untuk meneruskan langkah-langkah yang berani dan belum pernah dilakukan, terutama dalam bidang pemasaran. Ini termasuk pengenalan produk dan promosi agresif ke atas produk yang berharga tinggi dengan Rancangan Pembayaran Mudah (EPP). Dalam tahun tersebut, Syarikat anda juga telah mengumumkan cadangan penambahan untuk program Rancangan Insentif Jualan (SIP) dan Anugerah Bukan Wang Tunai (NCA). Pengumuman ini memang penting kerana Pengedar-Pengedar yang berusaha mencapai kelayakan dalam Tahun Fiskal baru dengan segera meningkatkan momentum penjualan mereka. Prospek keuntungan yang bertambah bukan sahaja meningkatkan produktiviti tetapi juga menaikkan semangat Pengedar. Pada masa yang sama, inisiatif pemasaran telah merangsang permintaan secara positif, justeru itu memudahkan usaha-usaha penjualan Pengedar dalam suasana pasaran yang lembap.

Saya ingin memberi tumpuan khas kepada program Tukar Beli Sistem Rawatan Air (WTS) dengan Rancangan Pembayaran Mudah (EPP), yang merupakan satu daripada promosi paling agresif pernah kami cuba. Di bawah program ini, pelanggan boleh memulangkan jenama WTS yang sedia ada untuk dinaikkan taraf ke model WTS yang baru

dan menerima rebet yang ketara untuk setiap unit yang dipulangkan. Objektif inisiatif ini ialah untuk melindungi kedudukan Syarikat dalam pasaran dan menjana aktiviti jualan. Potensi kejayaan program ini amatlah besar, dengan bilangan unit WTS yang tinggi yang telah berada di dalam pasaran lebih daripada 10 tahun. Menerusi promosi ini sahaja, Syarikat anda telah menjana perolehan sebanyak RM12 juta pada suku keempat. Inisiatif ini, yang merupakan permulaan projek Pengurusan Hubungan (RM) perintis, juga mempunyai implikasi meluas pada masa akan datang kerana ia mewujudkan jualan ulangan bagi alat ganti seperti Bal Ultraungu dan Penuras Karbon. Pihak Lembaga anda percaya bahawa potensi produk ini tidak boleh diperkecilkan dan menjangkakan bahawa promosi ini akan menjana lebih kurang RM2.0 juta dalam Tahun Fiskal 2003. Pelaburan kami dalam program-program inovatif seperti ini merupakan contoh komitmen kami untuk bersaing.

Walaupun tekanan melampau mencabar kami di sepanjang tahun, kami tetap meraikan kelayakan 2 Duta Mahkota, anugerah pencapaian paling tinggi dalam perniagaan Amway. Tahun ini juga menyaksikan kelayakan baru 3 Dua Intan, 2 Intan Eksekutif Pengasas, 2 Intan Pengasas (dua yang terkemudian adalah kelayakan lebih tinggi yang baru diperkenalkan dalam tahun ini) dan 1 Intan. Pihak Lembaga ingin mengambil kesempatan ini untuk mengucapkan tahniah kepada para penyandang pencapaian tinggi kerana usaha yang tidak mengenal erti penat-lelah walaupun dalam keadaan ekonomi yang mencabar, sekali lagi membuktikan keagungan dan daya tahan Pengedar Amway.

Seperti yang dijangkakan, pembukaan pasaran Singapura pada April 2002 telah menimbulkan rangsangan dan minat di kalangan Pengedar. Pengedar-Pengedar melihat pasaran baru ini sebagai peluang untuk memperluaskan perniagaan mereka. Namun, Singapura kekal sebagai pasaran berasingan dan bukan sebahagian daripada Kumpulan AMHB. Permohonan bertambah lebih daripada 4% sepanjang tahun ini, dengan pertambahan lebih ketara di kalangan masyarakat Cina berbanding tempoh yang sama tahun lalu. Kami bersemangat dengan kemajuan ini kerana permohonan dari

kumpulan tersebut telah menurun dalam tahun-tahun yang sebelumnya. Namun, Syarikat anda telah mengalami sedikit kemerosotan dalam Tenaga Pengedar Teras (CDF), dengan penurunan sebanyak 1.4% kepada 157,000. Saya gembira melaporkan bahawa pasaran Bumiputera terus menunjukkan potensi dengan catatan kenaikan dalam permohonan dan komposisi CDF masing-masing sebanyak 43% dan 21%. Saya juga berpuas hati memerhatikan bahawa kadar pembaharuan semula Pengedaran kekal teguh, membuktikan kepercayaan dan keyakinan Pengedar yang berterusan terhadap perniagaan ini.

Sejajar dengan falsafah perniagaan untuk membantu orang ramai menjalani kehidupan lebih baik, kami sentiasa mencabar diri supaya memperbaiki prestasi dengan matlamat untuk meningkatkan peluang perniagaan Amway dan agar ia kekal relevan. Tahun ini memperlihatkan kami mewujudkan beberapa inisiatif untuk mencapai matlamat ini. Syarikat anda telah menyalurkan dana tambahan terhadap program SIP dan NCA untuk meningkatkan daya tarikan peluang perniagaan ini dan memberi insentif kepada Pengedar supaya mengembangkan perniagaan mereka. Program-program sedemikian bukan sahaja membantu meningkatkan semangat, produktiviti dan daya keuntungan Pengedar, tetapi juga memacu pertumbuhan perniagaan. Perkara yang paling wajar diperhatikan ialah pemilihan Cape Town, Afrika Selatan sebagai lokasi Seminar Kepimpinan Tahun Fiskal 2003 – satu tindakan yang akan membawa kepada kesan positif dalam tempoh terdekat. Pelaksanaan pembayaran bonus terus kepada Pengedar pada Mei 2002 juga memberi daya tarikan baru kepada peluang perniagaan Amway.

Kami juga mempertingkatkan taraf laman web korporat kami yang telah dilancarkan dengan jayanya pada Tahun Fiskal 2001. Amway2u.com telah meletakkan kami dalam keadaan kukuh untuk berhadapan dengan pasaran yang lebih sofistikated, melengkapkan pendekatan "sentuhan peribadi" dengan keupayaan "teknologi tinggi". Berasaskan kejayaan ini, kami tidak membuang masa dan terus mengguna perantaraan ini untuk meningkatkan imej syarikat di samping membenarkan Pengedar meneroka pasaran yang baru. Pada penutup Tahun Fiskal, pihak Lembaga begitu gembira memerhatikan lebih kurang 18% pesanan dalam negara dibuat melalui internet. Ditambah pula dengan AMTEL (sistem maklum balas Amway yang diaktifkan oleh suara), 43% daripada pesanan dalam negara masa ini pada hakikatnya diambil secara elektronik. Memandang ke hadapan, kami akan terus menggalakkan Pengedar membuat pesanan dengan cara ini supaya kami boleh meningkatkan produktiviti dan mengatasi pertumbuhan masa hadapan tanpa halangan. Kami berkeyakinan penuh bahawa kaedah ini akan memperlihatkan aliran peningkatan yang berterusan dan pantas. Sebagai persediaan, kami menambah dan meningkatkan ciri-ciri pada laman Amway dalam tahun ini, membolehkan Pengedar antaranya, membuat pendaftaran acara dan perkhidmatan pertanyaan dalam talian, pertanyaan senarai harga dalam talian dan pemesanan untuk promosi belian-dengan-belian dalam talian. Syarikat anda komited dalam memperuntukkan sumber-sumber selanjutnya dalam bidang teknologi maklumat bagi

meningkatkan produktiviti dan keefisienan. Untuk Tahun Fiskal 2002, inisiatif IT membentuk 45% daripada jumlah perbelanjaan modal Syarikat anda.

Sukacita juga saya nyatakan bahawa pihak Pengurusan anda telah meningkatkan usaha bagi memupuk aspek "sentuhan peribadi" perniagaan ini, yang sememangnya merupakan kekuatan kami. Dalam zaman teknologi ini, adalah mudah untuk melupakan betapa pentingnya aspek perhubungan dan sentuhan peribadi. Oleh itu saya mengalu-alukan dan memuji program yang disediakan oleh pihak Pengurusan anda untuk mencapai budaya perkhidmatan cemerlang dalam Kumpulan AMHB.

Dalam tahun yang dikaji, Amway Corporation telah menampilkan logo baru yang menggambarkan kebanggaan dan semangat baru terhadap jenama jualan langsungnya yang dikenali di seluruh dunia ini. Glob dan segi empat tepat, yang secara harfiah menjadi simbol status Amway sebagai syarikat antarabangsa, telah digantikan dengan gaya yang mudah, segar dan kontemporari. Di Malaysia, logo ini disambut positif oleh semua pihak apabila diperkenalkan buat pertama kalinya di Konvensyen Kebangsaan pada Julai 2002.

## Kewangan

### Keputusan

Tahun Fiskal 2002 ditutup dengan jualan tahunan sebanyak RM387.1 juta, pertumbuhan yang marginal iaitu 1% melebihi Tahun Fiskal 2001, namun, secara teknikal merupakan satu lagi rekod jualan! Syarikat anda mencapai keuntungan sebelum cukai sebanyak RM75.7 juta berbanding RM74.2 juta pada tahun sebelumnya. Dinilai dari segi suasana perniagaan tahun ini, prestasi Kumpulan patut dipuji. Pihak pengurusan anda terpaksa membuat keputusan yang sukar dan mengambil langkah-langkah baru dalam tahun ini untuk mengekalkan jualan pada paras memuaskan. Kami amat agresif dalam meningkatkan dan memacu jualan tanpa menjejaskan margin operasi syarikat. Ini sebahagian besarnya dicapai dengan mengekalkan keefisienan yang tinggi di samping mengekalkan kos yang rendah dan mengurangkan rizab inventori untuk meminimumkan pembaziran. Para Pengedar Amway turut menyumbang kepada daya tahan Syarikat, khususnya pemimpin-pemimpin yang mempunyai kepercayaan penuh terhadap peluang perniagaan ini dan tetap bertahan walaupun mengalami kesukaran. Perniagaan ini jelas dibina di atas sikap keusahawanan, dorongan dan motivasi di kalangan setiap individu yang melibatkan diri. Semangat mereka yang berkobar-kobar jelas menyumbang kepada prestasi kami yang baik dan berterusan dalam masa-masa yang begitu mencabar.

### Pentadbiran Korporat

Sebagai mematuhi Kod Pentadbiran Korporat Malaysia, pihak Syarikat telah menjalankan Program Pembiasaan Pengarah (Director Familiarisation Programme) untuk tiga Pengarah Bukan Eksekutif. Semua Pengarah juga telah berjaya menamatkan Program Akreditasi Mandatori untuk Pengarah Syarikat Awam Tersenarai.

Di Mesyuarat Tahunan ketujuh Syarikat anda, kami berjaya mendapatkan mandat pemegang-pemegang saham untuk transaksi pihak berkaitan yang berulang mengikut keperluan Penyenaian BSKL dan kelulusan mereka untuk mengagihkan perolehan tidak diguna yang diperolehi dari Tawaran Awam Awal dalam bentuk dividen khas sebanyak 25 sen setiap saham biasa. Dividen itu telah dibayar pada 13 Mac 2002.

### Persekutaran Perniagaan

Dalam Tahun Fiskal, Syarikat berjaya memperbaharui Lesen Jualan Langsung untuk tempoh 3 tahun seterusnya, sekali lagi menandakan reputasi Syarikat yang baik. Saya gembira melaporkan bahawa Syarikat anda juga telah berjaya memasuki senarai 10 Syarikat Teratas Asia Money dalam kategori-kategori yang wajar diberi perhatian seperti syarikat yang diurus paling baik secara keseluruhan, pentadbiran korporat dan layanan terhadap pemegang-pemegang saham minoriti. Pengiktirafan sedemikian jelas menggambarkan integriti Syarikat yang menjadi rakan kongsi anda.

### Pandangan

Dari segi global, perniagaan Amway telah melalui satu tempoh perubahan korporat, strategi dan teknologi yang hebat, dan kini – Amway sebagai sebuah syarikat global berada di kedudukan yang baik untuk bersaing secara berkesan dan bersedia untuk melaksanakan perkembangan baru dalam perniagaannya. Kami percaya ini akan memberi kesan positif ke atas prestasi syarikat-syarikat gabungan Amway di seluruh dunia. Kami mempunyai harapan bahawa sentimen pengguna akan kukuh dalam tempoh terdekat dengan syarat faktor-faktor luaran tidak memberi kesan buruk terhadap ekonomi domestik.

Demografi kami sedang beranjak dan perniagaan perlu menarik minat golongan yang lebih muda dan lebih kontemporari. Oleh kerana itu, kami akui bahawa ada keperluan mendesak untuk melaksanakan langkah-langkah positif supaya kami boleh bersaing secara efektif dan mengekalkan kedudukan Syarikat di pasaran. Sehubungan itu, kami telah mengambil langkah-langkah proaktif menerusi beberapa inisiatif Tahun Fiskal 2002 yang telah saya sebutkan. Kami akan mengguna teknologi secara lebih meluas untuk meningkatkan keefisienan operasi tanpa menjejaskan tahap perkhidmatan kami kepada Pengedar. Kami akan mengguna Pengurusan Hubungan (RM) secara meluas di dalam organisasi untuk memahami secara analitik dan mempengaruhi secara ketara golongan sasaran kami, terutamanya Pengedar, menerusi komunikasi perniagaan yang bersepadu dan disasarkan pada semua "titik sentuhan" (touch points). Kami percaya usaha-usaha kami melalui RM akan membantu kami mengembangkan jualan, meningkatkan

kedudukan syarikat di pasaran dan memajukan reputasi jenama dengan menarik, mengaktif dan mengekalkan Pengedar-Pengedar yang setia, memperbaiki Jenama Amway dengan mewujudkan Pusat Hubungan (Contact Centre) yang menyatukan semua "titik sentuhan" (touch points) dan memperbaiki Jenama Produk menerusi Pemasaran Langsung, Saluran Pelbagai Peringkat dan Pemasaran Peribadi.

Pengedar Amway adalah rakan kongsi kami yang bernilai dan kami tidak akan mengenyahkan sebarang usaha yang membawa kepada peningkatan diri mereka menerusi Rancangan Penjualan dan Pemasaran Amway, ganjaran dan pengiktirafan serta program-program insentif berkaitan yang lain. Kami tekad untuk terus agresif dan dinamik dalam pendekatan kami dan terus mengusahakan langkah-langkah strategik bagi mengekalkan kelebihan daya saing kami, jika perlu mengorbankan margin dalam tempoh terdekat.

Sebagai peneraju industri yang tidak dapat dipertikaikan di Malaysia dan satu daripada syarikat gabungan Amway yang paling dihormati di dunia, kami tidak mahu alpa dengan kejayaan kami. Sebaliknya kami akan sentiasa menumpukan usaha untuk mempertingkatkan prestasi. Ini kerana apabila kami menjadi lebih baik, kami mengetahui bahawa ribuan atau jutaan kehidupan orang di Malaysia turut bertambah baik seiringan dengan kami.

### Penghargaan

Pihak Lembaga ingin merakamkan kepimpinan cemerlang Tan Sri Azmi Wan Hamzah yang bersara pada Mac 2002. Tan Sri, yang menerajui Lembaga AMHB sejak 1996, telah mengemudi Kumpulan dengan integriti dan wawasan. Pengundurannya dari bidang korporat untuk menumpukan perhatian kepada matlamat peribadi adalah satu kehilangan bukan sahaja bagi AMHB tetapi juga kepada dunia perniagaan. Lembaga mengambil kesempatan ini untuk mengucapkan terima kasih di atas sumbangan khidmatnya yang lalu. Sebagai Pengerusi baru berkuat kuasa 1 April 2002, saya bersyukur kerana berkesempatan untuk berganding bahu dengan ahli-ahli Lembaga yang ternama dan bermotivasi. Bagi pihak Lembaga, saya mengucapkan terima kasih kepada para Pengedar, pihak Pengurusan dan Kakitangan Amway atas semangat membara dan usaha gigih mereka yang telah membawa kami menempuh satu lagi tahun yang mengagumkan. Kepada pihak berkuasa kerajaan, rakan-rakan perniagaan dan pemegang saham, saya berterima kasih di atas sokongan dan perkongsian anda yang tidak ternilai. Saya mengharap kerjasama anda yang berterusan dalam usaha kami untuk menjadikan Syarikat ini lebih baik dan lebih dinamik dalam abad ke 21.

TAN SRI DATUK AHMAD FAROUK  
Pengerusi

# Hope

Hope gives us the power to transform our lives in positive ways. It is a force that allows us to envision dreams, establish goals and achieve great things. By offering hope, we open windows of possibility for others, and it is why Amway speaks so meaningfully to the needs of people around the world.



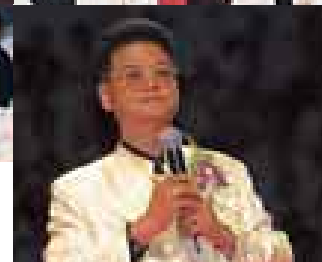
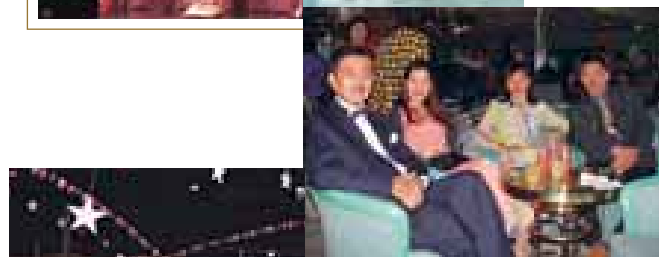
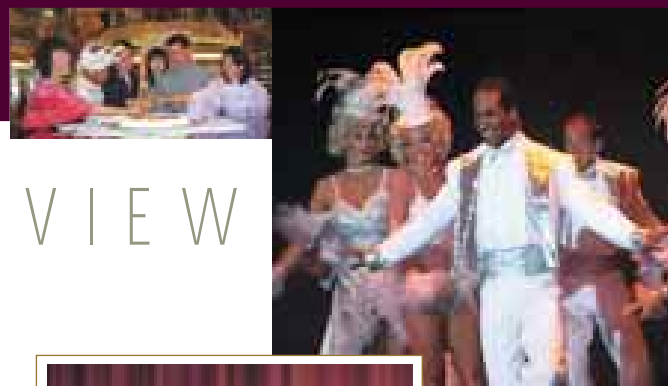
# OPERATIONS REVIEW

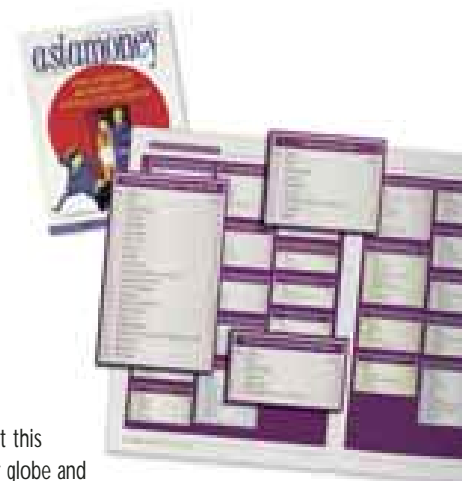
Amway Distributors reign supreme once again in Fiscal Year 2002 bringing in sales of RM387.1 million, a marginal 1% increase over Fiscal Year 2001, but technically another new record for the Group.

Despite the challenging external environment, we celebrated many high qualifiers in the Fiscal Year – 2 new Crown Ambassadors, the highest level of award in the Amway business; 3 new Double Diamonds, 2 Founder Executive Diamonds, 2 Founder Diamonds and 1 new Diamond. The announcement of the launch of the Singapore market in March offered excitement in the field. Existing passive Distributors with friends and relatives in Singapore activated their Distributorship while more prospects begin to sign up due to the new opportunities in Singapore. These caused a reversal in application trends, particularly for the Chinese market – a first in recent years. Applications from the Chinese market saw a resurgence, growing 4% during the year compared to the same period last year. Despite a marginal decline of 1.4% in Core Distributor Force (CDF) to 157,000, renewal numbers remained healthy; reinforcing Distributors' continued confidence in the Amway business opportunity. During the year, the Company continued to focus on strengthening its foothold in the Bumiputera market with applications and CDF composition rising steadily to 43% and 21% respectively.

Of significance in the Sales area are the Company's new Sales Incentive Programme (SIP) and Non-Cash Award (NCA) programmes involving the injection of additional funds to enhance the attractiveness of the Amway business opportunity and to drive Distributors to grow their business. Although scheduled for implementation in the new Fiscal Year, the announcement of these programmes in Fiscal Year 2002 was significant because Distributors vying for qualification in the new Fiscal Year, immediately set about building their sales momentum. The prospect of enhanced profitability boosted Distributors' morale and productivity, consequently driving overall business growth in the desired direction. During the year, company rallies were also revamped to increase participation and excitement and the Company's business support materials enhanced to aid Distributors' retailing efforts.

Reviewing the activities for the year, the Alaskan Leadership Seminar held in May 2002 was a huge success – more than 700 leaders returned home to share a most enriching and motivating experience on the Alaskan Cruise with their Distributor organisations. This was followed by the biggest event of the year, the National Leadership Conference (NLC) and National Convention (NC) held over 6 and 7 July 2002. The announcement of Cape Town, South Africa as the venue for Fiscal Year 2003 Leadership Seminar had 2,000 leaders cheering enthusiastically at the NLC while the Product Expo provided yet another learning experience for both Distributors and their prospects. The weekend activities culminated with more than 16,000 people thronging the Putra Stadium in Bukit Jalil to be part of the annual National Convention. Amway's





new logo, reflecting renewed pride and enthusiasm, was unveiled at this event, to positive response from the crowd. Replacing the familiar globe and rectangle is a straightforward, fresh and contemporary style, signifying the evolution within Amway. The new look which renders the Amway name in bold, slate blue type, with a sweeping red arch underlining the Amway signature, is viewed as a timely change for the Company in line with fresh, new approaches to the business.

### Power Brands Drive Sales

Fiscal Year 2002 saw a total of 10 aggressive product launches and 3 product revisions across all core business lines. These, complemented by several high impact promotional programmes, succeeded in realising a 4.3% sales improvement over the year's budget – an outstanding achievement given that new products and promotions were significantly reduced compared to Fiscal Year 2001.

Due to its strong acceptance in the market and its ability to generate repeat sales, the Nutrition and Wellness range, represented by the NUTRILITE™ brand, contributed predominantly to overall sales. During the year, the NUTRILITE Salmon Omega-3 60-count pack was launched, replacing the earlier 30-count pack and adding value to customers who emphasise heart-health. In July 2002, we introduced the NUTRILITE EPO Plus, a herbal-based product offering the best of both western and eastern herbal ingredients for the well being of women. The introduction of the Antioxidants Lifestyle Pack, which comprises a pack each of NUTRILITE Beta Carotene, NUTRILITE Bio C Plus and NUTRILITE Lecithin-E, provides Distributors with a complete set of products to address specific nutritional requirements and simplify their retailing efforts.

Our Skin Care and Cosmetics line, represented by the ARTISTRY™ brand, experienced better performance during the year to finish as the business line with the highest percentage growth. The double-digit improvement in ARTISTRY sales was largely contributed by the success of promotional activities undertaken on its Skin Care System and Specialty products. These promotional efforts are consistent with and form part of ARTISTRY's strategy to drive sales of the business line through its Skin Care range. Of the five new ARTISTRY products introduced during the Fiscal Year, the ARTISTRY TIME DEFIANCETM Wild Yam and Vitamin C proved to be extremely successful due to its unique formulation while the ARTISTRY TIME DEFIANCETM Hydroplenish Foundation launched in June 2002, showed high product acceptance. Both these work well to complement our existing range of ARTISTRY TIME DEFIANCETM specialty products. Meanwhile, the ARTISTRY limited collections for Fall, Spring and Holiday did not fail to once again to generate strong sales interest, presenting customers with trendy colours for various moods and occasions during the year. The ARTISTRY Glimmer All Over Lotion and the ARTISTRY Lip Colour Compact, being popular products in the Holiday Collection were sold out within the first week of sales, attesting to the overwhelming response.





Global Stock Keeping Unit (SKU) reduction initiatives during the year saw the discontinuance of fine fragrances in the Personal Care range. We successfully cushioned the impact of sales loss, through the launch of the G & H™ Body Shampoo. This product, discontinued a few years ago, was brought back by popular demand globally, and has managed to show encouraging sales since its reintroduction here. Also of significance in the Personal Care line is the introduction of the SUDZY™ Shampoo, a local manufacturing initiative, with enhanced formula for children.

Meanwhile, the Amway Personal Shoppers Catalogue continue to be an effective door opener providing Distributors with new and attractive products at every launch. Innovation, price attractiveness and an emphasis on lifestyle products marked the year's new Catalogue. Notable new introductions during the fiscal year were the Noxxa Breadmaker Oven, the Whirlpool Waste Disposal Unit and the Philips Deep Fryer.

In line with corporate strategy, several promotions were implemented during the year. These helped retailing efforts immensely amidst cautious consumer spending and succeeded in boosting the sluggish sales momentum. The largest incremental sales was achieved in August, generated by the highly successful NUTRILITE Purchase with Purchase (Khind Blender) which exceeded the average monthly sales by 50%, and the UV Bulb/Carbon Filter Purchase with Purchase (Multi Function Cooker) Promotions. In the Home Tech business line, we also implemented an innovative trade-in programme for the Amway Water Treatment System (WTS), which saw in excess of 6,000 units being returned for upgrade to a new WTS model and rebates being given for each unit returned. This initiative designed with Easy Payment Plan (EPP)

had a very positive impact on sales, realising a total revenue of RM12 million, despite the lacklustre market environment. Such programmes, involving a substantial financial investment, exemplify the Company's commitment to protect its market share, to take on the competition and provide an opportunity for Amway

Distributors to grow their business. For instance, the WTS trade-in programme is expected to positively impact sales of replacement parts such as the UV Bulb and Carbon Filter, moving forward. Through this, the Company is also able to start Relationship Management (RM) to facilitate the collection of market data



Miri Regional Distribution Centre.

for more targeted promotions, a move that will benefit Amway Distributors tremendously in the long run. Moving forward, the marketing strategy is to grow sales through product focus and training as well as concerted brand enhancement of Amway's power brands, specifically NUTRILITE and ARTISTRY. In this regard, concerted training featuring branding messages for these two power brands have helped raise awareness and enhance knowledge. The Company's efforts in the area of branding with proposed projects such as the ARTISTRY and NUTRILITE Mini Brand Experiences will feature prominently in the future as we continue to stamp our dominance in these two core areas. Relationship Marketing (RM), which is viewed as a cost-effective tool for targeted promotional efforts, will also play a larger role.

### Training With The Best

The strength of our "high touch" business lies in the ability of Distributors to demonstrate products and services to customers, right in the comfort of their homes. To this end, we believe that our Brand Ambassadors – the Amway Distributors – need to be equipped with the right skills and messages. The implementation of "Focus Months" during the fiscal year was a strategy, successfully implemented to achieve this, wherein, we steered Distributors' focus to specific product lines and offered various aspects of training to enhance their selling skills, with a view to aid their retailing efforts. Distributor know-how, in both the areas of selling and sponsoring remains a vital ingredient towards success in the Amway business. As such, the Company is committed to offer the best training possible. In Fiscal Year 2002, the Company organised 426 sessions of training to support Amway Distributors nationwide. The nature of these training sessions range from Distributor motivational meetings, forums and seminars to product training workshops, Product Fairs and Leadership Workshops. These events are well supported by a highly qualified team comprising, Amway corporate trainers and specialist trainers imported from Amway Headquarters, contract trainers as well as experienced Distributor Leaders.

## Meeting Growth Demands Of The Future

Increasing sophistication in the market place coupled with the specific needs of this "high touch" business, demand that we place a high priority on service excellence. To this end, the Company launched Phase 1 of a company-wide Service Excellence Programme in July of the Fiscal Year. We believe the programme will enable us to build a stronger foundation towards achieving a service excellence culture among our employees, thereby maintaining our competitive edge.

With Distributors building successful businesses throughout the entire nation, it was important for us to also enhance service levels and operational efficiencies in the outlying Regional Distribution Centres (RDCs). Following the successful relocation and upgrades of several RDCs last fiscal year, we continued with concerted efforts in this area, relocating the Miri RDC to a detached building in town and at the same time upgrading our Kuching RDC. The Miri relocation was particularly viewed positively as its strategic new location in town meant heightened visibility and easier access. With the latest relocation of Miri RDC, all RDCs in East Malaysia are now operating from better premises with enhanced facilities costing the company to the tune of approximately three quarter million Ringgit. With a string of new and generally more spacious RDCs, we have positioned ourselves well to meet the growth demands of the future.

During the year, the Amway website, Amway2u.com, recorded in excess of 58.4 million hits reasserting its increasing popularity among Distributors and the Malaysian public. The Company's e-commerce facility for Amway Distributors featured prominently, complementing personal touch with high tech capabilities. Distributors who capitalised on Internet training provided in Fiscal Year 2001 wasted no time to use technology to enhance their efficiency and productivity. Orders taken over the net hit an all time high during the year. Coupled with AMTEL (Amway's voice-activated response system), 43% of the national orders are currently taken electronically. The Company's strategy is to continue to use technology to enhance productivity and operational efficiency. To this end, Distributors will be greatly encouraged to channel their orders electronically as much as possible and in so doing help us cope with future growth without constraints. In tandem with this strategy, we added new and enhanced features to the Amway site during the year, making it possible for Distributors to register for company events, order promotional items and make a host of other inquiry services on-line. In October 2001, as part of continuing efforts to enhance service levels to Distributors, we linked Amway Brunei on-line to the main telecommunication hub in the Petaling Jaya head office.

To better support the business here and in Singapore, the Company also upgraded its computer system during the year. IT initiatives of such nature constitute 45% of the Company's

total capital expenditure and is a reflection of the Company's commitment in this area.

## Success Built On Good Reputation

Amway's phenomenal success for the past 26 years has been built, not only on a solid track record of business performance, but also on an excellent corporate reputation. This was reinforced in July 2002, when the Government renewed the Company's licence for a further 3-year term.

Although better understood in recent years, direct selling continues to be fraught with misconceptions. As a key player in the direct selling industry, we continue to participate actively to promote a better understanding of the industry among the Malaysian public. To this end, Amway Staff and Distributors participated in the Direct Selling Industry Dialogue Session and Exhibition organised by the Ministry of Domestic Trade and Consumer Affairs in May and August 2002. Amway's President, Dick DeVos, who visited Malaysia in December 2001, also took the opportunity to discuss global developments in the industry during a courtesy call to YB Tan Sri Dato' Haji Muhyiddin b. Haji Mohd Yassin, Minister of Domestic Trade and Consumer Affairs.



Fulfilling our role as a good corporate citizen, Amway Staff and Distributors undertook several community events during the year in aid of Rumah Tunas Harapan Amway, a project for abandoned

children. Meanwhile, Rumah Tunas Budi Amway, a cluster of homes for the elderly which were completed at a cost of RM400,000 in 2001, were officially handed over to the Ministry of National Unity and Social Development during the year as part of our continued commitment to the underprivileged community. Fashioned along the same lines as Tunas Harapan Amway and sited adjacent to it, these two projects form the nucleus of a caring community complex in Kuala Selangor. Tunas Budi Amway is scheduled for official opening in the new Fiscal Year.

Globally, Amway went through a massive corporate branding exercise during the year to achieve what it believes to be the essence of the Amway brand. That branding essentially says that Amway lets people remain in control of their lives, while keeping them connected to people they respect and supported by products, people and a company they trust. In line with this branding message, the look and feel of the Amway brand has been updated, making it more contemporary. The sky is used as a universal metaphor in many of our communications – symbolising pure, open horizons, limitless potential, hopes and dreams.

Reward involves the shared action of giving and receiving. Reward helps us grow either as the giver or the recipient and there are many ways we are rewarded. At the most basic, it is to be acknowledged and loved as a person. To be rewarded also means to be recognised for one's commitments, valued for one's contributions and compensated for one's efforts. Reward helps productivity to flourish by providing both a closure for one action and an impetus for a new action. Reward is integral to the Amway business as we help each other grow as people and as entrepreneurs.

# Reward

A photograph of a man and a woman sitting closely together in a gondola, smiling warmly at each other. The man is wearing a grey sweater and the woman is wearing a red jacket. In the background, a gondolier in a striped shirt is standing and using a long wooden pole to navigate the boat through a narrow canal in Venice. The canal is flanked by historic stone buildings, and a stone archway is visible in the distance.

# CORPORATE INFORMATION

## REGISTERED OFFICE

Level 7, Setia 1,  
15, Lorong Dungun, Damansara Heights  
50490 Kuala Lumpur  
Tel : 03-20957188  
Fax : 03-20950988

## PLACE OF INCORPORATION

MALAYSIA

## PRINCIPAL PLACE OF BUSINESS

34, Jalan 223  
46100 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-79555222  
Fax : 03-79555002

## COMPANY SECRETARIES

Lum Chee Yeng (MAICSA No 0880217)  
Tai Yit Chan (MAICSA No. 7009143)

## REGISTRARS

Tenaga Koperat Sdn. Bhd.  
20th Floor Plaza Permata  
Jalan Kampar  
Off Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 03-40412188  
Fax : 03-40439233

## PRINCIPAL BANKERS

Public Bank Berhad  
Ground Floor  
No 1, 3 & 5, Jalan 52/2  
46200 Petaling Jaya  
Selangor Darul Ehsan

Standard Chartered Bank Malaysia Bhd  
30/36, Jalan 52/4  
46200 Petaling Jaya  
Selangor Darul Ehsan

## AUDITORS

KPMG  
Public Accountants  
Wisma KPMG  
Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur

## SOLICITORS

Shearn Delamore & Co  
7th Floor Wisma Hamzah-Kwong Hing  
No 1, Leboh Ampang  
50100 Kuala Lumpur

## STOCK EXCHANGE LISTING

The Kuala Lumpur Stock Exchange Main Board  
Stock Code : 6351

# PROFILE OF DIRECTORS

## Tan Sri Datuk Ahmad Farouk Independent Non-Executive Chairman

Tan Sri Datuk Ahmad Farouk, a Malaysian, aged 64 was appointed Director of Amway (Malaysia) Holdings Berhad ("AMHB") on 6 June 1996. He was appointed the Chairman of AMHB on 31 March 2002 subsequent to the resignation of Tan Sri Azmi Wan Hamzah on the same day. He also serves as the Chairman of Nomination Committee and member of the Remuneration Committee and Audit Committee.

He graduated with a Bachelor of Science (Honours) degree in Economics and Politics from Queens University, Belfast, Northern Ireland in 1962 and obtained his Master's degree in Business Administration from the University of Pennsylvania, United States of America in 1971. He pursued a career in the Malaysian Administrative and Diplomatic Service and the Malaysian Rubber Research and Development Board. He served as the Assistant Secretary in the Ministry of Commerce and Industry from 1962 to 1966, and as Principal Assistant Secretary in the Budget and Finance Divisions of the Ministry of Finance from 1966 to 1969, as Under-Secretary and Deputy Secretary-General in the Ministry of Primary Industries from 1972 to 1976. In 1976, he was appointed Deputy Chairman of the Malaysian Rubber Research and Development Board and became its Chairman from 1984 to 1994. He is currently the Chairman of Dijaya Corporation Berhad, a company principally involved in resort and property development that is listed on the Main Board of the KLSE.

Tan Sri Datuk Ahmad Farouk, is a shareholder of the Company. He does not have any family relationship with any other Director and/or other major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences (other than traffic offences) within the past ten years.

Of the four Board Meetings of the Company held during the financial year ended 31 August 2002, Tan Sri Datuk Ahmad Farouk, attended three meetings and extended apologies for the remaining one.

## Low Han Kee Managing Director

Low Han Kee, a Malaysian, aged 43, was appointed Director of AMHB and Amway (Malaysia) Sdn Bhd ("AMSB") on 6 June 1996 and 16 October 1995 respectively. On 1 September 1998, he took over the helm as the Managing Director of AMHB. He is also a Director of Amway (B) Sdn Bhd ("ABSB"), a subsidiary of AMSB since 1998.

He joined AMSB in 1990 as Divisional Manager, Finance & Administration and was promoted to General Manager responsible for Amway operations in Malaysia and Brunei, in January 1993. He qualified as a Certified Public Accountant in 1984 whilst serving in Ernst & Whinney (now known as Ernst & Young), an international accounting firm. He has since accumulated more than 15 years of financial expertise, having held senior positions in finance in companies listed on the KLSE, including Mulpha International Trading Corporation Berhad, a group involved in trading, construction and engineering, where he last held the position of Group Chief Accountant, from 1985 to 1990 before leaving to join AMSB.

Low Han Kee is a shareholder of the Company. He does not have any family relationship with any other Director and/or other major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences (other than traffic offences) within the past ten years.

Low Han Kee attended all the Board Meetings of the Company held during the financial year ended 31 August 2002.



## PROFILE OF DIRECTORS

### **Dato' Ab. Halim Mohyiddin** **Independent Non-Executive Director**

Dato' Ab. Halim Mohyiddin, a Malaysian, aged 56, was appointed Director of AMHB on 25 November 2002. He also serves as the Chairman of the Audit Committee.

He graduated with a Bachelor of Economic (Accounting) from the University of Malaya in 1971 and thereafter joined Universiti Kebangsaan Malaysia as a Faculty member of the Faculty of Economics. He obtained his Masters of Business Administration degree from University of Alberta, Edmonton, Alberta, Canada in 1973. He retired from KPMG/KPMG Desa Megat & Co. on 1 October 2001, a firm he joined in 1977, and had his early accounting training in both Malaysia and United States of America. He was made partner of the Firm in 1985. At the time of his retirement, he was Partner in Charge of the Assurance and Financial Advisory Services Divisions and was also looking after the Secured e-Commerce Practice of the Firm. He has extensive experience in tax, audit, corporate turnaround and financial restructuring of various companies and has also acted as receiver and manager and liquidator for several companies during his tenure with KPMG.

He is currently the Vice President of the Malaysian Institute of Certified Public Accountants, a Council Member of Malaysian Institute of Accountants, a Fellow of Malaysian Institute of Taxation, member of Institute of Co-operative Auditors and Association of Certified Fraud Examiners, United States of America.

Dato' Ab. Halim Mohyiddin is a member of the Panel, Jawatankuasa Penilaian Program Kolej Profesional MARA and has sat as member of Board of Studies for accounting and business programmes of Kolej Teknologi MARA, Universiti Utara Malaysia, and Universiti Islam Antarabangsa Malaysia. Presently, he is a Board member of Arab-Malaysian Corporation Berhad, Kumpulan Perangsang Selangor Berhad, MCM Technologies Berhad, HeiTech Padu Berhad, Utusan Melayu (Malaysia) Berhad, Digi.Com Berhad and Idris Hydraulic (Malaysia) Bhd.

Dato' Ab. Halim Mohyiddin, is not a shareholder of the Company. He does not have any family relationship with any other Director and/or other major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences (other than traffic offences) within the past ten years.

Dato' Ab. Halim Mohyiddin was appointed Director subsequent to financial year ended 31 August 2002 and thus did not attend any Board Meeting during the year.

### **Choong Lai Huat** **Non-Independent Non-Executive Director**

Choong Lai Huat, a Malaysian, aged 55, was appointed Director of AMHB and AMSB on 6 June 1996 and 1 August 1981 respectively. He also serves as a member of the Nomination and Remuneration Committee.

He joined AMSB in 1978 as the Marketing Manager and was promoted to General Manager in 1979 before being promoted as the Managing Director in 1981, the position he retired from in 1998. He was the Executive Vice President/Director of Amway Asia Pacific Ltd. from 1993 to 2001. He served as Managing Director of AMHB from 1996 till he retired in 1998. Following his retirement, he was appointed Advisor to AMSB from 1 September 1998 to 31 August 2000. During his tenure with AMSB, he was also a Director of ABSB and was responsible for the operations and performance of Amway Worldwide's markets in Thailand, Indonesia, Malaysia and Brunei. Prior to joining AMSB, he was attached to Esso Malaysia Berhad in Sales and Marketing from 1970 to 1974, as Product Manager in Diethelm (Malaysia) Sdn Bhd from 1974 to 1976 and as New Product Manager in Colgate Palmolive (Malaysia) Sdn Bhd from 1976 to 1978. He was appointed by the Minister of National Unity and Social Development to serve as a pioneer committee member of the National Advisory Council on the Elderly from 1996 to 1998. A former Secretary of Direct Selling Association of Malaysia (DSAM) from 1984 to 1985, he has served as President of DSAM from 1986 to 1989 and from 1994 to 2000. He received his tertiary education from the University of Malaya where he graduated with an Honours degree in Economics in 1970.

Choong Lai Huat is a shareholder of the Company. He does not have any family relationship with any other Director and/or other major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences (other than traffic offences) within the past ten years.

Choong Lai Huat attended all the Board Meetings of the Company held during the financial year ended 31 August 2002.

## PROFILE OF DIRECTORS

### James Bradley Payne Non-Independent Non-Executive Director

James Bradley Payne, an American, aged 49, was appointed Director of AMHB on 7 May 1998. He also serves as the Chairman of the Remuneration Committee and member of the Audit Committee. James Bradley Payne currently serves as Senior Vice President of Amway Corporation in Ada, Michigan and also Managing Director of Amway overseas affiliate offices in Australia, New Zealand, Thailand, Malaysia, Indonesia, Philippines, Korea, India and Singapore. In his role of Senior Vice President of the Amway Core Business Unit, he oversees the areas of Sales & Marketing, Finance, Forecasting and Special Events. As Managing Director of the Southeast Asia affiliates, he is responsible for all areas of daily business operations for each marketplace. From September 1999 through August 2000, he served as President & Representative Director of Amway Japan Ltd., and still serves on the Board of Directors for that affiliate.

Since 1980, his Amway career has taken him around the world with progressively more responsible positions including Director and then Vice President of New Market Development in which he was responsible for expanding markets worldwide. Under his leadership, 11 new Amway affiliates were launched overseas including China. From 1991 to 1993, James Bradley Payne lived in Germany where he served as General Manager for Amway Germany, and Regional Manager for the Poland and Switzerland affiliates. Prior to that, he was Managing Director of Amway Thailand from 1987 to 1991, residing with his family in Bangkok. When he joined the Company in 1980, his first position was in the U.S. Sales Division.

A native of Grand Rapids, Michigan, he earned a Bachelor of Science degree in Business Administration from Aquinas College in Grand Rapids. He is a member of the West Michigan World Affairs Council in Grand Rapids, and the Grand Rapids Economics Club, and has recently joined the Board of Directors of the Van Andel Global Trade Centre.

James Bradley Payne is not a shareholder of the Company. He does not have any family relationship with any other Director and/or other major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences (other than traffic offences) within the past ten years.

Of the four Board Meetings of the Company held during the financial year ended 31 August 2002, James Bradley Payne attended three meetings and extended apologies for the remaining one.

### Craig Neil Meurlin Non-Independent Non-Executive Director

Craig Neil Meurlin, an American, aged 50, was appointed Director of AMHB on 11 June 1996. He also serves as an alternate member of the Audit Committee and Remuneration Committee. He is a Partner at Warner Norcross and Judd LLP (Grand Rapids, Michigan, United States of America), a large Michigan law firm, joining in 2000. He is also a Special Counsel to the Office of the Chief Executive of Alticor Inc, the parent company of Amway Corporation. He joined Amway Corporation in 1993 where he served, until his departure as an employee in 2000, as Senior Vice President and General Counsel with responsibility for the Legal Division and Government Affairs. He also had, for portions of these years at Amway, responsibility for Human Resources and External Affairs. He came to Amway Corporation after 16 years with Jones, Day, Reavis and Pogue (Cleveland, Ohio, United States of America), one of the largest international law firms, where he was a Partner and Coordinator of the Securities Section of the firm's Corporate Group and the Co-Chairman of the firm's Investment Banking Task Force.

He graduated with a Bachelor's Degree from the University of Vermont and a Juris Doctor Degree from the University of Virginia, both of which are in the United States of America, in 1974 and 1977 respectively. He is currently a member of the American Bar Association (Business Law and International Sections), the Ohio Bar Association and the Michigan Bar Association.

Craig Neil Meurlin is a shareholder of the Company. He does not have any family relationship with any other Director and/or other major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences (other than traffic offences) within the past ten years.

Of the four Board Meetings of the Company held during the financial year ended 31 August 2002, Craig Neil Meurlin attended three meetings and extended apologies for the remaining one.

# STATEMENT ON CORPORATE GOVERNANCE

Amway (Malaysia) Holdings Berhad (AMHB) fully subscribe to the recommendations of the Malaysian Code of Corporate Governance (Code) and is committed to ensuring good governance is practised to maximise shareholders value.

In view of this, AMHB has taken steps to ensure compliance with the Code as follows :

## BOARD OF DIRECTORS

### The Board

The Directors recognise the key role they play in charting the strategic direction, development and control of the Group and have adopted the six specific responsibilities as listed in the Code.

### Board balance

The Board currently has six members, comprising five Non-Executive Directors, including the Chairman, and one Executive Director. Of the five Non-Executive Directors, two of are independent, satisfying the requirement of the Code for Independent Non-Executive Directors to make up at least one third of the Board membership.

There is clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Managing Director implements the policies and decisions of the Board, overseeing the operations and business development. He also has the responsibility of reporting, clarifying and communicating matters to the Board.

The Independent Directors bring to bear objective and independent judgement on various issues dealt with at the Board and Board Committees, with Tan Sri Datuk Ahmad Farouk as the Chairman and Senior Independent Director to whom concerns may be conveyed. They play a strong and vital role in entrenching good governance practises in the affairs of the Group and through their participation in the Audit, Remuneration and Nomination Committees.

Independent Directors together with the other Non-Executive Directors also contribute significantly in the areas of policy, performance monitoring and allocation of resources and enhancement of controls and governance.

### Supply of information

The Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for informed decision making and effective discharge of their responsibilities.

Procedures have been established for timely dissemination of such information and reports for the Board or Board Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings. Directors may obtain independent professional advice in accordance with established procedure which has been communicated to them in furtherance of their duties.

The Directors have access to the advice and services of both Company Secretaries.

### Appointments to the Board

A selection process for new appointees to the Board as recommended by the Nomination Committee has been adopted by the Board. The Nomination Committee comprises wholly of Non-Executive Directors, with Tan Sri Datuk Ahmad Farouk as Chairman. The Committee is responsible for making recommendation to the Board on the optimum size of the Board, formalising a transparent procedure for proposing new nominees to the Board and Board Committees and ensuring that the investment of the minority shareholders are fairly reflected on the Board. The Committee will also assist the Board in reviewing, on an annual basis, the required mix of skills and experience of the Non-Executive Directors.

A Nomination Committee meeting was held on 22 October 2001 and attended by all members.

The Board recognises that fundamental to the effective discharge of their responsibilities and obligations is awareness and knowledge of the Group. A Directors' Orientation and Education Programme for the induction, orientation and continuing education of Directors has been formalised, entailing both internal and external forums to enhance their knowledge through creating awareness. During the financial year, all the Directors have successfully completed the Mandatory Accreditation Programme in accordance with KLSE regulations.



# STATEMENT ON CORPORATE GOVERNANCE

## Re-election

All Directors shall submit themselves for re-election at regular intervals in accordance with the Company's Articles of Association and regulatory requirements.

## Board meetings

The Board meets at least quarterly to review and approve the quarterly results for announcement. Due notice is given of scheduled meetings and matters to be dealt with. Additional meetings are convened when urgent and important decision need to be taken between scheduled meetings.

The Board has in place a formal schedule of matters reserved to it to ensure direction and control of the Group are firmly in its hand. To promote business and corporate efficacy and efficiency, specific responsibilities or authorities are also delegated to its Board Committees and Management where appropriate. Key matters reserved for the Board include approving strategic plans, annual operating and capital budgets, quarterly and annual financial statements and monitoring of financial and operating performance.

During the financial year, the Board met four times with details of the meetings and attendance as follows :

No	Date /Time	Total Board Members	Attendance by Board Members		Percentage of Attendance		
			Independent	Non-Independent	Independent	Non-Independent	Overall
1	22/10/01 2.20pm	7	2	5	100%	100%	100%
2	29/01/02 2.15pm	7	2	5	100%	100%	100%
3	23/04/02 2.30pm	6	2	3	100%	75%	83%
4	23/07/02 9.30am	6	1	3	50%	75%	67%

## STATEMENT ON CORPORATE GOVERNANCE

### DIRECTORS' REMUNERATION

#### Level and make up of remuneration

The Group has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Group attracts and retains the Directors needed to run the Group successfully. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

#### Procedures

The Remuneration Committee, comprises wholly of Non-Executive Directors, with James Bradley Payne as Chairman, is responsible for recommending to the Board, the remuneration of Executive Directors. Executive Directors concerned play no part in the decision of their own remuneration but may attend the committee meetings on the invitation of the Chairman of the Committee if their presence is required. The determination of remuneration of Non-Executive Directors, including Non-Executive Chairman is a matter for the Board as a whole, with individual Director abstaining from discussion of their own remuneration. The Company's Articles of Association provides that any increase in Directors' fees should be approved at a general meeting.

A Remuneration Committee meeting was held on 22 October 2001 and attended by all members.

### Disclosure

The details of Directors' remuneration for the financial year ended 31 August 2002 as are follows :

	GROUP		COMPANY	
	Executive 1.9.2001 to 31.8.2002 RM'000	Non-Executive 1.9.2001 to 31.8.2002 RM'000	Executive 1.9.2001 to 31.8.2002 RM'000	Non-Executive 1.9.2001 to 31.8.2002 RM'000
Director fees	-	157	-	146
Salaries	718	-	-	-
Bonuses	151	-	-	-
EPF (Employer)	148	-	-	-
Allowances	45	15	-	15
Benefits-in-kind	36	-	-	-
<b>Total</b>	<b>1,098</b>	<b>172</b>	<b>-</b>	<b>161</b>

The number of directors' in each remuneration band are as follows :

	GROUP		COMPANY	
	Executive 1.9.2001 to 31.8.2002 RM'000	Non-Executive 1.9.2001 to 31.8.2002 RM'000	Executive 1.9.2001 to 31.8.2002 RM'000	Non-Executive 1.9.2001 to 31.8.2002 RM'000
RM0 - RM50,000	-	6	-	5
RM300,000 - RM350,000	1	-	-	-
RM750,000 - RM800,000	1	-	-	-
<b>Total</b>	<b>2</b>	<b>6</b>	<b>-</b>	<b>5</b>

## STATEMENT ON CORPORATE GOVERNANCE

### SHAREHOLDERS

#### Dialogue between the Company and Investors

The Company recognises the importance of being accountable to its investors and as such has maintained an active and constructive communication policy that enables the Board and management to communicate effectively with its investors, stakeholders and the public generally.

The Managing Director and Financial Controller hold discussions with analysts after each quarter's announcement of results to the KLSE. However, any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder or shareholder group.

#### Annual General Meeting (AGM)

The AGM is the principal forum for dialogue with public shareholders. There is an open question and answer session in which shareholders may ask both about the resolutions being proposed at the meeting and the financial performance and business operations in general. Notice of the AGM is circulated at least 21 days prior to meeting.

### ACCOUNTABILITY AND AUDIT

#### Audit Committee

The Audit Committee comprises wholly of Non-Executive Directors with Dato' Ab. Halim Mohyiddin as Chairman. The composition of the Audit Committee is set out on page 26 of the annual report. The Audit Committee met 4 times during the financial year.

#### Financial Reporting

In presenting the annual audited financial statements and quarterly announcements to shareholders, the Board aims to present a clear, balanced and understandable assessment of the Group's position and prospects. The Statement of Directors pursuant to section 169 of the Companies Act, 1965 is set out on page 33 of the Financial Statements.

#### Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets by identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, and reviewing the adequacy and integrity of the system of internal control. A Statement of Internal Control is set out on page 29.

#### Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is stated on pages 26 to 28 of the annual report.

## STATEMENT ON CORPORATE GOVERNANCE

### COMPLIANCE WITH THE CODE

The Group has complied with the Code throughout the financial year ended 31 August 2002.

#### Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have :

- adopted suitable accounting policies and applied them consistently
- made judgements and estimates that are prudent and reasonable
- ensured that applicable accounting standards have been followed
- prepared the financial statements on the going concern basis

The Directors have prepared the annual financial statements in compliance with the Companies Act, 1965.

### OTHER INFORMATION

#### Share Buybacks

There was no share buybacks effected during the financial year.

#### Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued by the Company in respect of the financial year.

#### American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

### Imposition of Sanctions / Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities.

### Non-audit Fees

The amount of non-audit fees paid to the external auditors by the Group for the financial year amounted to RM18,000.

### Profit Guarantees

During the year, there were no profit guarantees given by the Company.

### Material Contracts

During the year, there were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders, except for recurrent related party transactions as laid out in the Circular dated 31 December 2002 which is enclosed together with the annual report.

### Contracts Relating to Loans

There were no contracts relating to loans by the Company.

### Revaluation of Landed properties

The Group does not have a revaluation policy on landed properties.

# AUDIT COMMITTEE REPORT

## MEMBERSHIP

The composition of the Company's Audit Committee, appointed by the Board from amongst its members, comprises of three members of which two are Independent Non-Executive Directors.

## COMPOSITION

### Chairman of Audit Committee

Dato' Ab. Halim Mohyiddin (Independent Non-Executive Director)

– appointed on 25 November 2002

Tengku Yunus Kamaruddin (Independent Non Executive Director)

– resigned on 4 November 2002

### Members of the Audit Committee

(i) Tan Sri Datuk Ahmad Farouk (Independent Non-Executive) – appointed on 12 July 1996

(ii) James Bradley Payne (Non-Independent Non-Executive) – appointed on 15 January 2001

(iii) Craig Neil Meurlin (Non-Independent Non-Executive – alternate to James Bradley Payne) – appointed on 9 July 2001

## TERMS OF REFERENCE

### 1. OBJECTIVES

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:

- a) oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- c) determine the adequacy of the Group's administrative, operating and accounting controls.

### 2. COMPOSITION

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- a) the audit committee must be composed of no fewer than 3 members;
- b) a majority of the audit committee must be independent directors; and
- c) at least one member of the audit committee:
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2 (a) to (c) above, the vacancy must be filled within 3 months of that event.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

## AUDIT COMMITTEE REPORT

### 3. FUNCTIONS

The functions of the Audit Committee are as follows:-

- a) review the following and report the same to the Board of Directors:
  - i) with the external auditors, the audit plan;
  - ii) with the external auditors his evaluation of the system of internal controls;
  - iii) with the external auditor, his audit report;
  - iv) the assistance given by the Company's employees to the external auditors; and
  - v) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.
- b) to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- c) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- d) to review the quarterly and year-end financial statements of the company, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements;
- e) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- f) to review the external auditor's management letter and management's response;
- g) to do the following where an internal audit function exists:
  - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointments or termination of senior staff members of the internal audit function;
  - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- h) to consider the major findings of internal investigations and management's response;
- i) to consider other areas as defined by the Board.

### 4. RIGHTS OF THE AUDIT COMMITTEE

The Audit Committee shall, wherever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

## AUDIT COMMITTEE REPORT

### 5. MEETINGS

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least once a year the Audit Committee shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular audit committee meeting specific to the relevant meeting.

During the financial year, the Committee held four (4) meetings :

Dates :  
22 October 2001  
29 January 2002  
23 April 2002  
12 July 2002

Attendance	Total number of meetings	Meetings attended by directors
Tengku Yunus Kamaruddin	4	4
Tan Sri Datuk Ahmad Farouk	4	4
James Bradley Payne	4	2
Craig Neil Meurlin	4	4

Dato' Ab. Halim Mohyiddin was appointed Director and Chairman of Audit Committee on 25 November 2002 and thus did not attend any Audit Committee meeting during the financial year.

### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year 2002, the Audit Committee performed the following duties :

- reviewed the Audit Strategy and Planning Memorandum presented by the external auditors prior to commencement of annual audit
- reviewed with the external auditors the result of the audit, the audit report and the management letter including management's response
- reviewed quarterly unaudited financial results announcements and proposed quarterly interim dividends before recommending for the Board's approval
- reviewed the Company's compliance, in particular the quarterly and year end financial statements, with the Listing Requirements of the KLSE, MASB and other relevant legal and regulatory requirements
- reviewed recurrent related party transactions entered into by the Group

### INTERNAL AUDIT FUNCTION

The Audit Committee is assisted by the Internal Audit team from Alticor Inc. (the parent company of Amway Corporation) in maintaining a sound system of internal control. This team is staffed by highly competent personnel with wide knowledge of the industry and the ability to assess business and operational risks of AMHB group and benchmark global affiliates efficiencies and controls.

The Internal Audit team undertakes internal audit functions based on the audit plan that is reviewed by the Audit Committee and approved by the Board. The audit plan covers review of adequacy of risks management, operational controls, compliance with law and regulations, quality of assets, management efficiency and level of customer services amongst others.

The internal audit report prepared by the team is deliberated by the Audit Committee and recommendations are duly acted upon by management.

# STATEMENT OF INTERNAL CONTROL

The Board of Directors acknowledges its responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets, and for reviewing its adequacy and integrity. The system of internal control covers not only financial controls but operational and compliance controls and risk management. It should be noted, however, that such systems are designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. The systems can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may effect the achievement of business objectives, throughout the year under review. This process is reviewed by the Board via the Audit Committee.

The key elements of the Group's internal control system include inter alia :

- Clearly defined delegation of responsibilities to the Board Committees and the management including charters, organisation structures and appropriate authority limits
- Clearly defined documented internal policies and procedures are in place, and updated to reflect changing risks or resolve operational deficiencies.
- Comprehensive information provided to management for monitoring of performance against strategic plan, covering all key financial and operational indicators
- Established strategic planning and budgeting process requiring all functional divisions to prepare annual operating and capital budgets which are discussed and approved by the Board
- Effective reporting system are in place to generate monthly performance and variance reports for review by management and action taken, where necessary

- Established capital expenditure approval process with set authority limits and Board's approval
- Established management information systems with documented processes for change request to computer programmes and access to data files
- Regular meetings held between management and analysts with formal presentation conducted after the release of financial results upon Board's approval to ensure a transparent relationship and open dialogue with investors and shareholders

The system of internal control are satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

## Internal Audit Function

The Audit Committee is assisted by the Internal Audit team from Alticor Inc (the parent company of Amway Corporation) in maintaining a sound system of internal control. This team is staffed by highly competent personnel with wide knowledge of the industry and therefore the ability to assess the Group's business, operational and financial risks and benchmark global affiliates efficiencies and system of internal control.

The Internal Audit team undertakes internal audit function based on audit plan that is reviewed by the Chairman of the Audit Committee.

The audit report prepared by the team dated 21 June 2002 was deliberated by the Audit Committee and recommendations were duly acted upon by management.

In order to further enhance the effectiveness of Internal Audit function, the Board of Directors has decided to review current arrangement with Alticor's Internal Audit team and assess the feasibility of outsourcing the Group's internal audit function.



# DIRECTORS' REPORT

for the year ended 31 August 2002

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 August 2002.

## Principal activities

The Company is the parent company of Amway (Malaysia) Sdn. Bhd. and Amway (B) Sdn. Bhd. The principal activities of the subsidiaries consist of the distribution of consumer products principally under the "Amway" trademark. There has been no significant change in the nature of these activities during the financial year.

## Results

	Group RM'000	Company RM'000
Net profit for the year	55,865 =====	57,045 =====

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

## Dividends

Since the end of the previous financial year, the Company paid:

- i) a fourth quarter interim dividend of 7.5 sen per share less tax at 28% totalling RM8,877,000 in respect of the year ended 31 August 2001 on 26 November 2001;
- ii) a special interim dividend of 15.0 sen per share less tax at 28% totalling RM17,754,000 in respect of the year ended 31 August 2001 on 26 November 2001;
- iii) a first quarter interim dividend of 7.5 sen per share less tax at 28% totalling RM8,877,000 in respect of the year ended 31 August 2002 on 13 March 2002;

iv) a special interim dividend of 25.0 sen per share less tax at 28% totalling RM29,589,000 in respect of year ended 31 August 2002 on 13 March 2002;

v) a second quarter interim dividend of 7.5 sen per share less tax at 28% totalling RM8,877,000 in respect of the year ended 31 August 2002 on 30 May 2002; and

vi) a third quarter interim dividend of 7.5 sen per share less tax at 28% totalling RM8,877,000 in respect of the year ended 31 August 2002 on 30 August 2002.

The fourth quarter interim dividend declared by the Directors for the year ended 31 August 2002 is 7.5 sen per share less tax at 28% totalling RM8,877,000.

## Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Datuk Ahmad Farouk bin Haji SM Ishak  
Low Han Kee (Managing Director)  
Choong Lai Huat  
Craig N. Meurlin  
James B. Payne  
Tengku Yunus Kamaruddin  
Tan Sri Azmi Wan Hamzah  
(resigned on 31.3.2002)

In accordance with Article 87.1 of the Company's Articles of Association, Tan Sri Datuk Ahmad Farouk bin Haji SM Ishak and Choong Lai Huat retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' REPORT

### Directors' interests

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Ordinary Shares of RM1 each			At 31.8.2002
	At 1.9.2001	Bought	Sold	
Shareholdings in which Directors have direct interests in the Company				
Tan Sri Datuk Ahmad Farouk bin Haji SM Ishak	16,666	-	-	16,666
Low Han Kee	20,000	-	-	20,000
Choong Lai Huat	40,000	-	(22,000)	18,000
Craig N. Meurlin	6,666	-	-	6,666
Tengku Yunus Kamaruddin	16,666	-	-	16,666

The other Director holding office at 31 August 2002 did not have any interest in the ordinary shares of the Company and of its related corporations during the financial year.

### Directors' benefits

Since the end of previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than gratuity of RM177,000 paid by a subsidiary to a Director, who was the former Managing Director.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Issue of shares

There were no changes in the issued and paid-up capital of the Company during the financial year.

### Shares buy-back

The shareholders of the Company at the conclusion of the previous authority given to the Board of Directors to buy back its own shares, by a resolution passed in the Annual General Meeting held on 29 January 2002, approved the Company's proposal to repurchase its own shares and to authorise the Company to purchase up to 16,438,000 shares of RM1 each representing 10% of its issued and paid-up share capital of 164,385,645 shares of RM1 each on that date, for a consideration of up to RM45,000,000. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchased proposal can be applied in the best interest of the Company and its shareholders. Nevertheless, the Company did not buy-back any of its shares during the year.

### Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

## DIRECTORS' REPORT

### Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors of the Company are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 August 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

.....  
**Tan Sri Datuk Ahmad Farouk bin Haji SM Ishak**

.....  
**Low Han Kee**

Kuala Lumpur,  
 Date: 31 October 2002

# STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 35 to 55, are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 August 2002 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....  
**Tan Sri Datuk Ahmad Farouk bin Haji SM Ishak**

.....  
**Low Han Kee**

Kuala Lumpur,  
 Date: 31 October 2002

# STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, Carolyn Anne Kam Foong Kheng, the officer primarily responsible for the financial management of Amway (Malaysia) Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 55, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Petaling Jaya on 31 October 2002.

.....  
 Carolyn Anne Kam Foong Kheng

Before me:  
**E RADAKRISHNAN**  
 Commissioner for Oaths (No. B008)  
 Petaling Jaya

# REPORT OF THE AUDITORS TO THE MEMBERS OF AMWAY (MALAYSIA) HOLDINGS BERHAD

We have audited the financial statements set out on pages 35 to 55. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 August 2002 and of the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**KPMG**

Firm Number: AF 0758  
Chartered Accountants

**Tang Seng Choon**  
Partner

Approval Number: 2011/12/03(J)

Kuala Lumpur,

Date: 31 October 2002

# BALANCE SHEETS

at 31 August 2002

		Group		Company	
	Note	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Property, plant and equipment	2	33,969	35,403	-	-
Investment in subsidiaries	3	-	-	86,202	86,202
Goodwill arising on consolidation	4	5,697	6,002	-	-
<b>Current assets</b>					
Inventories	5	38,199	33,050	-	-
Trade and other receivables	6	8,306	10,639	803	1,880
Amount due from holding company	7	8	8	-	-
Amount due from a subsidiary	8	-	-	40,879	66,461
Amount due from related companies	9	1,448	1,957	-	-
Investments	10	10,521	11,026	5,129	5,170
Cash and cash equivalents	11	192,540	212,451	39,230	38,324
		251,022	269,131	86,041	111,835
<b>Current liabilities</b>					
Trade and other payables	12	53,268	53,139	148	136
Amount due to related companies	9	17,695	10,410	-	-
Taxation		9,329	9,660	265	265
		80,292	73,209	413	401
<b>Net current assets</b>		170,730	195,922	85,628	111,434
		210,396	237,327	171,830	197,636
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Share capital	13	164,386	164,386	164,386	164,386
Reserves	14	46,010	72,941	7,444	33,250
<b>Shareholders' funds</b>		210,396	237,327	171,830	197,636

The financial statements were approved and authorised for issue by the Board of Directors on 31 October 2002.

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# INCOME STATEMENTS

for the year ended 31 August 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Revenue</b> - Sales of goods		<b>387,129</b>	381,744	-	-
- Dividends		-	-	<b>78,453</b>	76,323
Cost of goods sold		<b>(280,770)</b>	(279,008)	-	-
<b>Gross profit</b>		<b>106,359</b>	102,736	<b>78,453</b>	76,323
Distribution costs		<b>(12,477)</b>	(12,619)	-	-
Selling and administration expenses		<b>(25,529)</b>	(25,620)	<b>(443)</b>	(292)
Other operating income		<b>1,643</b>	861	-	572
Other operating expenses		<b>(41)</b>	(41)	<b>(41)</b>	(41)
<b>Operating profit</b>	15	<b>69,955</b>	65,317	<b>77,969</b>	76,562
Interest income	17	<b>5,788</b>	8,874	<b>1,518</b>	2,037
<b>Profit before taxation</b>		<b>75,743</b>	74,191	<b>79,487</b>	78,599
Tax expense	18	<b>(19,878)</b>	(22,166)	<b>(22,442)</b>	(22,091)
<b>Net profit for the year</b>		<b>55,865</b>	52,025	<b>57,045</b>	56,508
Earnings per ordinary share (sen)	20	<b>34.0</b>	31.6		
Dividends per ordinary share (sen) – Net	21	<b>39.6</b>	32.4	<b>39.6</b>	32.4

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 August 2002

Group	Note	Share capital RM'000	Share premium RM'000	Non-distributable Capital redemption reserve RM'000	Exchange difference account RM'000	Distributable Un- appropriated profits RM'000	Total RM'000
<b>At 1 September 2000</b>		98,632	66,568	1,365	(48)	57,893	224,410
Exchange differences on translation of the financial statements of the overseas subsidiary		-	-	-	(19)	-	(19)
Bonus issue expenses		-	(129)	-	-	-	(129)
Net losses not recognised in the income statement		-	(129)	-	(19)	-	(148)
Capitalisation for bonus issue	13	-	(65,754)	-	-	-	(65,754)
Bonus issue	13	65,754	-	-	-	-	65,754
Net profit for the year		-	-	-	-	52,025	52,025
Dividends							
- 2000 fourth quarter interim		-	-	-	-	(12,329)	(12,329)
- 2001 interim	19	-	-	-	-	(26,631)	(26,631)
<b>At 31 August 2001 and 1 September 2001</b>		164,386	685	1,365	(67)	70,958	237,327
Exchange differences on translation of the financial statements of the overseas subsidiary		-	-	-	55	-	55
Net gain not recognised in the income statement		-	-	-	55	-	55
Net profit for the year		-	-	-	-	55,865	55,865
Dividends							
- 2001 fourth quarter interim	19	-	-	-	-	(8,877)	(8,877)
- 2001 special interim	19	-	-	-	-	(17,754)	(17,754)
- 2002 interim	19	-	-	-	-	(26,631)	(26,631)
- 2002 special interim	19	-	-	-	-	(29,589)	(29,589)
<b>At 31 August 2002</b>		164,386	685	1,365	(12)	43,972	210,396
=====							
Note 13							

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.



# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2002

Company	Note	Non-distributable			Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Un- appropriated profits RM'000	
<b>At 1 September 2000</b>		98,632	66,568	1,365	13,652	180,217
Bonus issue expenses		-	(129)	-	-	(129)
Net loss not recognised in the income statement		-	(129)	-	-	(129)
Capitalisation for bonus issue	13	-	(65,754)	-	-	(65,754)
Bonus issue	13	65,754	-	-	-	65,754
Net profit for the year		-	-	-	56,508	56,508
Dividends						
- 2000 fourth quarter interim		-	-	-	(12,329)	(12,329)
- 2001 interim	19	-	-	-	(26,631)	(26,631)
<b>At 31 August 2001 and 1 September 2001</b>		164,386	685	1,365	31,200	197,636
Net profit for the year		-	-	-	57,045	57,045
Dividends						
- 2001 fourth quarter interim	19	-	-	-	(8,877)	(8,877)
- 2001 special interim	19	-	-	-	(17,754)	(17,754)
- 2002 interim	19	-	-	-	(26,631)	(26,631)
- 2002 special interim	19	-	-	-	(29,589)	(29,589)
<b>At 31 August 2002</b>		164,386	685	1,365	5,394	171,830
		=====				=====
		Note 13			Note 14	

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# CASH FLOW STATEMENTS

for the year ended 31 August 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	75,743	74,191	79,487	78,599
Adjustments for:				
Amortisation of premium on investments	105	100	41	41
Amortisation of goodwill	305	305	-	-
Depreciation	2,777	2,067	-	-
Gain on sale of property, plant and equipment	(372)	(227)	-	-
Gain on sale of investments	-	(572)	-	(572)
Interest income	(5,788)	(8,874)	(1,518)	(2,037)
Effects of exchange rate changes on profit of the overseas subsidiary	55	13	-	-
Property, plant and equipment written off	24	34	-	-
Unrealised loss/(gain) on foreign exchange	17	(26)	-	-
Operating profit before working capital changes	72,866	67,011	78,010	76,031
(Increase)/Decrease in working capital:				
Inventories	(5,149)	17,467	-	-
Trade and other receivables	2,333	(2,818)	-	246
Trade and other payables	129	7,518	12	(46)
Subsidiary	-	-	25,559	(13,844)
Related companies	4,616	(2,738)	-	-
Cash generated from operations	74,795	86,440	103,581	62,387
Income tax paid	(21,036)	(24,742)	(22,192)	(23,293)
Income tax refunded	827	-	827	-
<b>Net cash generated from operating activities</b>	<b>54,586</b>	<b>61,698</b>	<b>82,216</b>	<b>39,094</b>

## CASH FLOW STATEMENTS

for the year ended 31 August 2002

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment	391	229	-	-
Purchase of property, plant and equipment	(1,386)	(5,027)	-	-
Proceeds from sale/redemption of investments	400	61,222	-	61,222
Purchase of investments	-	(40,982)	-	(40,285)
Interest received	5,788	8,874	1,518	2,037
<b>Net cash generated from investing activities</b>	<b>5,193</b>	<b>24,316</b>	<b>1,518</b>	<b>22,974</b>
<b>Cash flow from financing activities</b>				
Repayments by/(Advances to) subsidiary	-	-	52	(41,052)
Payments made on behalf (of)/by subsidiary	-	-	(29)	64
Bonus issue expense	-	(129)	-	(129)
Dividends paid to shareholders of the Company	(82,851)	(38,960)	(82,851)	(38,960)
Payments made on behalf by/(of) related companies	3,181	(2,115)	-	-
Payments made on behalf of holding company	-	(20)	-	-
<b>Net cash used in financing activities</b>	<b>(79,670)</b>	<b>(41,224)</b>	<b>(82,828)</b>	<b>(80,077)</b>
Net (decrease)/increase in cash and cash equivalents	<b>(19,891)</b>	<b>44,790</b>	<b>906</b>	<b>(18,009)</b>
Cash and cash equivalents at beginning of year				
Balance brought forward	212,404	167,492	38,324	56,333
Reversal of previous year's unrealised gain on foreign exchange	47	155	-	-
	212,451	167,647	38,324	56,333
Foreign exchange differences on opening cash and cash equivalents	-	(33)	-	-
Cash and cash equivalents at end of year	192,560	212,404	39,230	38,324
<b>Cash and cash equivalents comprise:</b>				
Fixed deposits	183,352	207,294	38,928	38,250
Cash and bank balances	9,188	5,157	302	74
	192,540	212,451	39,230	38,324
Unrealised loss/(gain) on foreign exchange	20	(47)	-	-
	192,560	212,404	39,230	38,324

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of Malaysian Accounting Standards Board ("MASB") 19, Events After Balance Sheet Date (see Note 19 and Note 26) whereby the comparative figures have been restated to reflect the impact of the non-recognition of dividends proposed after the balance sheet date.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

### (b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Amway (Malaysia) Sdn. Bhd. ("AMSB") is consolidated using the merger method of accounting. The acquisition AMSB in 1996 was part of an integral group reorganisation undertaken by the Company for the purpose of listing and quotation of the entire issued and paid-up share capital of the Company on the main board of the Kuala Lumpur Stock Exchange. The ultimate shareholder of AMSB remained the same before and after the reorganisation prior to the listing.

Amway (B) Sdn. Bhd. is consolidated using the acquisition method of accounting.

Under the merger method of accounting, the results of the subsidiary are presented as if the Company had been combined throughout the current and previous financial years. The difference between the cost of acquisition and the nominal value of the share capital and reserves of the merged subsidiary is taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences).

Under the acquisition method of accounting, the results of subsidiary acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary's net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiary's net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

### (c) Goodwill arising on consolidation

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation.

Goodwill is amortised from the date of initial recognition over its estimated useful life of twenty five (25) years. An impairment loss is also recognised when the Directors are of the view that there is a diminution in its value, which is other than temporary.

### (d) Subsidiaries

Investments in subsidiaries are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in its value, which is other than temporary.

## NOTES TO THE FINANCIAL STATEMENTS

### (e) Property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of property, plant and equipment, expected future cash flows are not discounted to their present values. The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement.

### (f) Depreciation

Freehold land is not amortised. Long leasehold land are amortised in equal instalments over the period of the respective leases, which range from seventy four (74) to ninety nine (99) years.

Leasehold fixture and improvements are amortised over the lives of the leases of three (3) years or their estimated useful lives, whichever is shorter.

Furniture, fittings and equipment costing RM500 or less are written off in the month of purchase.

The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Buildings	2%
Building improvements	10%
Furniture, fittings and equipment	10% – 33 ⅓%
Motor vehicles	25%

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value with first-in-first-out (FIFO) basis being the main basis for cost. Cost comprises actual purchase price plus the cost of bringing the inventories to their present location and condition.

### (h) Investments

Marketable securities are stated at the lower of cost and market value. Cost of the Malaysian Government Securities includes cost of purchase and amortisation of premium or accretion of discount. An allowance is made when the Directors are of the view that there is a diminution in their value, which is other than temporary.

### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

### (j) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

## NOTES TO THE FINANCIAL STATEMENTS

### (k) Retirement plan

The Group had a non-contributory retirement plan for all full-time permanent employees who had completed six (6) months of service with the Group. Any employee who resigned within five (5) years from the date of eligibility would not be entitled to this benefit. The retirement plan was funded by payments to a trust fund, Amway Malaysia Retirement Fund, whose assets were separately administered from those of the Group.

The amount contributed by the Group was computed at a certain percentage of basic monthly salaries.

On 2 August 2000, the Board of Directors of a subsidiary passed a circular resolution, pursuant to Clause 18(b) of the Deed of Trust entered into between the said subsidiary and the trustees, to determine the trust fund on 31 December 2000. Subsequent to the date of determination, all contributions were made directly to each full-time employees' account in the Employees Provident Fund ("EPF") at a certain percentage of each full-time permanent employees wages in accordance with the EPF Act, 1991.

The trust fund was wound up on 28 December 2001.

### (l) Repurchase of shares

When shares are repurchased and cancelled, the nominal value of the shares repurchased is cancelled by a debit to share capital and an equivalent amount is transferred to capital redemption reserve. The consideration, including any acquisition cost and premium or discount arising from the shares repurchased, is adjusted to share premium or any other suitable reserve.

When shares are repurchased and held as treasury shares, the cost of the shares repurchased is debited to treasury shares. Where treasury shares are subsequently distributed as share dividends, the cost of treasury shares is adjusted to share premium or any other suitable reserve. Where treasury shares are subsequently reissued by re-sale in the open market, the credit difference, which arise when the sale consideration is more than the cost of the shares repurchased, is adjusted to share premium. Conversely, the debit difference, which arise when the sale consideration is less than the cost of the shares repurchased, is adjusted to share premium or any other suitable reserve.

### (m) Foreign currency

#### i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

#### ii) Financial statements of foreign operations

The operations of the Group's overseas subsidiary are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of the overseas subsidiary are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of the overseas subsidiary are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are taken to Exchange Difference Account in equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of the overseas subsidiary are as follows:

USD1	to	RM3.80	(2001 : RM3.80)
B\$1	to	RM2.17	(2001 : RM2.17)

### (n) Revenue

#### i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

#### ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### iii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

### (o) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Property, plant and equipment

Group	Freehold land	Long leasehold land	Buildings	Building improvements	Leasehold fixture and improvements	Furniture, fittings and equipment	Motor vehicles	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 September 2001	20,016	2,637	7,781	1,982	687	14,413	2,449	49,965
Additions	-	-	-	35	297	896	158	1,386
Disposals	-	-	-	-	-	(6)	(895)	(901)
Written off	-	-	-	-	(88)	(236)	-	(324)
At 31 August 2002	20,016	2,637	7,781	2,017	896	15,067	1,712	50,126
Accumulated depreciation								
At 1 September 2001	-	175	1,503	855	229	10,394	1,406	14,562
Charge for the year	-	35	155	134	233	1,841	379	2,777
Disposals	-	-	-	-	-	(5)	(877)	(882)
Written off	-	-	-	-	(88)	(212)	-	(300)
At 31 August 2002	-	210	1,658	989	374	12,018	908	16,157
Net book value								
At 31 August 2002	20,016	2,427	6,123	1,028	522	3,049	804	33,969
At 31 August 2001	20,016	2,462	6,278	1,127	458	4,019	1,043	35,403
Depreciation charge for the year ended 31 August 2001	-	35	156	112	134	1,330	300	2,067

The title deed to the freehold land, which was acquired by a subsidiary in 1997, amounting to RM18,595,000 (2001 - RM18,595,000) is in the process of being registered in the name of the subsidiary.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. Investment in subsidiaries

	Company	
	2002 RM'000	2001 RM'000
Unquoted shares	86,202 =====	86,202 =====

The principal activities of the subsidiaries, their places of incorporation and the interest of Amway (Malaysia) Holdings Berhad are as follows:

Name of company	Principal Activities	Country of incorporation	Effective ownership interest	
			2002 %	2001 %
Amway (Malaysia) Sdn. Bhd.	Distribution of consumer products principally under the "AMWAY" trademark.	Malaysia	100	100
Amway (B) Sdn. Bhd. *	Distribution of consumer products principally under the "AMWAY" trademark.	Negara Brunei Darussalam	100	100

\* The entire equity interest of Amway (B) Sdn. Bhd. is held by Amway (Malaysia) Sdn. Bhd.

### 4. Goodwill arising on consolidation

Cost	Group RM'000
At 1 September 2001/31 August 2002	7,630 =====
<b>Amortisation</b>	
At 1 September 2001	1,628
Amortisation for the year	305
	-----
At 31 August 2002	1,933 =====
<b>Net book value</b>	
At 31 August 2002	5,697 =====
At 31 August 2001	6,002 =====
Amortisation charge for the year ended 31 August 2001	305 =====

This represents the unamortised balance of the goodwill arising on consolidation of Amway (B) Sdn. Bhd.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Inventories

	Group	
	2002 RM'000	2001 RM'000
Consumer products	38,199	33,050
	=====	=====

Consumer products of the Group of RM955,000 (2001 - RM1,180,000) are carried at net realisable value.

During the year, there was a reversal of a write down of inventories of RM196,000 (2001 - RM1,146,000). The reversal arose from an increase in net realisable value.

### 6. Trade and other receivables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables	3,668	5,875	-	-
Less: Allowance for doubtful debts	(587)	(411)	-	-
	<u>3,081</u>	<u>5,464</u>	<u>-</u>	<u>-</u>
Other receivables, deposits and prepayments	5,225	5,175	803	1,880
	<u>8,306</u>	<u>10,639</u>	<u>803</u>	<u>1,880</u>
	=====	=====	=====	=====

Included in other receivables, deposits and prepayments of the Group and of the Company is tax recoverable of RM564,000 (2001 - RM1,641,000), which is subject to agreement by the Inland Revenue Board. During the year, the Inland Revenue Board refunded RM827,000 and the Company utilised RM250,000 to set off against tax instalments for Year of Assessment 2002.

### 7. Holding company

The holding company is Amway Asia Pacific Ltd., a company incorporated in Bermuda.

The amount due from holding company is mainly in respect of payments made on behalf, which are unsecured, interest free and have no fixed terms of repayment.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Amount due from a subsidiary

The amount due from a subsidiary comprises the following:

	Company	
	2002 RM'000	2001 RM'000
Amount due from:		
- Dividend receivable	-	25,559
- Advances	41,000	41,052
	<u>41,000</u>	<u>66,611</u>
Amount due (to):		
- Non-trade	(121)	(150)
	<u>40,879</u>	<u>66,461</u>
	=====	=====

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment except for dividend receivable in the previous year, which was due within twelve months.

The amount due to a subsidiary relates to payments made on behalf, which are unsecured, interest free and have no fixed terms of repayment.

### 9. Amounts due from/(to) related companies

The amounts due from/(to) related companies comprise the following:

	Group	
	2002 RM'000	2001 RM'000
Amount due from related companies:		
- Trade	172	14
- Non-trade	1,276	1,943
	<u>1,448</u>	<u>1,957</u>
	=====	=====
Amount due to related companies:		
- Trade	(15,143)	(10,369)
- Non-trade	(2,552)	(41)
	<u>(17,695)</u>	<u>(10,410)</u>
	=====	=====

The amounts due from/(to) related companies are unsecured, interest free and have no fixed terms of repayment. The non-trade amounts due from/(to) related companies are mainly in respect of payments made on behalf.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Investments

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Marketable securities, at cost:				
Malaysian Government Securities	10,820	11,245	5,270	5,270
Less: Amortisation of premium	(299)	(219)	(141)	(100)
	<u>10,521</u>	<u>11,026</u>	<u>5,129</u>	<u>5,170</u>
	=====	=====	=====	=====
Market value of investments:				
Malaysian Government Securities	11,524	12,233	5,630	5,774
	=====	=====	=====	=====

### 11. Cash and cash equivalents

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits are placed with:				
Licensed banks	177,807	174,876	33,767	33,025
Finance companies	5,161	7,776	5,161	5,225
Other corporations	384	24,642	-	-
	<u>183,352</u>	<u>207,294</u>	<u>38,928</u>	<u>38,250</u>
Cash and bank balances	9,188	5,157	302	74
	<u>192,540</u>	<u>212,451</u>	<u>39,230</u>	<u>38,324</u>
	=====	=====	=====	=====

### 12. Trade and other payables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables	10,017	8,717	-	-
Other payables and accruals	43,251	44,422	148	136
	<u>53,268</u>	<u>53,139</u>	<u>148</u>	<u>136</u>
	=====	=====	=====	=====

Included in other payables and accruals of the Group are RM689,000 (2001 - RM689,000) being the remaining purchase consideration for the freehold land acquired in 1997 by a subsidiary (Note 2) and RM29,557,000 (2001 - RM30,388,000) being the accruals for Distributors' bonuses and seminars.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Share capital

	Company	
	2002 RM'000	2001 RM'000
Ordinary shares of RM1 each Authorised	250,000 =====	250,000 =====
Issued and fully paid		
At 1 September 2001	164,386	98,632
Bonus issue	-	65,754
At 31 August 2002	164,386 =====	164,386 =====

At an Extraordinary General Meeting held on 11 September 2000, the shareholders of the Company approved a bonus issue of 65,753,645 new ordinary shares of RM1 each to be credited as fully paid-up ordinary shares on the basis of two (2) new ordinary shares for every three (3) existing fully paid-up ordinary shares held. The bonus issue of 65,753,645 ordinary shares was allotted on 31 October 2000 and credited as fully paid-up ordinary shares through capitalisation from the Company's share premium account of RM65,753,645.

### 14. Reserves

#### *Unappropriated profits*

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its unappropriated profits at 31 August 2002, if paid out as dividends.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Operating profit

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Operating profit is arrived at after charging</b>				
Allowance for doubtful debts	176	248	-	-
Amortisation of goodwill (Note 4)	305	305	-	-
Amortisation of premium on investments	105	100	41	41
Auditors' remuneration	82	71	15	12
Bad debts written off	37	-	-	-
Contribution to employees' retirement plan	-	101	-	-
Depreciation (Note 2)	2,777	2,067	-	-
Directors remuneration				
- Emoluments				
Directors of the Company	760	756	15	18
Director of the subsidiary	317	271	-	-
- Fees				
Directors of the Company	146	113	146	113
Director of the subsidiary	11	11	-	-
Gratuity paid to a Director, who was the former Managing Director	177	-	-	-
Property, plant and equipment written off	24	34	-	-
Realised loss on foreign exchange	-	85	-	-
Rental of equipment	-	4	-	-
Rental of premises	530	573	-	-
Support charges paid/payable	3,554	1,093	-	-
Unrealised loss on foreign exchange	17	-	-	-
	=====	=====	=====	=====
<b>and after crediting:</b>				
Gross dividends from a subsidiary	-	-	78,453	76,323
Gain on sale of investments	-	572	-	572
Gain on sale of property, plant and equipment	372	227	-	-
Realised gain on foreign exchange	217	-	-	-
Reversal of inventories written down	196	1,146	-	-
Support charges receivable	648	-	-	-
Unrealised gain on foreign exchange	-	26	-	-
	=====	=====	=====	=====
The estimated monetary value of benefits-in-kind received by the				
Director of the Company	20	30	-	-
Director of the subsidiary	16	10	-	-
	=====	=====	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS

### 16. Employee information

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Staff costs	13,452	12,142	-	-
	=====	=====	=====	=====

The average number of employees of the Group (including Directors) during the year was 280 (2001 - 271).

### 17. Interest income

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Interest income from fixed deposits and investments	5,788	8,874	1,518	2,037
	=====	=====	=====	=====

### 18. Tax expense

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Income tax expense				
- Malaysian - current year provision	20,372	21,769	22,442	22,091
- over provision in prior years	(1,363)	-	-	-
- Overseas - current year provision	869	397	-	-
	<u>19,878</u>	<u>22,166</u>	<u>22,442</u>	<u>22,091</u>
	=====	=====	=====	=====

The effective tax rate of the Group in the current year is lower than the statutory tax rate due to reversal of certain provisions that were previously disallowed are not taxable in the current year.

The effective tax rate of the Group in the previous year was higher than the statutory tax rate due to certain expenses were disallowed for income tax purposes.

Subject to agreement by the Inland Revenue Board, the Group has potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following item:

	Group	
	2002 RM'000	2001 RM'000
Timing differences	30,408	26,272
	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS

### 19. Dividends

	Company	
	2002 RM'000	2001 RM'000
Interim paid:		
First quarter interim dividend of 7.5 sen (2001 - 7.5 sen) per share less tax at 28%	8,877	8,877
Second quarter interim dividend of 7.5 sen (2001 - 7.5 sen) per share less tax at 28%	8,877	8,877
Third quarter interim dividend of 7.5 sen (2001 - 7.5 sen) per share less tax at 28%	8,877	8,877
Special interim dividend of 25 sen (2001 - Nil) per share less tax at 28%	29,589	-
	<u>56,220</u>	<u>26,631</u>
Declared:		
Fourth quarter interim dividend of 7.5 sen (2001 - interim dividend of 7.5 sen per share less tax at 28%)	8,877	8,877
Special interim dividend of Nil (2001 - Special interim dividend of 15 sen per share less tax at 28%)	-	17,754
	<u>65,097</u>	<u>53,262</u>
	=====	=====

The interim dividends declared have not been accounted for in the financial statements as they were declared after the respective balance sheet date.

### 20. Earnings per ordinary share - Group

#### *Basic earnings per ordinary share*

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM55,865,000 (2001 - RM52,025,000) and the number of ordinary shares outstanding during the year of 164,386,000 (2001 - weighted average number of ordinary shares outstanding of 164,386,000).

#### *Weighted average ordinary number of ordinary shares*

	2002 RM'000	2001 RM'000
Issued ordinary shares at beginning of the year	164,386	98,632
Effect of bonus issue in 2001 (Note 13)	-	65,754
	<u>164,386</u>	<u>164,386</u>
	=====	=====

### 21. Net dividends per ordinary share

#### *Group and Company*

The net dividends per ordinary share is calculated based on dividends of RM65,097,000 (2001 - RM53,262,000) divided by ordinary shares in issue at year end of 164,386,000 (2001 - 164,386,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Segmental information

The Group operates solely in the direct selling industry and distribution of its products is principally in Malaysia. The results and total assets of the subsidiary in Negara Brunei Darussalam is insignificant to the Group. Accordingly, information on geographical and business segments of the Group's operations are not presented.

### 23. Commitments

	2002 RM'000	Group 2001 RM'000
Capital commitments:		
Property, plant and equipment		
Authorised but not contracted for	3,178	21,398
	=====	=====
Foreign currencies:		
Forward purchase of foreign currencies	-	5,697
	=====	=====

### 24. Operating leases

*Leases as lessee*

Total future minimum lease payments under non cancellable operating leases are as follows:

	2002 RM'000	Group 2001 RM'000
Less than one year	500	427
Between one and five years	499	545
	<u>999</u>	<u>972</u>
	=====	=====

The Group leases a number of shop office cum warehouse and shop lots under operating leases. The leases typically run for an initial periods ranging from one (1) to five (5) years with the following options upon expiry of the initial lease periods:

- Two (2) leases - renew the lease for a period of twelve (12) and twenty four (24) months respectively.
- Five (5) leases - renew the lease for a further term by notifying the lessor in writing at least three (3) months before expiry.
- Two (2) leases - renew the lease for a further term by notifying the lessor in writing at least one (1) month before expiry.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Related parties

Identity of related parties

Controlling related party relationships are as follows:

i) The holding company as disclosed in Note 7; and

ii) Its subsidiaries as disclosed in Note 3.

The Company also has related party relationships with its related companies and a Director of the Company.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Subsidiary				
Gross dividends received/receivable	-	-	(78,453)	(76,323)
Related companies				
- Access Business Group International LLC				
Purchases	122,495	47,592	-	-
Support charges paid/payable	296	103	-	-
- Amway Corporation				
Purchases	-	58,523	-	-
Support charges paid/payable	2,607	956	-	-
- Access Business Group LLC				
Support charges paid/payable	-	14	-	-
- Alticor Inc.				
Support charges paid/payable	651	20	-	-
Royalties paid	282	33	-	-
- Amway (Singapore) Pte. Ltd.				
Sales	(1,973)	-	-	-
Support charges receivable	(648)	-	-	-
	=====	=====	=====	=====

### Transaction with a Director

Significant transaction with a Director other than those disclosed elsewhere in the financial statements is as follows:

	Group	
	2002 RM'000	2001 RM'000
Choong Lai Huat, a Director who was the former Managing Director		
Gratuity paid	177	-
	=====	=====

Balances with holding company, subsidiaries and related companies at balance sheet date are disclosed in Note 7, Note 8 and Note 9 respectively.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Comparative figures

The following comparatives have been restated to reflect the treatment of dividends declared in accordance with MASB 19 on Events After Balance Sheet Date:

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheet				
Dividend payable	-	26,631	-	26,631
Reserves	72,941	46,310	33,250	6,619
Statements of changes in equity				
Unappropriated profits at 1 September 2000	57,893	45,564	13,652	1,323
Unappropriated profits at 31 August 2001	70,958	44,327	31,200	4,569
Dividends	-	(53,262)	-	(53,262)
Dividends				
- 2000 fourth quarter interim	(12,329)	-	(12,329)	-
- 2001 interim	(26,631)	-	(26,631)	-
	=====	=====	=====	=====

# REGIONAL DISTRIBUTION CENTRES

31 August 2002

## HEADQUARTERS

34, Jalan 223,  
46100 Petaling Jaya, Selangor  
Tel : 03-79555222 Fax : 03-79555002

## BUTTERWORTH

10 Lorong Nagasari 4, Taman Nagasari,  
13600 Prai, Penang  
Tel : 04-3905222 Fax : 04-3905688

## JOHOR BAHRU

1, Jalan Sri Plentong 5, Taman Perindustrian Sri  
Plentong, 81750 Masai, Johor  
Tel : 07-3885111 Fax : 07-3875111

## IPOH

34, Hala Rapat Baru 22,  
Taman Perusahaan Ringan Kinta Jaya,  
Off Jalan Gopeng, 31350 Ipoh, Perak  
Tel : 05-3138222 Fax : 05-3133111

## KUANTAN

Lot 48/4 & 48/5,  
Kawasan Perindustrian Semambu,  
25350 Kuantan, Pahang  
Tel : 09-5681111, 09-5682222, 09-5683333  
Fax : 09-5660555

## MIRI

Lot 302 Ricemill Road MCLD, 98000 Miri, Sarawak  
Tel : 085-429222, 085-432795, 085-418609  
Fax : 085-664222

## KUCHING

Lot 40 & 41, Jalan Tun Ahmad Zaidi Adruce,  
93200 Kuching, Sarawak  
Tel : 082-418923, 082-418932 Fax : 082-248244

## KOTA KINABALU

Lot 30 Jalan Sembulan Lama, Karamunsing,  
88000 Kota Kinabalu, Sabah  
Tel : 088-245111, 088-245222 Fax : 088-245666

## SANDAKAN

Lot 7 & 8, Block 12, Mile 4,  
Jalan Labuk, Bandar Indah,  
90000 Sandakan, Sabah  
Tel : 089-236222, 089-237222 Fax : 089-238222

## BRUNEI

No. 6 & 7, Block A, Kompleks Shakirin,  
Kampong Kiulap, Bandar Seri Begawan BE1518,  
Brunei Darussalam  
Tel : 00-673-2-236164, 00-673-2-236165  
Fax : 00-673-2-236167

# PARTICULARS OF PROPERTIES

The properties held by the Group and the Company as at 31 August 2002 are as follows:-

Location	Usage	Land Area in Square Metres	Land Tenure	Year Of Expiry	Net Book Value RM '000	Approx. Age (Years)	Date of Acquisition
10, Lorong Nagasari 4, Taman Nagasari, 13600 Prai, Penang	Office & Warehouse	975	Freehold	-	497	11	19/6/91
34, Jalan 223, 46100 Petaling Jaya Selangor Darul Ehsan	Office & Warehouse	5,940	Leasehold expiring 22 August 2070	2070	6,366	14	14/6/88
34, Hala Rapat Baru 22, Taman Perusahaan Ringan Kinta Jaya, Off Jalan Gopeng, 31350 Ipoh, Perak	Office & Warehouse	1,271	Leasehold expiring 18 August 2094	2094	678	7	21/8/95
1, Jalan Sri Plentong 5, Taman Perindustrian Sri Plentong, 81750 Masai, Johor	Office & Warehouse	3,841	Freehold	-	2,428	2	6/3/00
No. 6 Persiaran A, Seksyen U8, Bukit Jelutong Shah Alam Selangor Darul Ehsan	In Progress	25,287	Freehold	-	18,595	N/A	21/12/96

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of AMWAY (MALAYSIA) HOLDINGS BERHAD will be held at the Ballroom (Mezzanine Floor), Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail 50250 Kuala Lumpur on Thursday, 23 January 2003 at 10.30 a.m. for the following purposes:

## AGENDA

### As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the year ended 31 August 2002 together with the Directors' and the Auditors' Reports thereon.

#### Ordinary Resolution 1

2. To re-elect Tan Sri Datuk Ahmad Farouk, who is retiring pursuant to Article 87.1 of the Company's Articles of Association.

#### Ordinary Resolution 2

3. To re-elect Mr. Choong Lai Huat, who is retiring pursuant to Article 87.1 of the Company's Articles of Association.

#### Ordinary Resolution 3

4. To approve the increase in Directors' Fees for the year ending 31 August 2003.

#### Ordinary Resolution 4

5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their fees.

#### Ordinary Resolution 5

### As Special Business

To consider and, if thought fit, to pass the following resolutions:

6. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Access Business Group International LLC.

#### Ordinary Resolution 6

7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Alticor Inc. and Amway Corporation.

#### Ordinary Resolution 7

8. Proposed Purchase of Own Shares.

#### Ordinary Resolution 8

(The detailed text and the rationale on Items 6, 7 & 8 are contained in the Circular dated 31 December 2002 which is enclosed together with the Annual Report.)

BY ORDER OF THE BOARD

LUM CHEE YENG (MAICSA 0880217)  
TAI YIT CHAN (MAICSA 7009143)  
Company Secretaries

Kuala Lumpur  
31 December 2002

## NOTE:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149 (1) (b) of the Companies Act, 1965 shall not apply.
2. A member shall not be entitled to appoint more than two (2) proxies. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 7, Setia 1, 15 Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.

## Explanatory Notes on the Special Business

5. Ordinary resolution 6 & 7, if passed, will allow the Group to enter into the recurrent related party transactions in the ordinary course of business and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.
6. Ordinary resolution 8, if passed, will give the Directors of the Company, from the date of the forthcoming Annual General Meeting, the authority to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through the KLSE upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued and paid up share capital of the Company as at 20 December 2002 and that at the discretion of the Directors of the Company, the shares of the Company to be purchased are proposed to be cancelled and/or retained as treasury shares. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within the next Annual General Meeting is required by law to be held, whichever is earlier.

# NOTICE OF ANNUAL GENERAL MEETING

## STATEMENT ACCOMPANYING NOTICE OF EIGHTH ANNUAL GENERAL MEETING

Pursuant to the Paragraph 8.28(2) of the KLSE Listing Requirements appended hereunder are:

### 1. Directors who are standing for re-election at the Eighth Annual General Meeting of the Company are:

- a. Tan Sri Datuk Ahmad Farouk
- b. Choong Lai Huat

### 2. Details of attendance of Directors at Board Meetings

There were four Board Meetings held during the financial year ended 31 August 2002. Details of attendance of the Directors are set out in the Profile of Directors on page 18 to 20 of the Annual Report.

### 3. Place, Date and Time of Board Meetings

The Board Meetings were held as follows:-

Date	Time	Place
22 October 2001	2.20 p.m	Board Room, Amway Head Office, 3rd Floor, No. 34 Jalan 223, Petaling Jaya, Selangor.
29 January 2002	2.15 p.m	Melati Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, Kuala Lumpur.
23 April 2002	2.30 p.m	Board Room, Amway Head Office, 3rd Floor, No. 34 Jalan 223, Petaling Jaya, Selangor.
23 July 2002	9.30 a.m	Board Room, Amway Head Office, 3rd Floor, No. 34 Jalan 223, Petaling Jaya, Selangor.

### 4. Details of Directors standing for re-election at the Eighth Annual General Meeting as follows:

#### Tan Sri Datuk Ahmad Farouk

Independent Non-Executive Chairman

- Malaysian, aged 64.
- Bachelor of Science (Honours) degree in Economics and Politics from Queens University, Belfast, Northern Ireland and Master's degree in Business Administration from the University of Pennsylvania, United States of America.
- Pursued a career in the Malaysian Administrative and Diplomatic Service and the Malaysian Rubber Research and Development Board.
- Served as Assistant Secretary in the Ministry of Commerce and Industry from 1962 to 1966, Principal Assistant Secretary in the Budget and Finance Divisions of the Ministry of Finance from 1966 to 1969, Under-Secretary and Deputy Secretary-General in the Ministry of Primary Industries from 1972 to 1976.

- Appointed Deputy Chairman of the Malaysian Rubber Research and Development Board in 1976 and Chairman from 1984 to 1994.
- Appointed Director of AMHB on 6 June 1996.
- Chairman of Dijaya Corporation Berhad
- Holds 16,666 shares, directly in the company, however does not hold shares in any of its subsidiaries.
- No family relationship with any other Director and/or other major shareholder of the Company.
- No conflict of interest with the Company.
- No convictions for offences (other than traffic offences) within the past ten years.

#### Choong Lai Huat

Non-Independent Non-Executive Director

- Malaysian, aged 55.
- Graduated with an Honours degree in Economics in 1970 from University of Malaya.
- Joined AMSB in 1978 as Marketing Manager, promoted to General Manager in 1979, and Managing Director in 1981, the position he retired from in 1998.
- An Executive Vice President/Director of Amway Asia Pacific Ltd. from 1993 to 2001.
- During his tenure with AMSB, he was also a Director of ABSB and was responsible for the operations and performance of Amway Worldwide's markets in Thailand, Indonesia, Malaysia and Brunei.
- Appointed as Advisor to AMSB from 1 September 1998 to 31 August 2000.
- Attached to Esso Malaysia Berhad in Sales and Marketing from 1970 to 1974, as Product Manager in Diethelm (Malaysia) Sdn Bhd from 1974 to 1976 and as New Product Manager in Colgate Palmolive (Malaysia) Sdn Bhd from 1976 to 1978.
- Served as a pioneer committee member of the National Advisory Council on the Elderly from 1996 to 1998.
- Served as Secretary of Direct Selling Association of Malaysia (DSAM) from 1984 to 1985, President of DSAM from 1986 to 1989 and from 1994 to 2000.
- Appointed Director of AMHB on 6 June 1996. No directorship in other public companies.
- Holds 18,000 shares, directly in the company, however does not hold shares in any of its subsidiaries.
- No family relationship with any other Director and/or other major shareholder of the Company.
- No conflict of interest with the Company.
- No convictions for offences (other than traffic offences) within the past ten years.



# ANALYSIS OF SHAREHOLDINGS

As at 28 November 2002

Authorised Share Capital : RM250,000,000  
 Issued and Paid-Up Share Capital : RM164,385,645  
 Class of Shares : Ordinary Share of RM1.00 each  
 Voting Rights : One vote per share

## ANALYSIS OF SHAREHOLDINGS

Distribution of shareholdings according to size:

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 - 999	103	2.6746	32,364	0.0197
1,000 - 10,000	3,404	88.3926	9,037,048	5.4975
10,001 - 100,000	250	6.4919	7,931,967	4.8252
100,001 - 8,219,281	92	2.3890	42,452,650	25.8250
8,219,282 and above	2	0.0519	104,931,616	63.8326
Total	3,851	100.0000	164,385,645	100.0000

## SUBSTANTIAL SHAREHOLDERS

Name Of Shareholders	No. of Shares Held	% of Issued Capital
1. Amway Asia Pacific Limited	84,990,283	51.7018
2. Employees Provident Fund Board	23,283,333	14.1638

## SHAREHOLDING OF DIRECTORS

Name Of Shareholders	No. of Shares Held	% of Issued Capital
1. Tan Sri Datuk Ahmad Farouk Bin Haji SM Ishak	16,666	0.0101
2. Low Han Kee	20,000	0.0122
3. Dato' Ab. Halim Bin Mohyiddin	-	-
4. Choong Lai Huat	18,000	0.0109
5. Craig Neil Meurlin	6,666	0.0041
6. James Bradley Payne	-	-

# ANALYSIS OF SHAREHOLDINGS

As at 28 November 2002

## THIRTY LARGEST SHAREHOLDERS

	No. of Shares Held	% of Issued Capital
1. Amway Asia Pacific Limited	84,990,283	51.7018
2. Employees Provident Fund Board	19,941,333	12.1308
3. Malaysia National Insurance Berhad	2,567,000	1.5616
4. Takaful Nasional Sdn Berhad	2,433,000	1.4801
5. Lembaga Tabung Angkatan Tentera	2,012,000	1.2240
6. Citicorp Nominees (Tempatan) Sdn Bhd – Prudential Assurance Malaysia Berhad (PAR Fund)	1,648,333	1.0027
7. Lembaga Tabung Haji	1,488,000	0.9052
8. Amanah Raya Nominees (Tempatan) Sdn Bhd – Amanah Saham Malaysia	1,300,666	0.7912
9. Universal Trustee (Malaysia) Berhad – SBB Premium Capital Fund	1,246,000	0.7580
10. Amanah Raya Nominees (Tempatan) Sdn Bhd – Amanah Saham Didik	1,149,000	0.6990
11. SBBAM Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	1,065,000	0.6479
12. Amanah Raya Nominees (Tempatan) Sdn Bhd – Public Savings Fund	1,052,000	0.6400
13. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	984,000	0.5986
14. Pertubuhan Keselamatan Sosial	955,000	0.5810
15. Kurnia Insurans (Malaysia) Berhad	833,333	0.5069
16. Straits Nominees (Asing) Sdn Bhd – GK Goh SPL for Halfmoon Bay Enterprises Ltd (2Q/68029)	816,666	0.4968
17. AM Nominees (Tempatan) Sdn Bhd – Pertubuhan Keselamatan Sosial	791,666	0.4816
18. Lembaga Tabung Haji	771,666	0.4694
19. AMMB Nominees (Tempatan) Sdn Bhd – Amtrustee Berhad for Pacific Pearl Fund (5/1-9)	765,666	0.4658
20. AM Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (A/C 1)	758,000	0.4611
21. John Hancock Life Insurance (Malaysia) Berhad	664,999	0.4045
22. Citicorp Nominees (Tempatan) Sdn Bhd – ING Insurance Berhad (INV-IL PAR)	611,666	0.3721
23. MCIS Insurance Berhad	601,000	0.3656
24. BBMB Securities Nominees (Tempatan) Sdn Bhd – Petroleum Research Fund	563,333	0.3427
25. Cartaban Nominees (Tempatan) Sdn Bhd – Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (A/C 2 - JF458)	542,000	0.3297
26. Lembaga Tabung Haji	535,666	0.3259
27. Lembaga Tabung Haji	523,000	0.3182
28. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd – Bumiputra-Commerce Trustee Berhad for Pacific Dana Aman (3717 TR01)	514,000	0.3127
29. AMMB Nominees (Tempatan) Sdn Bhd – MIDF Aberdeen Asset Management Sdn Bhd for Employees Provident Fund (No. 2 7/863-0)	500,000	0.3042
30. Bumiputra-Commerce Trustee Berhad – Amanah Saham Darul Iman	490,000	0.2981
	<hr/> 133,114,276 <hr/>	<hr/> 80.9772 <hr/>

# Proxy Form

AMWAY (MALAYSIA) HOLDINGS BERHAD (Company No.340354-U)  
(Incorporated in Malaysia)

No. of Shares held

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member/members of AMWAY (MALAYSIA) HOLDINGS BERHAD, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him, \_\_\_\_\_  
of \_\_\_\_\_

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company to be held at the **Ballroom** (Mezzanine Floor), Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail 50250 Kuala Lumpur **on Thursday, 23 January 2003 at 10.30 a.m.** and at any adjournment thereof.

My/our proxy is to vote as indicated below:

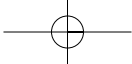
No.	Resolution	For	Against
Ordinary Resolution 1	Adoption of Audited Accounts and Directors' and Auditors' Reports for the year ended 31 August 2002.		
Ordinary Resolution 2	Re-election of Tan Sri Datuk Ahmad Farouk as Director		
Ordinary Resolution 3	Re-election of Mr. Choong Lai Huat as Director		
Ordinary Resolution 4	Approval on Increase in Directors' Fee		
Ordinary Resolution 5	Re-appointment of KPMG as Auditors of the Company		
Ordinary Resolution 6	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Access Business Group International LLC		
Ordinary Resolution 7	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Alticor Inc. and Amway Corporation		
Ordinary Resolution 8	Proposed purchase of own shares		

(Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2003

\_\_\_\_\_  
Signature:  
Shareholder or Common Seal

- NOTE:
1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply.
  2. A member shall not be entitled to appoint more than two (2) proxies. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
  3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
  4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 7, Setia 1, 15 Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.



Stamp

The Registrars  
Tenaga Koperat Sdn Bhd  
20th Floor, Plaza Permata  
Jalan Kampar  
Off Jalan Tun Razak  
50400 Kuala Lumpur

