

directors' report

for the year ended 31 August 2004

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 2004.

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	<u>53,594</u>	<u>61,065</u>

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 2003 on 21 November 2003;
- ii) 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 2004 on 18 February 2004;
- iii) a second quarter interim dividend of 7.5 sen per share less tax at 28% totalling RM8,877,000 in respect of year ended 31 August 2004 on 28 May 2004;
- iv) 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 2004 on 18 August 2004; and
- v) a special interim dividend of 20.0 sen per share less tax at 28% totalling RM23,671,000 in respect of the year ended 31 August 2004 on 18 August 2004.

The fourth quarter interim dividend declared by the Directors for the year ended 31 August 2004 is 7.5 sen per share less tax at 28% totalling RM8,877,000.

directors' report

for the year ended 31 August 2004

Directors of the Company

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

Tan Sri Datuk Ahmad Farouk Bin Haji SM Isahak
 Low Han Kee (Managing Director)
 Choong Lai Huat
 James Bradley Payne
 Dato' Ab. Halim Bin Mohyiddin
 Scott Russell Balfour (appointed on 15.1.2004)
 Abdul Wahab Bin Nasir @ Mohd Nasir (appointed on 18.6.2004)
 Yee Kee Bing (appointed on 16.7.2004)
 Craig Neil Meurlin (retired on 15.1.2004)

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

In accordance with Article 94 of the Company's Articles of Association, Scott Russell Balfour, Abdul Wahab Bin Nasir @ Mohd Nasir and Yee Kee Bing who were appointed during the year retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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 1.9.2003/ Date of Appointment	Bought	Sold	At 31.8.2004
Shareholdings in which Directors have direct interests in the Company				
Tan Sri Datuk Ahmad Farouk Bin Haji SM Isahak	16,666	-	-	16,666
Low Han Kee	20,000	-	-	20,000
Choong Lai Huat	18,000	-	-	18,000
Dato' Ab. Halim Bin Mohyiddin	1,000	-	-	1,000

None of the other Directors holding office at 31 August 2004 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

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for the year ended 31 August 2004

Directors' benefits

Since the end of previous financial year, no Director of the Company has received nor 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.

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.

Options granted over unissued shares

No options were granted to any person to take up unissued shares 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 15 January 2004, 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 an amount not exceeding the unappropriated profits and/or share premium of the Company. 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.

Significant events during the year

The Group has entered into two (2) Conditional Sale and Purchase Agreements on 23 April 2004 and 16 July 2004 respectively to acquire two (2) pieces of land for a total purchase consideration of RM16,847,000. These purchases are to facilitate the construction of the proposed new corporate headquarter.

As at 31 August 2004, the above purchases were not completed as approvals from the relevant authorities are still pending. Accordingly, the amounts net of deposits paid have been disclosed as capital commitments.

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.

directors' report

for the year ended 31 August 2004

Other statutory information (cont'd)

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 2004 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 Isahak

.....
Low Han Kee

Kuala Lumpur,
Date: 20 October 2004

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 50 to 76 are 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 the state of affairs of the Group and of the Company at 31 August 2004 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 Isahak

.....
Low Han Kee

Kuala Lumpur,
Date: 20 October 2004

statutory declaration

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

I, **Lim Ai Lin**, 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 50 to 76 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 above named in Petaling Jaya on 20 October 2004

.....
Lim Ai Lin

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 50 to 76. 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 2004 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

Jimmy Leow Min Fong

Partner

Approval Number: 595/03/06(J/PH)

Kuala Lumpur,

Date: 20 October 2004

balance sheets

at 31 August 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property, plant and equipment	2	28,314	27,927	-	-
Investments in subsidiaries	3	-	-	86,202	86,202
Goodwill arising on consolidation	4	5,087	5,392	-	-
Deferred tax assets	5	10,938	10,826	-	-
Current assets					
Inventories	6	53,282	32,844	-	-
Trade and other receivables	7	10,989	8,291	522	40,240
Investments	9	10,199	10,285	5,047	5,088
Cash and cash equivalents	10	171,505	204,991	84,427	42,581
		245,975	256,411	89,996	87,909
Current liabilities					
Trade and other payables	11	80,235	77,175	278	153
Taxation		3,854	11,605	167	91
		84,089	88,780	445	244
Net current assets		161,886	167,631	89,551	87,665
		206,225	211,776	175,753	173,867
Financed by:					
Capital and reserves					
Share capital	12	164,386	164,386	164,386	164,386
Reserves	13	41,839	47,390	11,367	9,481
Shareholders' funds		206,225	211,776	175,753	173,867

The financial statements were approved and authorised for issue by the Board of Directors on 20 October 2004.

The notes set out on pages 56 to 76 form an integral part of, and should be read in conjunction with, these financial statements.

income statements

for the year ended 31 August 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue - sale of goods		456,350	422,297	-	-
- dividends		-	-	83,423	83,423
Cost of goods sold		(339,377)	(302,406)	-	-
Gross profit		116,973	119,891	83,423	83,423
Distribution costs		(15,858)	(13,713)	-	-
Selling and administration expenses		(36,511)	(39,710)	(677)	(571)
Other operating income		1,997	1,239	-	-
Other operating expenses		(86)	(86)	(41)	(41)
Operating profit	14	66,515	67,621	82,705	82,811
Interest income	16	5,839	6,335	2,373	1,557
Profit before taxation		72,354	73,956	85,078	84,368
Tax expense	17	(18,760)	(21,912)	(24,013)	(23,152)
Net profit for the year		53,594	52,044	61,065	61,216
Earnings per ordinary share (sen)	19	32.6	31.7		
Dividends per ordinary share (sen) - Net	20	36.0	36.0	36.0	36.0

The notes set out on pages 56 to 76 form an integral part of, and should be read in conjunction with, these financial statements.

consolidated statement of changes in equity

for the year ended 31 August 2004

Group	Note	Share capital RM'000	Share premium RM'000	Non-distributable	Exchange	Distributable	Total RM'000
				Capital redemption reserve RM'000	difference account RM'000	Unappropriated profits RM'000	
At 1 September 2002		164,386	685	1,365	(12)	52,487	218,911
Net profit for the year		-	-	-	-	52,044	52,044
Dividends							
- 2002 fourth quarter interim	18	-	-	-	-	(8,877)	(8,877)
- 2003 interim	18	-	-	-		(26,631)	(26,631)
- 2003 special interim	18	-	-	-	-	(23,671)	(23,671)
At 31 August 2003/ 1 September 2003		164,386	685	1,365	(12)	45,352	211,776
Exchange differences on translation of the financial statements of foreign subsidiary		-	-	-	34	-	34
Net profit for the year		-	-	-	-	53,594	53,594
Dividends							
- 2003 fourth quarter interim	18	-	-	-	-	(8,877)	(8,877)
- 2004 interim	18	-	-	-	-	(26,631)	(26,631)
- 2004 special interim	18	-	-	-	-	(23,671)	(23,671)
At 31 August 2004		164,386	685	1,365	22	39,767	206,225

Note 12

The notes set out on pages 56 to 76 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 2004

Company	Note	_ Non-distributable _		Capital	Distributable	Total
		Share capital	Share premium	redemption reserve	Unappropriated profits	
		RM'000	RM'000	RM'000	RM'000	RM'000
At 1 September 2002		164,386	685	1,365	5,394	171,830
Net profit for the year		-	-	-	61,216	61,216
Dividends						
- 2002 fourth quarter interim	18	-	-	-	(8,877)	(8,877)
- 2003 interim	18	-	-	-	(26,631)	(26,631)
- 2003 special interim	18	-	-	-	(23,671)	(23,671)
At 31 August 2003/ 1 September 2003		164,386	685	1,365	7,431	173,867
Net profit for the year		-	-	-	61,065	61,065
Dividends						
- 2003 fourth quarter interim	18	-	-	-	(8,877)	(8,877)
- 2004 interim	18	-	-	-	(26,631)	(26,631)
- 2004 special interim	18	-	-	-	(23,671)	(23,671)
At 31 August 2004		164,386	685	1,365	9,317	175,753
		Note 12			Note 13	

The notes set out on pages 56 to 76 form an integral part of, and should be read in conjunction with, these financial statements.

cash flow statements

for the year ended 31 August 2004

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	72,354	73,956	85,078	84,368
Adjustments for:				
Amortisation of premium on investments	86	86	41	41
Amortisation of goodwill	305	305	-	-
Depreciation	3,247	2,630	-	-
Gain on sale of property, plant and equipment	(201)	(19)	-	-
Interest income	(5,839)	(6,335)	(2,373)	(1,557)
Impairment loss on property, plant and equipment	-	6,225	-	-
Property, plant and equipment written off	24	15	-	-
Unrealised loss on foreign exchange	100	7	-	-
Operating profit before working capital changes	70,076	76,870	82,746	82,852
(Increase)/Decrease in working capital:				
Inventories	(20,426)	5,350	-	-
Trade and other receivables	(2,194)	1,471	(280)	(3)
Trade and other payables	3,211	8,312	125	5
Cash generated from operations	50,667	92,003	82,591	82,854
Income tax paid	(26,634)	(22,243)	(23,937)	(23,626)
Income tax refunded	-	864	-	864
Net cash generated from operating activities	24,033	70,624	58,654	60,092
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	201	28	-	-
Purchase of property, plant and equipment	(3,657)	(2,838)	-	-
Proceeds from redemption of investments	-	150	-	-
Interest received	5,839	6,335	2,373	1,557
Net cash generated from investing activities	2,383	3,675	2,373	1,557

cash flow statements

for the year ended 31 August 2004

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Repayments of advances by subsidiary	-	-	39,998	1,000
Payments made on behalf of subsidiary	-	-	-	(119)
Dividends paid to shareholders of the Company	(59,179)	(59,179)	(59,179)	(59,179)
Payments made on behalf of related companies	(879)	(2,036)	-	-
Repayments by immediate holding company	-	8	-	-
Payments of support charges to penultimate holding company	-	(629)	-	-
Payments made on behalf by penultimate holding company	113	-	-	-
Net cash used in financing activities	(59,945)	(61,836)	(19,181)	(58,298)
Net (decrease)/increase in cash and cash equivalents	(33,529)	12,463	41,846	3,351
Cash and cash equivalents at beginning of year	205,001	192,560	42,581	39,230
Balance brought forward				
Reversal of previous year's unrealised loss on foreign exchange	(10)	(20)	-	-
	204,991	192,540	42,581	39,230
Foreign exchange differences	43	(2)	-	-
Cash and cash equivalents at end of year	171,505	205,001	84,427	42,581
Cash and cash equivalents comprise:				
Deposits placed	163,301	199,535	84,421	42,472
Cash and bank balances	8,204	5,456	6	109
	171,505	204,991	84,427	42,581
Unrealised loss on foreign exchange	-	10	-	-
	171,505	205,001	84,427	42,581

The notes set out on pages 56 to 76 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 MASB 29, Employee Benefits.

Apart from the new policies and extended disclosures where required by this new standard, there is no effect on these financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and 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.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Amway (Malaysia) Sdn. Bhd. ("AMSB") is consolidated using the merger method of accounting. The acquisition of 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 Bursa Securities. 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 is 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 negative goodwill 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.

notes to the financial statements

1. Summary of significant accounting policies (cont'd)

(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. Goodwill is stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised from the date of initial recognition over its estimated useful life of twenty five (25) years.

(d) Subsidiaries

Investments in subsidiaries are stated at cost in the Company less impairment loss where applicable.

(e) Property, plant and equipment

Freehold land are stated at cost less accumulated impairment losses. All other property, plant and equipments are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount of the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Freehold land are not amortised. Long term 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.

In the current financial year, furniture, fittings and equipment costing RM1,000 or less are written off in the month of purchase. This was a change from the previous year where furniture, fittings and equipment costing RM500 or less were 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 1/3%
Motor vehicles	25%

(f) 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.

notes to the financial statements

1. Summary of significant accounting policies *(cont'd)*

(g) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(h) Investments

Marketable securities are stated at the lower of cost and market value, which are determined on a portfolio basis or on an individual investment basis. Malaysian Government Securities held to maturity are stated at cost adjusted for amortisation of premium or accretion of discount to maturities. 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) Liabilities

Trade and other payables are stated at cost.

(k) Impairment

The carrying amounts of assets, other than inventories, deferred tax assets and financial assets (financial assets in this context exclude investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

notes to the financial statements

1. Summary of significant accounting policies *(cont'd)*

(l) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(m) 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 arises when the sale consideration is more than the cost of the shares repurchased, is adjusted to share premium. Conversely, the debit difference, which arises when the sale consideration is less than the cost of the shares repurchased, is adjusted to share premium or any other suitable reserve.

(n) 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.

notes to the financial statements

1. Summary of significant accounting policies (cont'd)

(n) Foreign currency (cont'd)

(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	(2003 : RM3.80)
BND1	to	RM2.19	(2003 : RM2.16)

(o) Employee benefits

(i) Short term employee benefits

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) Defined contribution plan

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

(p) 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.

(q) 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 term 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 2003	20,016	2,637	7,781	2,238	896	17,437	1,677	52,682
Additions	-	-	-	581	274	2,293	509	3,657
Disposals	-	-	-	-	-	-	(383)	(383)
Written off	-	-	-	-	-	(152)	-	(152)
Exchange differences*	-	-	-	-	2	3	-	5
At 31 August 2004	20,016	2,637	7,781	2,819	1,172	19,581	1,803	55,809

Depreciation and impairment loss

Accumulated depreciation	-	245	1,814	1,129	665	13,465	1,212	18,530
Accumulated impairment loss	6,225	-	-	-	-	-	-	6,225
At 1 September 2003	6,225	245	1,814	1,129	665	13,465	1,212	24,755
Charge for the year	-	35	156	198	182	2,297	379	3,247
Disposals	-	-	-	-	-	-	(383)	(383)
Written off	-	-	-	-	-	(128)	-	(128)
Exchange differences*	-	-	-	-	2	2	-	4
Accumulated depreciation	-	280	1,970	1,327	849	15,636	1,208	21,270
Accumulated impairment loss	6,225	-	-	-	-	-	-	6,225
At 31 August 2004	6,225	280	1,970	1,327	849	15,636	1,208	27,495

Net book value

At 31 August 2004	13,791	2,357	5,811	1,492	323	3,945	595	28,314
At 31 August 2003	13,791	2,392	5,967	1,109	231	3,972	465	27,927
Depreciation charge for the year ended 31 August 2003	-	35	156	141	291	1,668	339	2,630

* This represents the effects of exchange rate changes on opening property, plant and equipment.

Impairment loss

In the previous financial year, the carrying amounts of two (2) pieces of the freehold land were written down by RM6,225,000 to their recoverable amounts based on an independent professional valuation made by Encik Mohamad Basri Rahmat, a chartered valuation surveyor in HASB Consultants Sdn. Bhd. on the comparative method conducted in August 2003.

notes to the financial statements

3. Investments in subsidiaries

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	<u>86,202</u>	<u>86,202</u>

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	
			2004 %	2003 %
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 2003/31 August 2004	<u>7,630</u>
Amortisation	
At 1 September 2003	2,238
Amortisation for the year	<u>305</u>
At 31 August 2004	<u>2,543</u>
Net book value	
At 31 August 2004	<u>5,087</u>
At 31 August 2003	<u>5,392</u>
Amortisation charge for the year ended 31 August 2003	<u>305</u>

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

notes to the financial statements

5. Deferred tax

	Group	
	2004	2003
	RM'000	RM'000
Deferred tax assets	<u>10,938</u>	<u>10,826</u>

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group	
	2004	2003
	RM'000	RM'000
Property, plant and equipment		
- capital allowances	(803)	(658)
Accruals	<u>11,741</u>	<u>11,484</u>
	<u>10,938</u>	<u>10,826</u>

6. Inventories

	Group	
	2004	2003
	RM'000	RM'000
Consumer products	<u>53,282</u>	<u>32,844</u>

Consumer products of the Group of RM482,000 (2003 - RM66,000) are carried at net realisable value.

During the year, there was a reversal of a write down of inventories of RM100,000 (2003 - RM1,650,000). The reversal arose from an increase in net realisable value.

notes to the financial statements

7. Trade and other receivables

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Trade receivables	3,458	2,702	-	-
Less: Allowance for doubtful debts	(855)	(696)	-	-
	<u>2,603</u>	<u>2,006</u>	<u>-</u>	<u>-</u>
Other receivables, deposits and prepayments	5,745	4,123	522	242
Amount due from a subsidiary	-	-	-	39,998
Amount due from related companies	2,641	2,162	-	-
	<u>10,989</u>	<u>8,291</u>	<u>522</u>	<u>40,240</u>

*Trade and other receivables**Group*

During the year, bad debts of RM94,000 (2003 - RM265,000) were written off against allowance for doubtful debts.

Included in other receivables, deposits and prepayments of the Group are RM1,685,000 (2003: Nil) being the deposits paid for the purchase consideration for the two (2) pieces of land to facilitate the construction of the proposed new corporate headquarter.

Amount due from a subsidiary

	Company	
	2004	2003
	RM'000	RM'000

The amount due from a subsidiary comprises the following:

Amount due from:

- Advances - 40,000

Amount due to:

- Non-trade - (2)

- 39,998

The amount due from a subsidiary in the previous financial year was unsecured, interest free and had no fixed terms of repayment. The amount was fully repaid during the year. The amount due to a subsidiary related to payments made on behalf, which were unsecured, interest free and had no fixed terms of repayment.

notes to the financial statements

7. Trade and other receivables (cont'd)

Amount due from related companies

	Group	
	2004	2003
	RM'000	RM'000
The amount due from related companies comprise the following:		
- Trade	291	313
- Non-trade	2,350	1,849
	<u>2,641</u>	<u>2,162</u>

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

8. Holding companies

The ultimate and penultimate holding companies are Alticor Global Holdings Inc. and Alticor Holdings Inc. respectively. Both companies are incorporated in the United States of America.

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

9. Investments

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Marketable securities, at cost:				
Malaysian Government Securities	10,662	10,662	5,270	5,270
Less: Amortisation of premium	(463)	(377)	(223)	(182)
	<u>10,199</u>	<u>10,285</u>	<u>5,047</u>	<u>5,088</u>
Market value of investments:				
Malaysian Government Securities	<u>10,599</u>	<u>10,952</u>	<u>5,246</u>	<u>5,421</u>

notes to the financial statements

10. Cash and cash equivalents

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits are placed with:				
Licensed banks	117,515	195,624	45,773	38,889
Finance companies	45,781	3,583	38,648	3,583
Other corporations	5	328	-	-
	163,301	199,535	84,421	42,472
Cash and bank balances	8,204	5,456	6	109
	171,505	204,991	84,427	42,581

11. Trade and other payables

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables	9,751	9,960	-	-
Other payables and accrued expenses	53,147	51,179	278	153
Amount due to penultimate holding company	133	20	-	-
Amount due to related companies	17,204	16,016	-	-
	80,235	77,175	278	153

Other payables and accrued expenses

Included in other payables and accrued expenses of the Group are RM159,000 (2003 - RM689,000) being the remaining purchase consideration for the freehold land acquired in 1997 by a subsidiary (Note 2) and accruals for Distributors' bonuses and seminars of RM39,415,000 (2003 - RM39,667,000).

Amount due to penultimate holding company

Group

The amount due to penultimate holding company is in respect of support charges payable, which are unsecured and bear interest at federal rate as defined by the United States Treasury Regulation and Internal Revenue Code on overdue balances exceeding ninety (90) days from the date of invoice.

notes to the financial statements

11. Trade and other payables (cont'd)

Amount due to related companies

	Group	
	2004	2003
	RM'000	RM'000
The amount due to related companies comprise the following:		
- Trade	17,145	15,579
- Non-trade	59	437
	<u>17,204</u>	<u>16,016</u>

The amount due to related companies are unsecured and bear interest at federal rate as defined by the United States Treasury Regulation and Internal Revenue Code on overdue balances exceeding ninety (90) days from the date of invoice. The non-trade amounts due to related companies are mainly in respect of payments made on behalf.

12. Share capital

	Company	
	2004	2003
	RM'000	RM'000
Ordinary shares of RM1 each		
Authorised	<u>250,000</u>	<u>250,000</u>
Issued and fully paid	<u>164,386</u>	<u>164,386</u>

13. 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 2004, if paid out as dividends.

notes to the financial statements

14. Operating profit

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Operating profit is arrived at after charging:				
Allowance for doubtful debts	253	374	-	-
Amortisation of goodwill (Note 4)	305	305	-	-
Amortisation of premium on investments	86	86	41	41
Auditors' remuneration	73	70	11	11
Depreciation (Note 2)	3,247	2,630	-	-
Directors remuneration				
- Emoluments				
Directors of the Company	1,222	872	16	17
Director of the subsidiary	-	336	-	-
- Fees				
Directors of the Company	157	161	157	161
Director of the subsidiary	11	11	-	-
Exceptional item:				
Impairment loss on property, plant and equipment (Note 2)	-	6,225	-	-
Property, plant and equipment written off	24	15	-	-
Rental of premises	613	544	-	-
Support charges paid/payable	2,136	1,461	-	-
Unrealised loss on foreign exchange	100	7	-	-
	<u>253</u>	<u>374</u>	<u>-</u>	<u>-</u>
and after crediting:				
Gross dividends from a subsidiary	-	-	83,423	83,423
Gain on sale of property, plant and equipment	201	19	-	-
Realised gain on foreign exchange	63	41	-	-
Reversal of inventories written down	100	1,650	-	-
Support charges receivable	760	639	-	-
	<u>253</u>	<u>374</u>	<u>-</u>	<u>-</u>
The estimated monetary value of benefits-in-kind received by the				
- Directors of the Company	35	23	-	-
- Directors of the subsidiary	-	14	-	-
	<u>35</u>	<u>23</u>	<u>-</u>	<u>-</u>

notes to the financial statements

15. Employee information

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Defined contribution plan -				
Employees' Provident Fund	2,133	1,877	-	-
Other staff costs	14,575	12,643	-	-
	<u>16,708</u>	<u>14,520</u>	<u>-</u>	<u>-</u>

The average number of employees of the Group (including Directors) during the year was 313 (2003 - 300).

16. Interest income

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Interest income from deposits placed and investments	<u>5,839</u>	<u>6,335</u>	<u>2,373</u>	<u>1,557</u>

17. Tax expense

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
Malaysian				
- current year provision	19,930	25,954	24,013	23,780
- over provision in prior years	(1,210)	(2,347)	-	(628)
Overseas				
- current year provision	175	616	-	-
- over provision in prior year	(23)	-	-	-
	<u>18,872</u>	<u>24,223</u>	<u>24,013</u>	<u>23,152</u>
Deferred tax expense				
- origination and reversal of temporary differences	626	(2,311)	-	-
- over provision in prior year	(738)	-	-	-
	<u>18,760</u>	<u>21,912</u>	<u>24,013</u>	<u>23,152</u>

notes to the financial statements

17. Tax expense (cont'd)

Reconciliation of effective tax rate/expense

Group	%	2004 RM'000	%	2003 RM'000
Profit before taxation		72,354		73,956
Income tax using Malaysian tax rate	28.0	20,259	28.0	20,707
Effect of different tax rate in foreign jurisdiction	-	12	0.1	40
Non-deductible expenses	0.7	472	4.8	3,551
Tax exempt income	-	(9)	(0.1)	(44)
Other items	-	(3)	-	5
	28.7	20,731	32.8	24,259
Over provision of tax expense in prior years	(1.7)	(1,233)	(3.2)	(2,347)
Over provision of deferred tax expense in prior year	(1.0)	(738)	-	-
Tax expense	26.0	18,760	29.6	21,912

Company

Profit before taxation		85,078		84,368
Income tax using Malaysian tax rate	28.0	23,822	28.0	23,623
Non-deductible expenses	0.2	191	0.2	157
	28.2	24,013	28.2	23,780
Over provision in prior years	-	-	(0.8)	(628)
Tax expense	28.2	24,013	27.4	23,152

notes to the financial statements

18. Dividends

	Company	
	2004	2003
	RM'000	RM'000
Interim paid:		
First quarter interim dividend of 7.5 sen (2003 - 7.5 sen) per share less tax at 28%	8,877	8,877
Second quarter interim dividend of 7.5 sen (2003 - 7.5 sen) per share less tax at 28%	8,877	8,877
Third quarter interim dividend of 7.5 sen (2003 - 7.5 sen) per share less tax at 28%	8,877	8,877
Special interim dividend of 20 sen (2003 - 20 sen) per share less tax at 28%	23,671	23,671
	50,302	50,302
Declared:		
Fourth quarter interim dividend of 7.5 sen (2003 - 7.5 sen) per share less tax at 28%	8,877	8,877
	59,179	59,179

The fourth quarter interim dividend in respect of the year ended 31 August 2004 has not been accounted for in the financial statements for the year ended 31 August 2004, as it was declared after balance sheet date.

The forth quarter interim dividend in the respect of the year ended 31 August 2003 was accounted for in the financial statements for the year ended 31 August 2004, as it was declared after the previous balance sheet date.

19. 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 RM53,594,000 (2003 - RM52,044,000) and the number of ordinary shares outstanding during the year of 164,386,000 (2003 - 164,386,000).

20. Net dividends per ordinary share

Group and Company

The net dividends per ordinary share is calculated based on dividends of RM59,179,000 (2003 - RM59,179,000) divided by the number of ordinary shares in issue at year end of 164,386,000 (2003 - 164,386,000).

notes to the financial statements

21. 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 are insignificant to the Group. Accordingly, information on geographical and business segments of the Group's operations are not presented.

22. Commitments

	Group	
	2004	2003
	RM'000	RM'000
Capital commitments:		
Property, plant and equipment		
Authorised but not contracted for	32,871	8,820
Contracted but not provided for in the financial statements	15,804	1,253

23. Operating leases

Leases as lessee

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

	Group	
	2004	2003
	RM'000	RM'000
Less than one year	700	507
Between one and five years	566	575
	1,266	1,082

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 three (3) to five (5) years with the following options upon expiry of the initial lease periods:

- One (1) lease - renew the lease for a period of twelve (12) months by notifying the lessor in writing at least two (2) months before expiry.
- Two (2) leases - renew the lease for a period of twenty four (24) months by notifying the lessor in writing at least three (3) months before expiry or the lease will be renewed automatically in absence of written notice.
- Two (2) leases - renew the lease for a period of twenty four (24) months by notifying the lessor in writing at least three (3) months before expiry.

notes to the financial statements

23. Operating leases (cont'd)

- Two (2) leases - renew the lease for a period of thirty six (36) months by notifying the lessor in writing at least three (3) months before expiry.
- One (1) lease - renew the lease for a period of forty eight (48) months by notifying the lessor in writing at least three (3) months before expiry.
- Four (4) leases - renew the lease for a further term by notifying the lessor in writing at least three (3) months before expiry.

24. Related parties

Identity of related parties

Controlling related party relationships are as follows:

- i) The holding companies as disclosed in Note 8; and
- ii) Its subsidiaries as disclosed in Note 3.

The Company also has related party relationships with its related companies.

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

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Penultimate holding company				
Support charges paid/payable	57	259	-	-
Subsidiary				
Gross dividends received/receivable	-	-	(83,423)	(83,423)
Related companies				
- Access Business Group				
International LLC				
Purchases	164,395	124,728	-	-
Royalties paid	240	424	-	-
- Amway Corporation				
Support charges paid/payable	2,079	1,202	-	-
- Amway (Singapore) Pte. Ltd.				
Sales	(2,208)	(1,658)	-	-

Balances with holding companies, subsidiaries and related companies at balance sheet date are disclosed in Note 7 and Note 11 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

25. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest, foreign currency and liquidity risk arises in the normal course of the Group and the Company's business. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all distributors requiring credit to mitigate the exposure to credit risk.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest rate risk

The Group and the Company's exposure to market risk for changes in interest rates relates primarily to fixed deposits and amount due to related companies.

The Group and the Company place excess funds with licensed banks, finance companies and other corporations for certain periods during which the interest rates are fixed. The management monitors the rates at regular intervals.

As for the amount due to related companies, interest is charged on overdue balances exceeding ninety (90) days based on federal rate as defined by the United States Treasury Regulation and Internal Revenue Code. However, there were no such interest incurred during the year.

In addition, the Group and the Company do not have any other borrowing.

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases, services and foreign deposits that are denominated in currencies other than Ringgit Malaysia. Most of the foreign currency transactions are denominated in US Dollars. The Group does not hedge the exposure to the US Dollars as the exchange rate for US dollars is pegged at USD1 to RM3.80. Transactions in other foreign currencies are insignificant.

The Group is also exposed to foreign currency risk in respect of their investment in a foreign subsidiary. The Group does not hedge this exposure by having foreign currency borrowings in view of the insignificant amount of investment in the foreign subsidiary.

Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effect of fluctuation in cash flows.

notes to the financial statements

25. Financial instruments (cont'd)

The following table shows information about the Group and the Company's exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	2004				2003			
	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000
Group								
Financial assets								
Marketable securities held to maturity:								
Malaysian Government Securities	2.89	10,199	-	10,199	2.89	10,285	-	10,285
Deposits placed with licensed banks, finance companies and other corporations	2.82	163,301	163,301	-	2.82	199,535	199,535	-
Company								
Financial assets								
Marketable securities held to maturity:								
Malaysian Government Securities	3.19	5,047	-	5,047	3.19	5,088	-	5,088
Deposits placed with licensed banks, finance companies and other corporations	2.81	84,421	84,421	-	2.86	42,472	42,472	-

notes to the financial statements

25. Financial instruments (cont'd)**Fair values****Recognised financial instruments**

In respect of trade and other receivables, cash and cash equivalents and trade and other payables, the carrying amounts approximate fair values due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial assets carried on the balance sheet date as at 31 August are shown below:

Group	2004 Carrying amount RM'000	2004 Fair value RM'000	2003 Carrying amount RM'000	2003 Fair value RM'000
Quoted debt securities				
Malaysian Government Securities	<u>10,199</u>	<u>10,599</u>	<u>10,285</u>	<u>10,952</u>
Company				
Quoted debt securities				
Malaysian Government Securities	<u>5,047</u>	<u>5,246</u>	<u>5,088</u>	<u>5,421</u>

The fair values of quoted Malaysian Government Securities are their quoted bid price at the balance sheet date.

26. Significant events during the year

The Group has entered into two (2) Conditional Sale and Purchase Agreements on 23 April 2004 and 16 July 2004 respectively to acquire two (2) pieces of land for a total purchase consideration of RM16,847,000. These purchases are to facilitate the construction of the proposed new corporate headquarter.

As at 31 August 2004, the above purchases were not completed as approvals from the relevant authorities are still pending. Accordingly, the amounts net of deposits paid have been disclosed as capital commitments.

27. Comparative figures

The following comparatives have been restated to conform with the current year's presentation:

	Group As restated RM'000	As previously stated RM'000
<i>Notes to the financial statements</i>		
Employee information		
Defined contribution plan -		
Employees' Provident Funds	1,877	-
Other staff costs/Staff costs	<u>12,643</u>	<u>14,520</u>
	<u>14,520</u>	<u>14,520</u>

regional distribution centres

20 December 2004

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81750 Masai, Johor
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34, Hala Rapat Baru 22,
Taman Perusahaan Ringan Kinta Jaya,
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KUANTAN

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Kawasan Perindustrian Semambu,
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085-418609 Fax : 085-427222

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

SIBU

Ground Floor, Lot 3580 & 3581
Block 7, Sibu Town District
Lorong Mahsuri 4E
96000 Sibu, Sarawak
Tel : 084-218222 Fax : 084-210222

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 2004 are as follows:-

Location	Usage	Land Area (Sq. Meter)	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	-	486	13	19/6/91
34, Jalan 223, 46100 Petaling Jaya Selangor Darul Ehsan	Office & Warehouse	5,940	Leasehold expiring 22 August 2070	2070	6,077	16	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	651	9	21/8/95
1, Jalan Sri Plentong 5, Taman Perindustrian Sri Plentong, 81750 Masai, Johor	Office & Warehouse	3,841	Freehold	-	2,374	4	6/3/00
No. 6 Persiaran A, Seksyen U8, Bukit Jelutong, Shah alam Selangor Darul Ehsan	In Progress	25,287	Freehold	-	12,370*	N/A	21/12/96

* after impairment loss of RM6.2m

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of **AMWAY (MALAYSIA) HOLDINGS BERHAD** will be held at the Ballroom (Westin I), Level 2, The Westin Kuala Lumpur, 199 Jalan Bukit Bintang, 55100 Kuala Lumpur on Monday, 31 January 2005 at 10.00 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 2004 together with the Directors' and the Auditors' Reports thereon.

Ordinary Resolution 1

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

Ordinary Resolution 2

3. To re-elect Mr James Bradley Payne who is retiring pursuant to Article 87.1 of the Company's Articles of Association.

Ordinary Resolution 3

4. To re-elect Mr Scott Russell Balfour who is retiring pursuant to Article 94 of the Company's Articles of Association.

Ordinary Resolution 4

5. To re-elect Encik Abdul Wahab Bin Nasir @ Mohd Nasir who is retiring pursuant to Article 94 of the Company's Articles of Association.

Ordinary Resolution 5

6. To re-elect Mr Yee Kee Bing who is retiring pursuant to Article 94 of the Company's Articles of Association.

Ordinary Resolution 6

7. To approve the payment of Directors' Fees for the year ending 31 August 2005.

Ordinary Resolution 7

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

Ordinary Resolution 8

As Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions:-

9. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Access Business Group International LLC ("ABGIL"), Alticor Inc. ("Alticor"), Amway Corporation and Amway (Singapore) Pte Ltd ("Amway (S)").

Ordinary Resolution 9

10. Proposed Renewal of Authority for Purchase of Own Shares.

Ordinary Resolution 10

(The detailed text and the rationale on Items 9 and 10 are contained in the Circular dated 7 January 2005 which is enclosed together with the Annual Report.)

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)

SAW BEE LEAN (MAICSA 0793472)

Company Secretaries

Kuala Lumpur
7 January 2005

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.

notice of annual general meeting

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 with the Share Registrar of the Company at Tenaga Koperat Sdn Bhd, 20th Floor Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 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 9, if passed, will allow the Group to enter into the recurrent related party transactions with ABGIL, Alticor, Amway Corporation and Amway (S) 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 10, 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 of RM1.00 each ("Shares") in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") 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 and that at the discretion of the Directors of the Company, the Shares to be purchased and/or held may be cancelled and/or retained as treasury shares, and in the case of the latter, may be distributed as dividends or resold on Bursa Securities or subsequently cancelled. This authority will, unless the period within which the next Annual General Meeting is required by law to be held expires; or the Proposed Share Buy-Back is revoked or varied by resolution passed by the shareholders in general meeting before the next Annual General Meeting; expire at the conclusion of the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF TENTH ANNUAL GENERAL MEETING

Pursuant to the Paragraph 8.28(2) of the Bursa Securities Listing Requirements appended hereunder are:-

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

- a. Tan Sri Datuk Ahmad Farouk Bin Haji SM Isahak
- b. Mr James Bradley Payne
- c. Mr Scott Russell Balfour
- d. Encik Abdul Wahab Bin Nasir @ Mohd Nasir
- e. Mr Yee Kee Bing

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

There were four Board Meetings held during the financial year ended 31 August 2004. Details of attendance of the Directors are set out in the Profile of Directors on pages 26 to 29 of the Annual Report.

3. **Place, Date and Hour of the Tenth Annual General Meeting of the Company**

The Tenth Annual General Meeting of the Company will be held at the Ballroom (Westin I), Level 2, The Westin Kuala Lumpur, 199 Jalan Bukit Bintang, 55100 Kuala Lumpur on Monday, 31 January 2005 at 10.00 a.m.

notice of annual general meeting

4. Further details of Directors standing for re-election at the Tenth Annual General Meeting are as follows:-

Tan Sri Datuk Ahmad Farouk Bin Haji SM Isahak
Independent Non-Executive Chairman

- * Malaysian, aged 66.
- * Graduated with a Bachelor of Science (Honours) degree in Economics and Politics from Queens University, Belfast, Northern Ireland in 1962.
- * Obtained his Master's degree in Business Administration from the University of Pennsylvania, United States of America in 1971.
- * Pursued a career in the Malaysian Administrative and Diplomatic Service and the Malaysian Rubber Research and Development Board.
- * Served as the 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 and 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.
- * Formerly the Chairman of Dijaya Corporation Berhad.
- * Appointed Director of Amway (Malaysia) Holdings Berhad ("AMHB") on 6 June 1996.
- * Appointed Chairman of AMHB on 31 March 2002.
- * 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.

Mr James Bradley Payne

Non-Independent Non-Executive Director

- * American, aged 51.
- * Earned a Bachelor of Science degree in Business Administration from Aquinas College in Grand Rapids, United States of America.

- * 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, Japan, Korea, India, Singapore, Europe and Latin America.
- * A member of the West Michigan World Affairs Council in Grand Rapids and the Grand Rapids Economics Club.
- * Appointed Director of AMHB on 7 May 1998. No directorship in other public listed companies.
- * Currently a Director of Amway (Malaysia) Sdn Bhd ("AMSB"), a subsidiary of AMHB.
- * Does not hold shares in the Company or 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.

Mr Scott Russell Balfour

Non-Independent Non-Executive Director

- * American, aged 43.
- * Obtained a Bachelor of Science Degree from the Michigan State University in 1983. After serving in the US military, he attended the University of Detroit where he received a Juris Doctorate Degree cum laude in 1990.
- * A member of the American Bar Association, the Grand Rapids Bar and the Michigan Bar Association. Authored several articles regarding Korean and Asian jurisprudence and co-authored the book entitled "Korean Labor and Employment Laws".
- * Currently the Associate General Counsel and Chief Legal Officer - Asia for Alticor Inc. He coordinates and oversees Alticor's diverse legal issues for thirteen (13) Asian affiliates including Amway's operations in Australia, China, Korea, India, Indonesia, Malaysia, Philippines, Singapore, Taiwan and Thailand.

notice of annual general meeting

- * Prior to joining Alticor in 1999, he spent eight (8) years as a Senior Foreign Legal Consultant for the law firm of Kim & Chang in Seoul, South Korea. During his tenure at Kim & Chang, he represented numerous multinational companies in a variety of different legal matters and transactions.
- * Appointed Director of AMHB on 15 January 2004. No directorship in other public listed companies.
- * Does not hold shares in the Company or 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.

Encik Abdul Wahab Bin Nasir @ Mohd Nasir AMN Non-Independent Non-Executive Director

- * Malaysian, aged 52.
- * Graduated with a Bachelor of Social Science (Hons), Sociology & Anthropology from Universiti Sains Malaysia, Pulau Pinang in 1983.
- * Obtained a Master of Development Administration from Western Michigan University, Kalamazoo, United States of America in 1995.
- * Currently the Senior General Manager, Human Resource Department, Employees Provident Fund Malaysia.
- * Prior to his current position, he held various positions in the Government sector, including the Education Ministry, Fisheries Department, Department of Inland Revenue and National Institute of Public Administration (INTAN) from 1972 till 1983.
- * Appointed Director of AMHB on 18 June 2004. No directorship in other public listed companies.
- * Does not hold shares in the Company or 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.

Mr Yee Kee Bing

Non-Independent Executive Director

- * Malaysian, aged 45.
- * Graduated with a Bachelor's Degree in Social Science (Major: Communications) from Universiti Kebangsaan Malaysia in 1983.
- * Currently the President of Direct Selling Association of Malaysia.
- * Chairman of the Malaysia Chapter of the Asia Pacific Economic Cooperation Consumer Education and Protection Initiative (APECCEPI) Committee.
- * Board Member of the World Federation of Direct Selling Associations
- * Working Experience:-
 - a) July 1983 - October 1984: Accounts Servicing Executive, Art Beat Communications Sdn Bhd.
 - b) November 1984 - 1988: Communications Executive, AMSB .
 - c) 1988 - 1990: Communications Co-ordinator, AMSB.
 - d) 1990 - 1992: Communications Manager, AMSB.
 - e) 1992 - 1993: Group Product Manager, AMSB.
 - f) 1993 - 1994: New Business Development Manager, AMSB.
 - g) 1994 - 1999: Divisional Manager for Marketing Division AMSB.
 - h) 1999 - 2000: Assistant General Manager for Marketing & Business Development, AMSB.
 - i) 2000 - 2004: General Manager of Operations, AMSB.
- * Currently a Director of AMSB.
- * Appointed Director of AMHB on 16 July 2004. No directorship in other public listed companies.
- * Does not hold shares in the Company or 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.

analysis of shareholdings

as at 20 December 2004

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 - 99	89	2.4132	2,700	0.0016
100 - 1,000	1,096	29.7180	972,598	0.5917
1,001 - 10,000	2,228	60.4122	7,104,160	4.3216
10,001 - 100,000	215	5.8297	6,534,347	3.9750
100,001 - 8,219,281	58	1.5727	44,838,824	27.2766
8,219,282 and above	2	0.0542	104,933,016	63.8335
Total	3,688	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	21,115,633	12.8452

SHAREHOLDING OF DIRECTORS

Name Of Directors	No. Of Shares Held	% Of Issued Capital
1. Tan Sri Datuk Ahmad Farouk Bin Haji SM Isahak	16,666	0.0101
2. Low Han Kee	20,000	0.0122
3. Dato' Ab. Halim Bin Mohyiddin	1,000	*
4. Choong Lai Huat	18,000	0.0109
5. James Bradley Payne	-	-
6. Scott Russell Balfour	-	-
7. Abdul Wahab Bin Nasir @ Mohd Nasir	-	-
8. Yee Kee Bing	-	-

* Negligible

analysis of shareholdings

as at 20 December 2004

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	19,942,733	12.1317
3. Valuecap Sdn Bhd	6,600,000	4.0149
4. Lembaga Tabung Haji	4,960,231	3.0174
5. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	4,259,500	2.5912
6. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Didik	3,131,600	1.9050
7. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	2,989,166	1.8184
8. Takaful Nasional Sdn Berhad - Malaysia National Insurance Berhad	2,198,900	1.3376
9. Malaysia National Insurance Berhad	2,162,000	1.3152
10. Permodalan Nasional Berhad	1,850,666	1.1258
11. Lembaga Tabung Angkatan Tentera	1,833,333	1.1153
12. Citicorp Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad (PAR Fund)	1,587,866	0.9659
13. Amanah Raya Nominees (Tempatan) Sdn Bhd - Dana Al-Aiman	1,009,800	0.6143
14. Cartaban Nominees (Tempatan) Sdn Bhd - Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (JF404)	955,400	0.5812
15. Kurnia Insurans (Malaysia) Berhad	833,333	0.5069
16. MCIS Zurich Insurance Berhad	809,300	0.4923
17. Citicorp Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad (INV-IL PAR)	611,666	0.3721
18. John Hancock Life Insurance (Malaysia) Berhad	539,999	0.3285
19. ECM Libra Securities Nominees (Tempatan) Sdn Bhd - Petroleum Research Fund	495,333	0.3013
20. Bumiputra-Commerce Trustee Berhad - Amanah Saham Darul Iman	490,000	0.2981
21. Citicorp Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad (Prulink Eqty Fd)	459,000	0.2792
22. Amanah Saham Mara Berhad	389,500	0.2369
23. Takaful Nasional Sdn Berhad	336,800	0.2049
24. MCIS Zurich Insurance Berhad	324,400	0.1973
25. Amanah Raya Nominees (Tempatan) Sdn Bhd - Dana Bestari	288,900	0.1757
26. SBB Nominees (Tempatan) Sdn. Bhd. - Kumpulan Wang Amanah Pencen	250,000	0.1521
27. Amanah Raya Nominees (Tempatan) Sdn Bhd - Kumpulan Modal Bumiputera Yang Kesebelas	241,600	0.1470
28. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Teik Chuan @ Ho Sonney	238,000	0.1448
29. Bumiputra-Commerce Trustee Berhad - Amanah Saham Darul Iman	218,332	0.1328
30. ECM Libra Securities Nominees (Tempatan) Sdn Bhd - Petroliam Nasional Berhad	200,000	0.1217
	<u>145,197,641</u>	<u>88.3273</u>

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 Tenth Annual General Meeting of the Company to be held at the Ballroom (Westin I), Level 2, The Westin Kuala Lumpur, 199 Jalan Bukit Bintang, 55100 Kuala Lumpur on Monday, 31 January 2005 at 10.00 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 Financial Statements and Directors' and Auditors' Reports for the year ended 31 August 2004		
Ordinary Resolution 2	Re-election of Tan Sri Datuk Ahmad Farouk Bin Haji SM Isahak as Director		
Ordinary Resolution 3	Re-election of Mr James Bradley Payne as Director		
Ordinary Resolution 4	Re-election of Mr Scott Russell Balfour as Director		
Ordinary Resolution 5	Re-election of Encik Abdul Wahab Bin Nasir @ Mohd Nasir as Director		
Ordinary Resolution 6	Re-election of Mr Yee Kee Bing as Director		
Ordinary Resolution 7	Approval on the payment of Directors' Fees		
Ordinary Resolution 8	Re-appointment of Messrs KPMG as Auditors of the Company		
Ordinary Resolution 9	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Access Business Group International LLC, Alticor Inc., Amway Corporation and Amway (Singapore) Pte Ltd		
Ordinary Resolution 10	Proposed Renewal of Authority for 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.)

Signed this _____ day of _____ 2005

Signature:
Shareholder or Common Seal

NOTES:-

- 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.
- 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 proportions of his shareholdings to be represented by each proxy.
- 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.
- The instrument appointing a proxy must be deposited with the Share Registrar of the Company at Tenaga Koperat Sdn Bhd, 20th Floor Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.

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Stamp

The Share Registrars

Tenaga Koperat Sdn Bhd

20th Floor, Plaza Permata

Jalan Kampar

Off Jalan Tun Razak

50400 Kuala Lumpur

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