

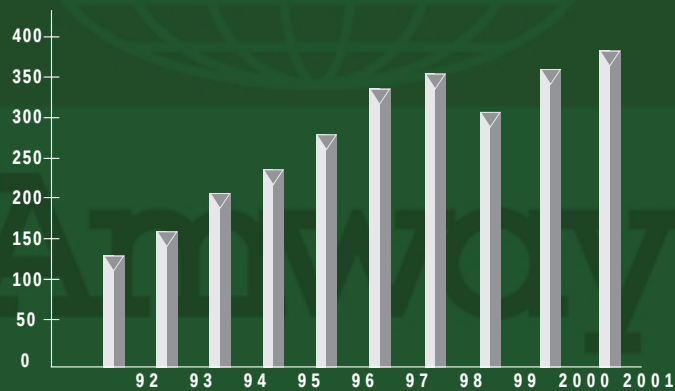
FIVE YEAR FINANCIAL HIGHLIGHTS

	1997	1998	1999	2000	2001
	RM Million	RM Million	RM Million	RM Million	RM Million
Sales Revenue	342	352	315	355	382
Profit Before Taxation	109	103	59	68	74
Net Profit for the Year	71	71	58 [#]	48	52
Net Earnings Per Share (Sen)	71.1	70.9	59.4	48.4	31.6 ^{**}
Core Distributor Force (in Thousand)	115	123	137	150	159

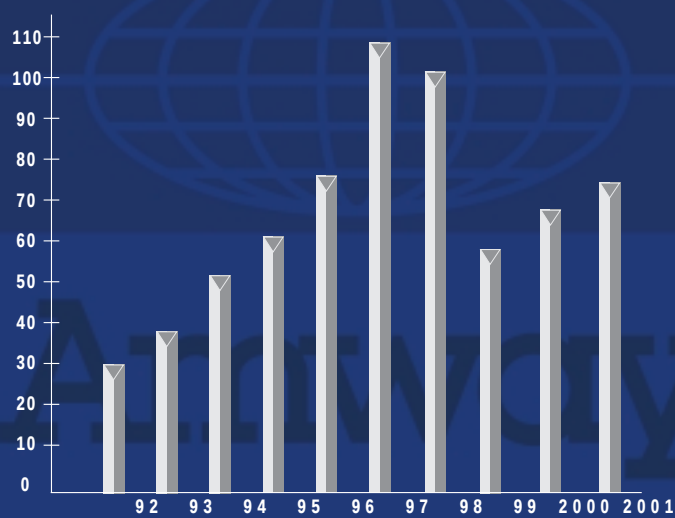
^{**}Based on enlarged capital after a 2 for 3 bonus issue during the year.

[#] 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.

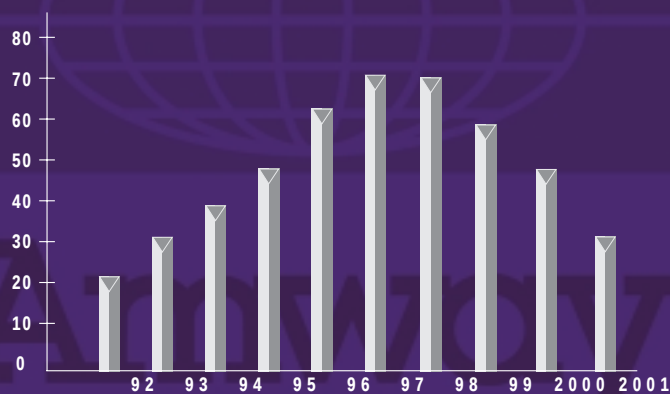
Sales Revenue
RM' million



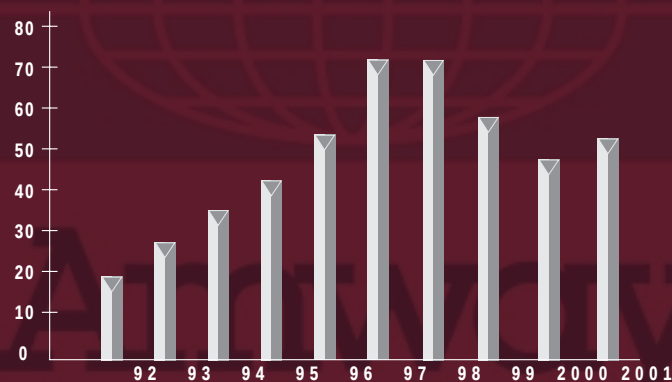
Profit Before Taxation
RM' million



Net Earnings Per Share
Sen



Net Profit for the year
RM' million



"Despite the prevailing soft market conditions, the Group hit yet another record high in sales this year. The people in this business clearly have the ability to overcome adversity and this quality will play a significant part in seeing us through the challenging period ahead."

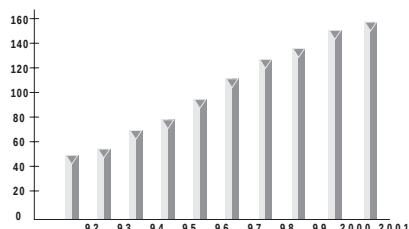
OVERVIEW

Despite various stimulus programs put into place by the Malaysian government, consumer confidence remained weak for much of the fiscal year under review.

The year started off slowly with the Group reporting negative growth in the first quarter. Your Management's two-pronged response was immediate and effective. Firstly, additional incentive programs were introduced to motivate Distributors towards a higher level of productivity. A special Q12 bonus payment to reward Distributors for consistent delivery of high volume throughout the fiscal year was put in place as part of the Group's 25th Anniversary program. Based on the number of qualifiers, this program was extremely successful and contributed greatly to the better results in the ensuing months. The 25th Anniversary Leadership Seminar on the Alaskan Cruise announced earlier was also re-promoted to heighten excitement and provide the necessary push. Secondly, we enhanced our support to Distributors, quickly bringing people back into focus and facilitating their retailing efforts through an aggressive product introduction and promotion plan.

Chairman's Letter

**Core Distributor Force
(in Thousand)**



As the fiscal year progressed, these combined efforts were seen to take effect, delivering double-digit growth in some of the business lines and improving overall sales trends. We further noted that Distributor retention, DD re-qualification and higher pin qualification rates showed strong improvement all round. The Group's Core Distributor Force (CDF) recorded a new high of 159,000 during the fiscal year (6% growth), numbers which helped to cushion the negative impact of sluggish consumer demand.

The Amway business, I am proud to report, continues to thrive. It continues to deliver new sales records and continues to attract motivated individuals to the unique business opportunity it offers. Without taking anything away from the Management who provided excellent direction and support, much of the credit for the commendable achievement attained in this fiscal year must go to the excellent field leadership who has shown yet again that they not only cope with adversity but thrive on challenges.

The highlight of the year was the launch of our new website, Amway2u.com, bringing along with it the extension of e-commerce facility for Amway Distributors. It was designed to complement our "high touch" approach with "high tech" business capabilities. Amway2u.com was clearly an awaited event and has demonstrated considerable promise. With the successful launch of Amway2u.com in July 2001, we have ensured that the Amway business remains relevant in today's fast changing market place. Internet presence allows us better market penetration into the younger segment of the population, an important quality given that currently half of the people joining this business are below 35 years of age.

The introduction of Amway2u.com is also part of a bigger strategy to e-enable our processes, in particular in the area of information dissemination and processing of orders. It is heartening to note that since its launch, the website has received a commendable 9.2 million hits, with web-orders notching approximately 12% of total orders received. This is certainly way beyond our expectations. Coupled with orders received through our voice-activated response system, AMTEL, the total orders processed electronically now stands at 35%. If this trend continues, the long-term impact on cost promises to be positive, providing us greater flexibility to adjust efficiently to variations in volume as we move forward. A recognized potential impediment is the current low level of Internet literacy among the majority of Distributors. This challenge is being met by putting in place a concerted Internet awareness and usage promotion program for Distributors. This includes systematic training of a large portion of our Distributor network in line with the National Internet Literacy Campaign. I am heartened to note that this initiative has achieved success in a short period with Distributors responding well and showing that they are able and willing to learn. Your Board believes that

Amway2u.com is going to bring the Group to greater heights - information access, order processing, training and even meetings will take on a whole new dimension. However, I would like to remind that no matter how "high tech" we become, we must remain cognizant of the fact that we are a people business, built on our 'high touch' tradition. This is a key strength that has ensured our success in the past and we shall consciously preserve it.

We continue to make significant in-roads in our efforts to penetrate the Bumiputera market during the fiscal year. Bumiputera CDF registered a 10% growth while Bumiputera Direct Distributors increased by an impressive 25% over last fiscal year. We are also beginning to see a higher level of activity within the Indian community. We are greatly encouraged by this development and will continue to focus our efforts to further penetrate the non-Chinese segment of the population, both as a means to expand our market share and to spread the Amway entrepreneurial spirit to a wider segment of the Malaysian community.

Chairman's Letter

FINANCIALS

RESULTS The Group achieved pre-tax profit of RM74.2 million against RM68.4 million previously, an 8.5% growth. This was achieved on the back of sales turnover of RM381.7 million, which grew by 7% over the previous year.

The year's turnover represents a new record achieved, I am glad to note, in your Company's 25th year of operations in Malaysia. It was also achieved against a background of economic lethargy and weak consumer confidence. That achievement was largely attributed to the growth in CDF, distributors' strive for qualification towards incentive programs, improvement in operating margins attained primarily through a weighted average price increase of 3% implemented in March 2001 and focused management of costs.

CORPORATE GOVERNANCE As part of a continuous effort to improve corporate governance and maintain it at the highest level, the Group commissioned an analysis by KPMG, an international accounting firm, to identify any gaps in its compliance with the recently enacted principles and best practices laid out in the Malaysian Code of Corporate Governance and the revised KLSE Listing Requirements. I am pleased to report that, arising from this exercise and subsequent follow-through actions, we are in full compliance with those standards.

In line with the Group's commitment to enhance shareholder value and to optimize the utilization of surplus funds, the Group sought the Securities Commission's (SC) approval to return to shareholders a portion of IPO proceeds which was originally intended to be utilized for purposes no longer deemed appropriate. This relates to the construction of a new headquarters building and the acquisition of Regional Distribution Centers (RDCs). Taking into account current business realities and the macro-economic environment, your directors are of the opinion that the utilization of these monies as originally envisaged in the prospectus are neither wise nor justifiable and should therefore be deferred. Accordingly, and in the spirit of good corporate governance, the Group proposed to return the unutilized monies to shareholders as a special dividend. The Group has also given an undertaking to the regulators to construct the said Headquarters from internally generated funds as and when business considerations warrant its construction.

BUSINESS ENVIRONMENT

The fiscal year saw concerted efforts made by the Ministry of Domestic Trade and Consumer Affairs (MDTCA) to set a positive operating environment for the direct selling industry. Of notable significance is the impending introduction of the Malaysian Anti-Pyramid Act, which among others, seeks to ban get-rich-quick schemes and impose harsh penalties on both organizers and participants of such schemes. During the year under review, the MDTCA also announced new regulations under the Direct Selling (Schemes & Operations) Regulations 2001 in a bid to plug loopholes within the Direct Sales Act 1993. A nationwide campaign headed by the MDTCA in collaboration with the Central Bank of Malaysia and Polis Di Raja Malaysia was also launched during the year to heighten consumer awareness of the dangers associated with get-rich-quick schemes. Utilizing all media channels, this campaign is said to have succeeded in reducing the number of syndicates currently operating in the country. We take this opportunity to congratulate the authorities on these pro-active and certainly effective measures.

Chairman's Letter

On behalf of the Group, I am pleased to congratulate Mr. Paul Yee, General Manager (Operations) for his election to the Presidency of the Direct Selling Association of Malaysia. With him at the helm, we can once again look forward to providing the leadership role in the affairs of the industry and in its future growth and development.

OUTLOOK

Recent developments on the world stage have not improved prospects of global economic recovery in the immediate future. There will be ramifications on the Malaysian economy and on domestic consumer confidence. Our brand of person-to-person selling, however, has in the past proven to be particularly resilient in the face of such adversity. Faced with increased uncertainty, many will be looking at alternative ways to supplement their income. Under such circumstances, the Amway business opportunity offers a uniquely attractive opportunity for people to build their business. This, in turn, offers opportunity to your Company to not only mitigate the impact of economic slowdown and erosion of consumer confidence, but also provide fresh platforms for future growth.

We take comfort that the people in this business are resolute and resilient despite the rather difficult period we have all seen and are likely to continue to see. We recognize that this rare group of people is our greatest strength and we will continue to focus efforts and attention to motivate them to new heights. Moving forward, any efforts taken by the Group to curb operating costs, therefore, will not be at the expense of Distributor reward and recognition. Rather, we will continue to improve our internal processes to enhance cost efficiency so that we will be able to cushion any adverse impact arising from the economic slowdown.

APPRECIATION

On behalf of the Board, I thank Distributors, the Management and Staff for making our 25th Anniversary year one of splendid performance. To our business associates and shareholders, I thank you for your faith and support. Over the past 25 years, ours has truly been a winning partnership. We look forward, beyond the increasingly challenging operating environment of the coming year, to similar satisfying years ahead.

AZMI WAN HAMZAH, TAN SRI
Chairman

“Di sebalik keadaan pasaran yang masih perlahan, Kumpulan mencapai satu lagi rekod tertinggi dalam jualanannya tahun ini. Mereka yang terlibat dalam perniagaan ini jelas berupaya menangani kesusahan dan kualiti inilah yang akan memainkan peranan penting untuk membawa kami menempuhi masa depan yang mencabar.”

TINJAUAN

Di sebalik pelbagai program rangsangan yang dibuat oleh Kerajaan Malaysia, keyakinan pengguna tetap lemah pada sebahagian besar tahun fiskal yang ditinjau.

Tahun Fiskal yang ditinjau bermula secara perlahan dengan Kumpulan melaporkan pertumbuhan negatif dalam suku pertama. Tindak balas serampang dua mata pihak Pengurusan adalah segera dan berkesan. Pertamanya, program insentif tambahan diperkenalkan untuk memotivasikan Pengedar ke arah tahap produktiviti yang lebih tinggi. Sebagai sebahagian daripada program Ulang Tahun Ke-25 Kumpulan, bayaran bonus khas Q12 telah ditawarkan sebagai ganjaran kepada Pengedar yang berjaya mencapai jumlah perniagaan yang tinggi secara konsisten dalam tempoh Tahun Fiskal tersebut. Berdasarkan bilangan pengedar yang layak, program ini sangat berjaya dan menjadi penyumbang besar kepada keputusan yang lebih baik pada bulan-bulan berikutnya. Seminar Kepimpinan Ulang Tahun Ke-25 - Alaskan Cruise, yang telah diumumkan lebih awal juga dipromosikan semula untuk menambahkan keseronokan dan memberi desakan yang perlu. Kedua, kami meningkatkan sokongan kami terhadap Pengedar supaya mereka segera memfokus semula terhadap perniagaan dan memudahkan usaha mereka dalam penjualan melalui pengenalan produk dan plan promosi yang agresif.

Surat Pengerusi

Semakin tahun fiskal berlalu, usaha-usaha yang digabungkan ini memberi kesan, menghasilkan pertumbuhan dua angka dalam beberapa rangkaian perniagaan dan memperbaiki trend jualan keseluruhan. Seterusnya kami perhatikan bahawa kadar-kadar dalam pengekaln Pengedar, kelayakan semula Pengedar Terus (DD) dan kelayakan pin yang lebih tinggi menunjukkan peningkatan yang kukuh secara keseluruhan. Tenaga Pengedar Teras Kumpulan (CDF) mencatatkan rekod baru tertinggi sebanyak 159,000 sepanjang tahun fiskal (pertumbuhan sebanyak 6%), suatu jumlah yang membantu mengurangkan kesan negatif akibat permintaan pengguna yang lemah.

Saya berbangga menyatakan bahawa perniagaan Amway terus berkembang maju. Ia terus mencatatkan rekod jualan yang baru dan terus menarik individu yang bermotivasi kepada peluang perniagaan unik yang ditawarkan. Tanpa menafikan usaha pihak pengurusan yang telah memberi hala tuju dan sokongan yang padu, sebahagian besar daripada penghargaan atas pencapaian syarikat harus diberi kepada kepimpinan Pengedar yang cemerlang. Mereka sekali lagi telah menunjukkan bahawa mereka bukan sahaja mampu mengatasi kesukaran tetapi masih mampu maju walaupun menghadapi cabaran.

Sorotan penting bagi tahun tersebut ialah pelancaran laman web kami yang baru, Amway2u.com, yang membawa kepada penambahan kemudahan e-dagang untuk para Pengedar Amway. Amway2u.com telah direka untuk melengkapi pendekatan “sentuhan peribadi” dengan keupayaan perniagaan yang berteknologi tinggi. Jelas bahawa Amway2u.com adalah sesuatu yang dinanti-nantikan dan telah menunjukkan potensi yang besar. Dengan pelancaran jaya Amway2u.com pada Julai 2001, kami telah memastikan bahawa perniagaan Amway tetap relevan dalam pasaran kini yang cepat berubah. Kehadiran Internet membolehkan kami menembusi pasaran dengan lebih baik di kalangan generasi muda. Ini adalah suatu kualiti penting memandangkan separuh daripada mereka yang menyertai perniagaan ini sekarang adalah berumur kurang daripada 35 tahun.

Pengenalan Amway2u.com juga adalah sebahagian daripada strategi yang lebih besar untuk memberi kemampuan elektronik bagi proses perniagaan kami, terutamanya di bahagian penyebaran maklumat dan pemprosesan pesanan. Ia amat merangsangkan apabila mengetahui bahawa semenjak pelancarannya, laman web ini telah menerima sasaran 9.2 juta yang patut dipuji, dengan pesanan melalui web berjumlah kira-kira 12% daripada jumlah pesanan yang diterima. Ini sememangnya di luar jangkaan kami. Jika digabung dengan pesanan yang diterima melalui sistem maklum balas suara yang diaktifkan, AMTEL, jumlah pesanan yang diproses secara elektronik kini sebanyak 35%. Jika trend ini berterusan, kesan jangka panjang terhadap kos akan menjanjikan sesuatu yang positif, memberikan lebih fleksibiliti untuk syarikat membuat penyesuaian terhadap variasi dalam jumlah pesanan secara efisien, sambil kita maju ke hadapan. Tahap rendah celik Internet di kalangan sebahagian besar Pengedar dikenali sebagai satu cabaran yang mungkin dihadapi. Cabaran ini diatasi dengan mewujudkan kesedaran Internet bersepadu dan program promosi penggunaan

untuk Pengedar. Ini termasuklah latihan sistematik bagi sebahagian besar rangkaian Pengedar kami sejajar dengan Kempen Celik Internet Kebangsaan. Saya berasa gembira apabila mengetahui bahawa inisiatif ini telah mencapai kejayaan dalam tempoh yang singkat dengan Pengedar memberi maklum balas yang baik dan menunjukkan bahawa mereka mampu dan ada kemahuan untuk belajar. Pihak Lembaga anda percaya bahawa Amway2u.com akan membawa Kumpulan ke kemuncak yang lebih tinggi - akses maklumat, pemprosesan pesanan, latihan malah mesyuarat juga akan memasuki dimensi baru. Namun, saya ingin mengingatkan bahawa tidak kira betapa tingginya teknologi kita nanti, kami seharusnya sedar bahawa perniagaan kami adalah perniagaan berdasarkan orang perseorangan, dibina atas tradisi "sentuhan peribadi" kami. Ini adalah kekuatan utama yang telah memastikan kejayaan kami di masa lalu dan kami akan sentiasa mengekalkannya.

Kami terus mencapai kemajuan yang berkesan dalam usaha untuk menembusi pasaran Bumiputera sepanjang tahun fiskal tersebut. CDF Bumiputera mencatatkan pertumbuhan sebanyak 10% manakala Pengedar Terus Bumiputera meningkat sebanyak 25%, suatu pencapaian yang mengagumkan, sepanjang tahun fiskal yang lalu. Kami juga mula melihat peningkatan tahap aktiviti di kalangan masyarakat India. Kami begitu terdorong dengan perkembangan ini dan akan terus memfokuskan usaha kami untuk menembusi segmen penduduk

Surat **Pengerusi**

bukan Cina, sebagai cara untuk meluaskan perkongsian pasaran kami dan untuk menyebarkan semangat keusahawanan Amway kepada segmen masyarakat Malaysia yang lebih luas.

KEWANGAN

KEPUTUSAN Pihak Kumpulan mencapai keuntungan sebelum cukai sebanyak RM74.2 juta, berbanding dengan RM68.4 juta pada tahun sebelumnya, peningkatan sebanyak 8.5%. Ini dicapai akibat perolehan jualan sebanyak RM381.7 juta yang meningkat sebanyak 7% daripada tahun sebelumnya.

Saya gembira menyatakan bahawa perolehan tahun tersebut merupakan rekod baru yang dicapai dalam tahun operasinya yang ke-25 di Malaysia. Ia juga dicapai dalam suasana ekonomi yang lembap dan keyakinan pengguna yang lemah. Pencapaian itu adalah sebahagian besarnya disebabkan oleh pertumbuhan dalam CDF, usaha Pengedar untuk memperoleh kelayakan dalam program insentif, peningkatan dalam margin operasi yang diperolehi terutamanya melalui purata wajaran kenaikan harga sebanyak 3% yang dilaksanakan pada bulan Mac 2001 dan pengurusan kos yang tertumpu.

TADBIRAN KORPORAT Sebahagian daripada usaha yang berterusan untuk memperbaiki tadbiran korporat dan mengekalkannya pada tahap yang tertinggi, pihak Kumpulan menugaskan KPMG, firma perakaunan antarabangsa, untuk membuat suatu analisis bagi mengenalpasti sebarang kekurangan dalam mematuhi prinsip yang dikanunkan baru-baru ini dan amalan terbaik yang dibentangkan dalam Kod Tadbiran Korporat Malaysia dan Syarat-syarat Peraturan Penyenaraian BSKL yang disemak semula. Saya berbangga mengumumkan bahawa hasil daripada amalan ini dan tindakan susulan yang berikutnya, kami sememangnya memenuhi standard-standard tersebut.

Sejajar dengan komitmen Kumpulan untuk meningkatkan nilai pemegang saham dan untuk mengoptimumkan penggunaan dana lebihan, Kumpulan mendapatkan kelulusan Suruhanjaya Sekuriti (SC) untuk mengembalikan semula kepada pemegang saham bahagian hasil kutipan Tawaran Awam Awal yang kini tujuan asalnya tidak lagi dianggap sesuai. Ini berkaitan dengan pembinaan ibu pejabat baru dan pemerolehan Pusat Pengedaran Daerah (RDC). Dengan mengambil kira realiti perniagaan semasa dan suasana ekonomi makro, para pengarah anda berpendapat bahawa penggunaan wang ini seperti yang digambarkan pada asalnya dalam prospektus adalah tidak bijak dan tidak boleh dijustifikasi dan maka itulah ia harus ditangguhkan. Oleh kerana itu, pihak Kumpulan mencadangkan untuk mengembalikan wang yang tidak diguna kepada pemegang saham sebagai dividen khas dan dalam memenuhi semangat tadbiran korporat yang baik. Pihak Kumpulan juga telah berjanji kepada pihak pengawal atur untuk membina ibu pejabat tersebut daripada dana yang dihasilkan secara dalaman apabila pertimbangan perniagaan membenarkan pembinaannya.

PERSEKITARAN PERNIAGAAN

Tahun fiskal menyaksikan usaha yang bersepadu oleh Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna (KPDNHEP) untuk menetapkan persekitaran kendalian yang positif untuk industri jualan langsung. Kesan yang ketara ialah Akta Anti-Piramid Malaysia yang akan diperkenalkan kelak, yang antaranya, meminta mengharamkan skim cepat kaya dan mengenakan hukuman yang berat ke atas penganjur dan peserta skim tersebut. Sepanjang tahun yang ditinjau, KPDNHEP juga mengumumkan peraturan baru di bawah Peraturan Jualan Langsung (Skim & Operasi) 2001 dalam usaha menutup kelemahan Akta Jualan Langsung 1993. Kempen seluruh negara diketuai oleh KPDNHEP dengan kerjasama Bank Negara Malaysia dan Polis Di Raja Malaysia yang juga dilancarkan sepanjang tahun tersebut untuk meningkatkan kesedaran pengguna tentang bahaya yang dikaitkan dengan skim cepat kaya. Dengan menggunakan semua saluran media, kempen ini dikatakan telah berjaya mengurangkan bilangan sindiket yang pada masa ini beroperasi di seluruh negara. Kami mengambil peluang ini untuk mengucapkan tahniah kepada pihak berkuasa atas langkah-langkah pro-aktif dan pastinya berkesan ini.

Surat **Pengerusi**

Bagi pihak Kumpulan, saya ingin mengucapkan tahniah kepada En. Paul Yee, Pengurus Besar (Operasi) atas perlantikan beliau sebagai Presiden Persatuan Jualan Langsung Malaysia. Dengan beliau berada dalam pucuk pimpinan, syarikat sekali lagi akan dapat memainkan peranan sebagai pemimpin dalam hal ehwal industri dan dalam perkembangan serta pembangunannya pada masa depan.

PANDANGAN

Perkembangan di pentas dunia baru-baru ini tidak meningkatkan prospek pemulihan semula ekonomi global dalam masa yang terdekat. Ia akan memberi kesan yang merumitkan terhadap ekonomi Malaysia dan terhadap keyakinan pengguna domestik. Namun, jenama kami yang berdasarkan jualan melalui orang perseorangan pada masa lalu telah terbukti tidak mudah goyah terutamanya dalam menghadapi kesukaran sedemikian. Berhadapan dengan ketidakpastian yang meningkat, ramai orang akan mencari jalan alternatif untuk menambah pendapatan mereka. Dalam keadaan sedemikian, peluang perniagaan Amway menawarkan peluang yang menarik lagi unik kepada orang ramai untuk membina suatu perniagaan. Ini seterusnya menawarkan peluang kepada Syarikat anda bukan sahaja mengurangkan kesan kemerosotan ekonomi dan penurunan keyakinan pengguna, tetapi juga menyediakan tapak baru untuk pertumbuhan masa hadapan.

Kami juga berasa lega bahawa mereka yang terlibat dalam perniagaan ini adalah tegas dan bersemangat waja walaupun dalam masa yang sukar yang kita semua telah alami dan berkemungkinan akan berterusan. Kami menyedari bahawa kumpulan tersebut adalah kekuatan kami yang paling besar dan kami akan terus menumpukan usaha dan perhatian untuk memotivasikan mereka ke kemuncak yang baru. Oleh itu, sebarang usaha yang diambil oleh pihak Kumpulan di masa hadapan untuk mengekang kos operasi tidak akan menjejaskan ganjaran dan pengiktirafan Pengedar. Sebaliknya, kami akan terus memperbaiki proses dalaman untuk meningkatkan keefisienan kos supaya kami dapat menangkis sebarang kesan buruk akibat daripada kelembapan ekonomi.

PENGHARGAAN

Bagi pihak Lembaga, saya mengucapkan terima kasih kepada Pengedar, pihak Pengurusan dan Kakitangan kerana menjadikan ulang tahun yang ke-25 ini, suatu tahun yang berprestasi hebat. Kepada rakan sekutu perniagaan dan pemegang saham kami, saya mengucapkan terima kasih atas kepercayaan dan sokongan anda. Perkongsian kita sememangnya suatu perkongsian cemerlang sepanjang 25 tahun yang lalu. Kami berharap akan dapat mengecapi pencapaian yang sama di tahun-tahun yang mendatang walaupun dalam keadaan ekonomi yang semakin sukar.



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Operations Review



- 1 Discovering the exceptional beauty of Alaska aboard the luxury cruise ship, Legend of the Seas.
- 2 Exuberant Amway Distributors at the 25th Anniversary National Convention.



We made a strong comeback from a sluggish first quarter to secure a rather unexpected new record with sales closing at RM381.7 million for the fiscal year ending 31 August 2001, a 7% improvement over the previous fiscal year. This achievement stems from prompt measures taken to arrest the declining sales in the first few months of the year – measures that required us to be much more creative in our approach in all areas, as we struggled against continuing weak market sentiment throughout the year under review. Our efforts during the year were predominantly focused on motivating Distributors to strive towards a higher level of productivity and facilitating retailing of products through a combination of additional sales incentives and aggressive product promotions. Strong business fundamentals and Distributor morale which remained high despite the adverse conditions, also contributed significantly to the upward trend registered after the first quarter.

Getting People Back Into Focus

Distributor leaders who worked hard for qualification to the Las Vegas Leadership Seminar 2001 took a much-deserved rest causing performance of Quarter One to be rather subdued. This coupled with generally weak consumer demand resulted in a significant reduction in productivity as the year opened. We identified early that we needed to respond to this disturbing trend and get people back into focus. To this end, we adopted a two-pronged strategy to arrest the decline, leveraging on the Company's 25th Anniversary year to run special incentive programs and aggressive product promotions. A special Q12 bonus program which was already in place as part of the 25th Anniversary sales incentive program did well to motivate Distributors towards a higher level of productivity as it rewarded Distributors for delivering consistently high volume throughout the fiscal year. Noteworthy also was the re-promotion of the 25th Anniversary Leadership Seminar on the Alaskan Cruise, which gave the added excitement and push.

The success of these innovative initiatives, coupled with the positive mood generated by our 25th Anniversary celebrations, produced very encouraging results – Distributor application grew by a respectable 6.8% while renewal rate remained strong at 63%, up 3% from the previous year.

DD re-qualification rate and high pin qualifiers also registered a healthy increase with a resultant increase in qualifiers to the 2001 Alaskan Cruise Leadership Seminar. Perhaps the most telling sign of the success of our initiatives was the new record high achieved in Core Distributor Force (CDF). At 159,000, this is an impressive 6% increase from the last year and certainly a comforting trend, particularly in such trying times. This increase in numbers, a strong indication of the continued attractiveness of the Amway business opportunity, was significant enough to help cushion the negative impact of weak consumer demand that prevailed throughout the year.

Concerted efforts made, particularly in the last two years, to expand into the non-Chinese markets also began to see more definite and positive results. The year saw an increase of 10% and 25% in Bumiputra CDF and Bumiputra Direct Distributors respectively, with a significantly high level of activity registered within the Indian Distributor groups. We are encouraged by this development and will deploy further resources to enhance our success in this area with a view to expanding our market share and to spread the Amway entrepreneurial spirit to a wider segment of the Malaysian community.

Despite the slow start, the fiscal year had its fair share of excitement. Activities planned under the 25th Anniversary banner played a key role to keep Distributor motivation and morale high. We welcomed a new Crown Direct Distributor early in the year and kept busy thereafter, organizing 15 other recognition for newly qualified Diamonds right through to Crown Ambassador. Sustaining the year's activities were three Regional Conventions held in Johor Bahru, Kota Kinabalu and Kuching which drew many Distributors and their prospects. The highlight of the year was the 25th Anniversary National Convention held at the National Sports Complex, Bukit Jalil on 22 July 2001, amidst a packed audience of 18,000 Distributors from all over the nation and Brunei Darussalam. The event as always, was a glittering affair, with rousing speeches by Amway Corporation's President Dick DeVos and other guest speakers as well as impressive performances. Earlier, at the National Leadership Conference, more than 2,500 enthusiastic leaders witnessed the launch of the Group's new website, Amway2u.com by the Minister of Domestic Trade and Consumer Affairs, Yang Berhormat Tan Sri Dato' Hj Muhyiddin b. Hj Mohd Yassin.

- 1** Amway Distributors checking out the Amway2u.com booth at the Product Expo 2001

Amway2u.com Just a Click Away



- 2** The successful launch of the Amway2u.com website by Y.B. Tan Sri Dato' Hj. Muhyiddin bin Hj. Mohd Yassin, Minister of Domestic Trade and Consumer Affairs at the National Leadership Conference on 21st July 2001

- 3** Y.B. Dato' Tan Chai Ho, Deputy Minister of Energy, Communication and Multimedia, witnessing the signing ceremony between iBroadnet.com Sdn Bhd and Amway (Malaysia) Sdn Bhd on 25th May 2001



Operations Review



Staying Relevant Through Technology

Amway2u.com, as expected, received very positive Distributor response. Realizing the power of the Internet and its ability to bring a whole new dimension to the Amway business, Amway Distributors wasted no time in promoting this significant milestone. Following its initial announcement in January 2001, application figures jumped an impressive 25% compared to the same period last fiscal year.

As we prepare to embrace Internet technology and e-commerce in the business during the year, we were throughout conscious of the need to systematically train and prepare our Distributor force so that they could maximize the potential of this new business tool. In May 2001, a strategic alliance with iBroadnet.com Sdn Bhd was formed to offer a training program that is affordable to Amway Distributors, one that is tailored towards their specific needs, given that many amongst them are new to the world of Internet. The result of this was the launch of the Amway e-Connect training package which, among others, introduces the basics of the Internet to Distributors and allows them to quickly get acquainted with the world of e-commerce and with doing business with Amway electronically. The package which is part of a bigger effort to support the government's aspirations to build an Internet literate society, also offers a host of facilities such as e-conferencing, multimedia mail and web hosting to those who subscribe to it.

With the successful rollout of Amway2u.com in July 2001, we have taken a significant step forward to ensure the Amway business opportunity remains relevant in today's fast changing market place, while continuing to focus on what we do best, that is direct selling. More importantly, we are better placed to penetrate and appeal to the younger segment of the Malaysian population who are technology savvy. The site, one of the few trilingual sites on the Internet, enables Amway Distributors to conduct on-line business transactions with the Company and access business information. With its tagline, Just a Click Away, the site also brings the Amway world, its business opportunity and its products closer to the general public by allowing them easy access to these information through its corporate website.

Since its launch, the website has received a commendable 9.2 million hits with web orders taking up 12% of total orders received. Electronic processing of orders now stands

at an impressive 35% after taking into account orders processed through AMTEL, our voice-activated response system. Given that our strategy over the long term is to e-enable operational processes particularly in the area of information dissemination and order processing, this figure is very encouraging. If this upward trend continues, the long-term impact on cost promises to be positive, as it will accord us greater flexibility to adjust efficiently to variations in sales volume in the future. As far as this is concerned, the challenge lies in our ability to raise the Internet literacy rate of Amway Distributors from its current low level so that more will switch to electronic means when dealing with the Company. To this end, Internet training is an important component and resources will continue to be channeled to this area. In anticipation of an increase in e-commerce transactions, the Company's computer system was upgraded in the middle of the fiscal year.

The year in review also saw the successful set-up of a telecommunication hub for the South-East Asian affiliates comprising Malaysia, Indonesia, Philippines and Thailand. This was followed by the successful data center consolidation of Amway Philippines' IT operations and infrastructure into the Company's AS/400 computer system. Both exercises are in conjunction with IT regionalization efforts in Australasia, for which Amway Malaysia is the Regional Center.

Inducing Consumer Demand

The weak consumer sentiment that prevailed throughout Fiscal Year 2001 meant that we had to muster all our resources to maximize every sales opportunity and induce consumer demand. Concerted efforts were taken to provide Distributors with the necessary tools to enhance retailing. Product launches supplemented by aggressive product promotions with attractive premiums and Easy Payment Plans were the order of the day. They provide Distributors with incentives, add value to products and facilitated the purchasing decision of customers, thereby sustaining the sales momentum at an acceptable level.

Throughout the year in review, a total of 25 product launches and revisions were offered in the Core Line business. Of these, 10 products brought in especially for the 25th Anniversary celebrations gave the much needed boost to sales. Overall, the Core Line business performed 13% better than the previous year, an outstanding achievement given the challenging economic circumstances. Nutrition & Wellness continues to lead in terms of sales contribution, followed by the Home Tech and Home Care business lines.