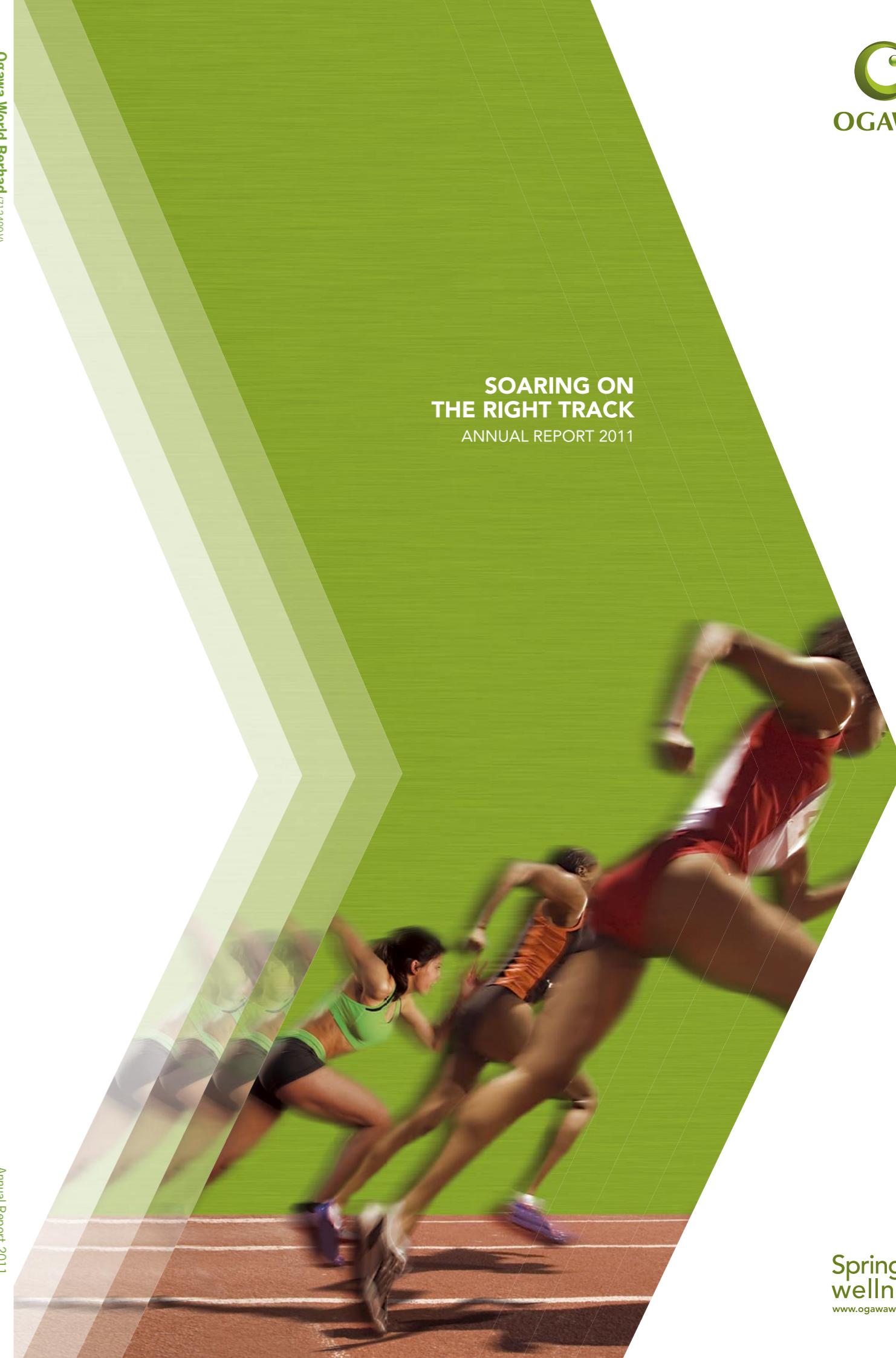


**SOARING ON  
THE RIGHT TRACK**  
ANNUAL REPORT 2011

Ogawa World Berhad (712499X)

Annual Report 2011



Ogawa is grateful to have received these awards:

Ogawa Wellness Hubs : Malaysia • Singapore • Indonesia • Australia • China • Vietnam • Myanmar • Saudi Arabia • India • Philippines

[www.ogawaworld.net](http://www.ogawaworld.net)

Spring of  
wellness  
[www.ogawaworld.net](http://www.ogawaworld.net)

TWO HUNDRED RINGGIT ONLY



EXCLUSIVE VOUCHER

RM2000

This voucher can only be used for OGAWA products priced at RM2,000 and above.

Expiry Date: 31 Dec 2012

TWO HUNDRED RINGGIT ONLY



EXCLUSIVE VOUCHER

RM2000

This voucher can only be used for OGAWA products priced at RM2,000 and above.

Expiry Date: 31 Dec 2012

ONE HUNDRED RINGGIT ONLY



EXCLUSIVE VOUCHER

RM1000

This voucher can only be used for OGAWA products priced at RM1,000 and above.

Expiry Date: 31 Dec 2012

Terms and Conditions:

1. This voucher can only be used in all OGAWA outlets in Malaysia for OGAWA products
2. This voucher cannot be used along with other ongoing promotion, offer or discount.
3. Please present original voucher upon point of purchase.
4. Voucher is non-refundable or exchangeable for cash in part or whole.
5. One voucher is only valid for one transaction.
6. Multiple vouchers cannot be used together for one transaction.
7. This voucher is valid until 31 December 2012 only.

# A GIFT TO YOU

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# A GIFT TO YOU

# Contents

<b>2</b>	NOTICE OF ANNUAL GENERAL MEETING
<b>5</b>	GROUP FINANCIAL HIGHLIGHTS
<b>6</b>	CORPORATE STRUCTURE
<b>7</b>	CORPORATE INFORMATION
<b>8</b>	PROFILE OF OUR DIRECTORS
<b>12</b>	MESSAGE FROM THE CHAIRMAN
<b>15</b>	CORPORATE GOVERNANCE STATEMENT
<b>21</b>	STATEMENT ON INTERNAL CONTROL
<b>23</b>	AUDIT COMMITTEE REPORT
<b>28</b>	OTHER DISCLOSURES
<b>29</b>	FINANCIAL STATEMENTS
<b>81</b>	LIST OF PROPERTIES
<b>82</b>	ANALYSIS OF SHAREHOLDINGS
<b>85</b>	PROXY FORM

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Sixth Annual General Meeting of the Company will be convened and held at Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Tuesday, 29 November 2011 at 9.00 a.m. for the following purposes:

## AGENDA

### As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2011 together with the Directors' and Auditors' Reports thereon.
2. To declare a first and final single-tier dividend of 3 sen per ordinary share of 50 sen each in respect of the financial year ended 30 June 2011.
3. To approve the increase of Directors' fees to RM240,000.00 for the financial year ended 30 June 2011 and the payment thereof.
4. To re-elect the following Directors who are retiring pursuant to Article 92 of the Articles of Association of the Company:
  - (i) Mr Wong Lee Keong
  - (ii) Ms Lim Poh Khian
  - (iii) Ms Lim Mee Ling
5. To re-appoint Messrs Deloitte KassimChan as Auditors of the Company for the financial year ending 30 June 2012 and to authorise the Directors to fix the Auditors' remuneration.

### As Special Business

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

6. **Authority for the Company to Purchase its own Ordinary Shares ("Proposed Share Buy-Back")**

"That subject to the Companies Act, 1965 (the "Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits and/or share premium of the Company as at 30 June 2011 of RM5.7 million and RM7.2 million respectively to purchase such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through 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 and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

That an amount not exceeding the Company's share premium account and retained profits account be allocated by the Company for the Proposed Share Buy-Back;

That authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 67A of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them;

That the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

Ordinary Resolution 1

Ordinary Resolution 2

Ordinary Resolution 3

Ordinary Resolution 4  
Ordinary Resolution 5  
Ordinary Resolution 6

Ordinary Resolution 7

# NOTICE OF ANNUAL GENERAL MEETING

(continued)

- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any);

And that the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authority.”

## 7. **Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares**

“That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue.”

**Ordinary Resolution 8**

**Ordinary Resolution 9**

## **NOTICE OF DIVIDEND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT**, subject to the approval of the shareholders at the Sixth Annual General Meeting of the Company, a first and final single-tier dividend of 3 sen per ordinary share of 50 sen each in respect of the financial year ended 30 June 2011 will be paid to shareholders on 16 December 2011. The entitlement date for the said dividend shall be on 2 December 2011.

A depositor shall qualify for entitlement to the Dividend only in respect of:

- (a) Shares transferred to the depositor's securities account before 4.00 p.m. on 2 December 2011 in respect of transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD  
TAI YIT CHAN (MAICSA 7009143)  
LIEW IRENE (MAICSA 7022609)  
Company Secretaries

Selangor Darul Ehsan  
31 October 2011

# NOTICE OF ANNUAL GENERAL MEETING

(continued)

## NOTES :

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and the provisions of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account held by it with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member appoints two (2) proxies, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointments shall be invalid.
4. The instrument appointing a proxy shall be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under its Common Seal or signed by an officer or attorney so authorised.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney must be deposited at the Company's Share Registrar's Office at Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

## EXPLANATORY NOTES ON SPECIAL BUSINESS

### 6. **Ordinary Resolution 8** **Authority for the Company to Purchase its own Ordinary Shares**

Ordinary Resolution 8 proposed under item 6 of the Agenda, if passed, will give the Company the authority to purchase its own ordinary shares of up to 10% of the issued and paid-up share capital of the Company for the time being. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first.

Please refer to the Circular to Shareholders dated 31 October 2011 for the details and rationale of the proposed Ordinary Resolution 8.

### 7. **Ordinary Resolution 9** **Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares**

The Company had, during its Fifth AGM held on 25 November 2010, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

Ordinary Resolution 9 proposed under item 7 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The mandate, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

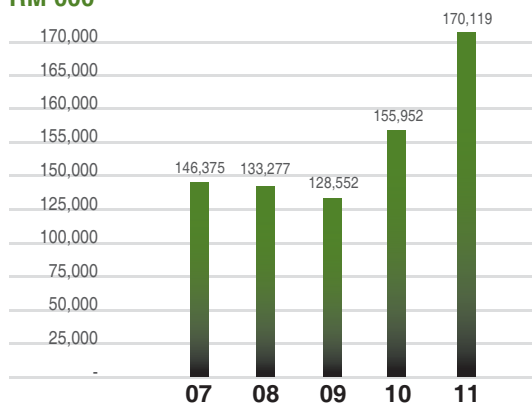
At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

# GROUP FINANCIAL HIGHLIGHTS

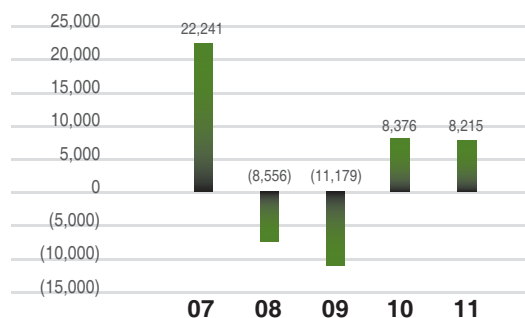
	(Actual) FYE 2007 RM'000	(Actual) FYE 2008 RM'000	(Actual) FYE 2009 RM'000	(Actual) FYE 2010 RM'000	(Actual) FYE 2011 RM'000
REVENUE	146,375	133,277	128,552	155,952	170,119
PROFIT/(LOSS) BEFORE TAX	22,241	(8,556)	(11,179)	8,376	8,215
NET PROFIT/(LOSS)	15,284	(8,427)	(12,431)	8,290	6,409
NUMBER OF SHARES IN ISSUE ('000)	120,000	120,000	120,000	120,000	120,000
NET EPS (SEN)	18.46	(6.98)	(10.36)	6.91	5.34
P/E (x) ***	5.4	(2.9)	(2.3)	4.9	6.0
PBT MARGIN (%)	15.2	(6.4)	(8.7)	5.4	4.8

\*\*\* Based on price of RM1.00 for financial year 2007, RM0.20 for financial year 2008, RM0.24 for financial year 2009, RM0.34 for financial year 2010 and RM0.32 for financial year 2011.

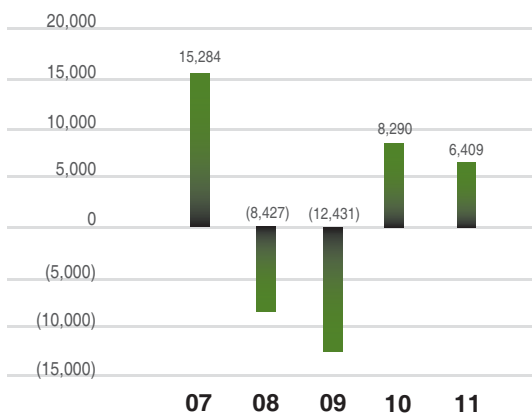
## REVENUE RM'000



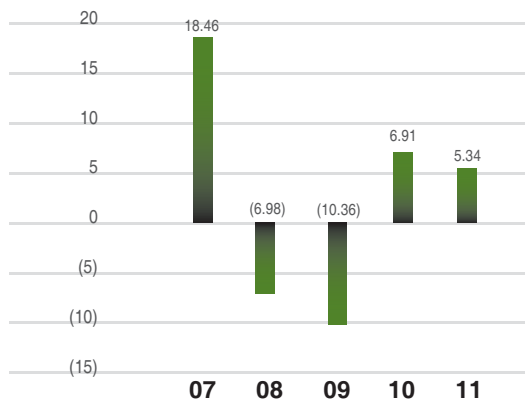
## PROFIT BEFORE TAX RM'000



## NET PROFIT RM'000

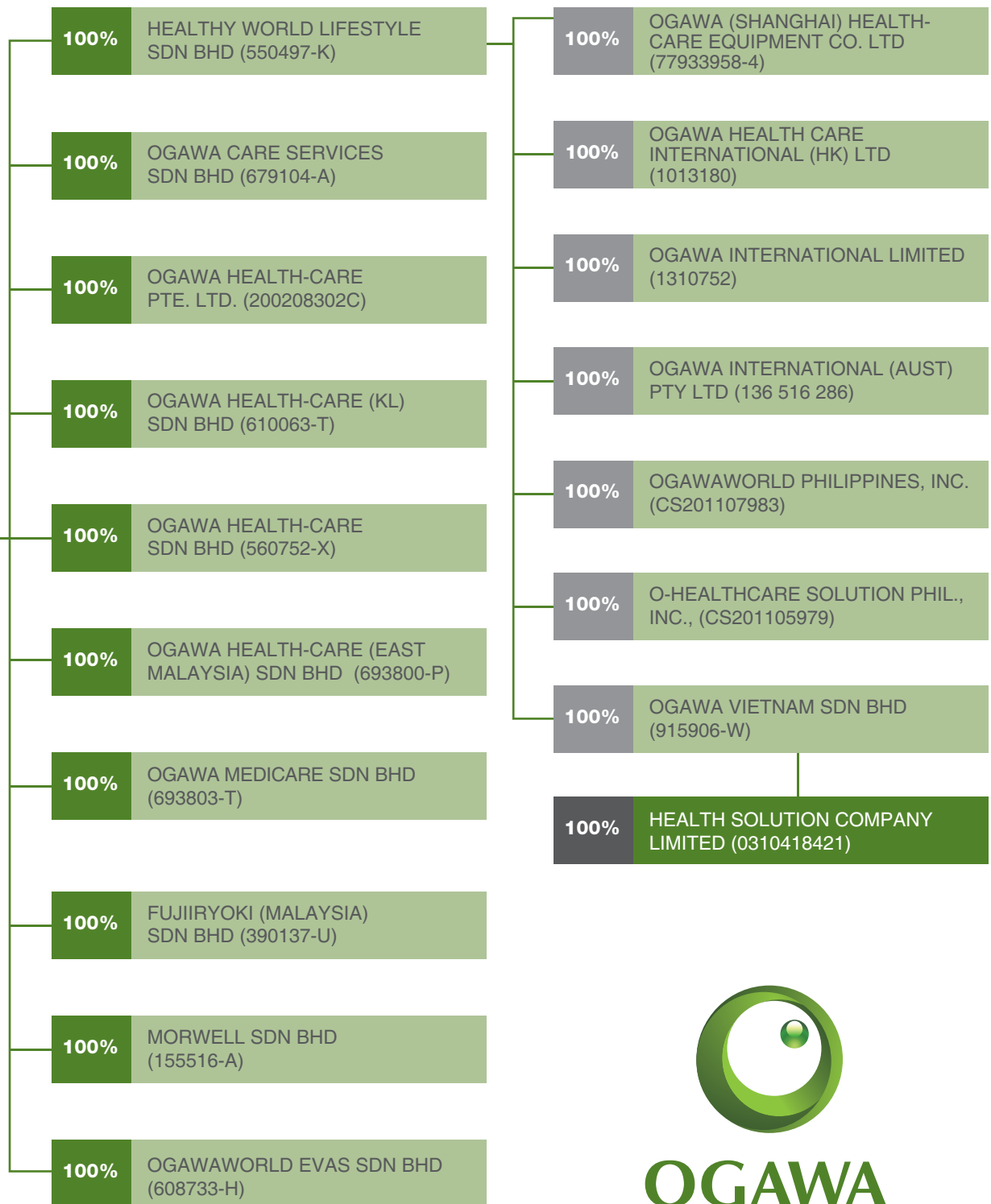


## NET EPS (SEN)



# CORPORATE STRUCTURE

OGAWA WORLD BERHAD



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

WONG LEE KEONG  
*Executive Chairman*

LIM POH KHIAN  
*Deputy Executive Chairperson*

LIM MEE LING  
*Executive Director*

CHEAH YEW KONG  
*Executive Director*

CHONG SWEE MAIN  
*Executive Director*

LIM WAI HENG  
*Executive Director*

Y.T.M. RAJA DATO SERI AZUREEN  
BINTI SULTAN AZLAN SHAH  
*Independent Non-Executive Director*

DR. AHMAD KAMAL BIN MD ALIF  
*Independent Non-Executive Director*

LEONG KHAI CHEONG  
*Senior Independent Non-Executive Director*

## AUDIT COMMITTEE

LEONG KHAI CHEONG  
*Senior Independent Non-Executive Director*  
*(Chairman of Committee)*

Y.T.M. RAJA DATO SERI AZUREEN  
BINTI SULTAN AZLAN SHAH  
*Independent Non-Executive Director*

DR. AHMAD KAMAL BIN MD ALIF  
*Independent Non-Executive Director*

## REMUNERATION COMMITTEE

WONG LEE KEONG  
*Executive Chairman*  
*(Chairman of Committee)*

LEONG KHAI CHEONG  
*Senior Independent Non-Executive Director*

DR. AHMAD KAMAL BIN MD ALIF  
*Independent Non-Executive Director*

## NOMINATION COMMITTEE

LEONG KHAI CHEONG  
*Senior Independent Non-Executive Director*  
*(Chairman of Committee)*

DR. AHMAD KAMAL BIN MD ALIF  
*Independent Non-Executive Director*

## COMPANY SECRETARIES

TAI YIT CHAN (MAICSA 7009143)  
LIEW IRENE (MAICSA 7022609)

## REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower,  
8, First Avenue, Bandar Utama,  
47800 Petaling Jaya,  
Selangor  
Tel: +603 7720 1188  
Fax: +603 7720 1111

## PRINCIPAL OFFICE

No 22, Jalan Anggerik  
Mokara 31/47, Kota Kemuning,  
40460 Shah Alam, Selangor.  
Tel: +603 5121 4286  
Fax: +603 5121 4386

## REGISTRAR

TRICOR INVESTOR SERVICES  
SDN BHD  
Level 17, The Gardens North Tower,  
Mid Valley City,  
Lingkaran Syed Putra,  
59200 Kuala Lumpur  
Tel: +603 2264 3883  
Fax: +603 2282 1886

## PRINCIPAL BANKER

HONG LEONG BANK BERHAD  
29, Jalan Anggerik Vanilla N31/N,  
40460 Kota Kemuning, Shah Alam,  
Selangor  
Tel: +603 5123 0898  
Fax: +603 5123 1635

## AUDITORS

DELOITTE KASSIMCHAN  
Level 19, Uptown 1,  
Damansara Uptown,  
1, Jalan SS21/58,  
47400 Petaling Jaya,  
Selangor  
Tel: +603 7723 6500  
Fax: +603 7726 3986

## STOCK EXCHANGE LISTING

Main Market of  
Bursa Malaysia Securities Berhad

## STOCK NAME: OGAWA

## STOCK CODE: 5128

# PROFILE OF OUR DIRECTORS



Left To Right

- LEONG KHAI CHEONG • Y.T.M. RAJA DATO SERI AZUREEN BINTI SULTAN AZLAN SHAH • CHONG SWEE MAIN
- WONG LEE KEONG • LIM MEE LING • LIM POH KHIAN • CHEAH YEW KONG • LIM WAI HENG
- DR. AHMAD KAMAL BIN MD ALIF

# PROFILE OF OUR DIRECTORS

## Wong Lee Keong

Mr. Wong Lee Keong, aged 59, a Malaysian, is one of the co-founders of the Ogawa Group of Companies ("the Group"). He was appointed as the Executive Chairman of Ogawa World Berhad ("OWB") on 4 January 2007. He is also an Executive Director of some subsidiary companies within the Group and also the Chairman of the Remuneration Committee.

Mr. Wong has more than 33 years of experience in the wholesale and retail business in Malaysia and is the driving force behind the development, growth and expansion of the Group. He has transformed OGAWA into a leading Malaysian brand in the local health and wellness equipment market.

Mr. Wong is currently responsible for setting the directions of the Group's business strategies and market expansion plans. In view of Mr Wong's extensive experience in this business, he also contributes actively to the product design and development activities of the Group. He does not have any family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company.

Mr. Wong has no other directorship in any public companies. He has not been convicted of any offences within the past 10 years.

## Lim Poh Khian

Ms. Lim Poh Khian, aged 53, a Malaysian, is one of the co-founders of the Ogawa Group. She was appointed as the Deputy Executive Chairperson of OWB on 4 January 2007. She is also an Executive Director of some subsidiary companies within the Group.

Ms. Lim has more than 31 years of experience in the sales and marketing of household and health care products in Malaysia, specialising in the health and wellness equipment sector. Ms. Lim is currently responsible for overseeing the day-to-day management of the Group's operations. She is also involved in business development, market expansion and marketing strategies of the Group.

She does not have any family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company.

Ms. Lim has no other directorship in any public companies. She has not been convicted of any offences within the past 10 years.

## Lim Mee Ling

Ms. Lim Mee Ling, aged 45, a Malaysian, was appointed as Executive Director of OWB on 4 January 2007 and currently heads the Marketing Division of the Group. She is also an Executive Director of some subsidiary companies within the Group.

Ms. Lim holds a Masters in Business Administration degree. She joined the Group in 1996 as the manager of its first retail outlet. In 2001, she was promoted as the Executive Director responsible for the formulation and implementation of marketing strategies for both local and overseas markets and public relations for the Group.

She is the sister of Mr. Lim Wai Heng as well as the sister-in-law of Mr. Chong Swee Main, both Executive Directors and major shareholders of OWB. She has no conflict of interest in any business arrangement involving the Company.

Ms Lim has no other directorship in any public companies. She has not been convicted of any offences within the past 10 years.

# PROFILE OF OUR DIRECTORS

(continued)

## **Cheah Yew Kong**

Mr. Cheah Yew Kong, aged 39, a Malaysian, currently heads the Product Design and Development as well as Quality Assurance of the Group. He was appointed to the board as Executive Director of OWB on 4 January 2007. He is also an Executive Director of some subsidiary companies within the Group.

Mr. Cheah holds a Diploma in Graphic Design and has more than 15 years of experience in advertising, marketing and graphic design. He joined the Group in 2001 to manage the product design and development, product quality assurance and service quality assurance of the Group.

He does not have any family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company.

Mr. Cheah has no other directorship in any public companies. He has not been convicted of any offences within the past 10 years.

## **Chong Swee Main**

Mr. Chong Swee Main, aged 38, a Malaysian, currently heads the Business Development Division of the Group and manages the Group's overseas market expansion activities, as well as Vietnam operations. He was appointed to the board as Executive Director of OWB on 4 January 2007. He is also an Executive Director of some subsidiary companies within the Group.

Mr. Chong holds a Diploma in Business Administration and has more than 16 years of sales and marketing experience in health care products. He joined Ogawa Group in 2001.

He is the brother-in-law of Ms. Lim Mee Ling as well as the brother-in-law of Mr. Lim Wai Heng, both Executive Directors and major shareholders of OWB. He has no conflict of interest in any business arrangement involving the Company.

Mr. Chong has no other directorship in any public companies. He has not been convicted of any offences within the past 10 years.

## **Lim Wai Heng**

Mr. Lim Wai Heng, aged 41, a Malaysian, was appointed to the board as Executive Director of OWB on 4 January 2007. He is also an Executive Director of some subsidiary companies within the Group.

Mr. Lim joined the Ogawa Group in 2001. He is currently responsible for Malaysia, Singapore and Philippines operations.

He is the brother of Ms. Lim Mee Ling as well as the brother-in-law of Mr. Chong Swee Main, both Executive Directors and major shareholders of OWB. He has no conflict of interest in any business arrangement involving the Company.

Mr. Lim has no other directorship in any public companies. He has not been convicted of any offences within the past 10 years.

# PROFILE OF OUR DIRECTORS

(continued)

## **Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah**

Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah, aged 54, a Malaysian, was appointed as an Independent Non-Executive Director of OWB on 8 February 2007.

Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah is a member of the Audit Committee of OWB. She obtained a Bachelor of Arts (Mathematics/Economics) degree from Syracuse University, New York in 1979 and a Master of Business Administration degree from The London Business School, University of London in 1982.

Presently, Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah is the Chancellor of Masterskill University College of Health Sciences and the President of Masterskill College of Nursing and Health.

She is also actively involved in various social welfare and charitable activities. She was President of the National Society for the Deaf from 1996 to 2006. She is now its Patron. She is also the Patron of Riding for the Disabled, Malaysia, Patron of the Perak Ladies Club (Federal Territory and Selangor) and Patron of Friends of the National Library.

She does not have any family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company.

Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah is also a Director of Yayasan Sultan Azlan Shah. She has not been convicted of any offences within the past 10 years.

## **Dr. Ahmad Kamal bin Md Alif**

Dr. Ahmad Kamal bin Md Alif, aged 65, a Malaysian, was appointed as an Independent Non-Executive Director of OWB on 8 February 2007.

Dr. Ahmad Kamal is a member of OWB's Audit, Remuneration and Nomination Committees. He graduated with an M.B.B.S. in 1972 from the University of Malaya's Faculty of Medicine and trained as a radiologist at the Royal Free Hospital, London under a Colombo Plan Scholarship from 1975 to 1978. He is a Fellow of the Royal College of Radiologist (England) and a member of the Academy of Medicine (Malaysia).

Dr. Ahmad Kamal was appointed as Assistant Lecturer, Faculty of Medicine University Kebangsaan Malaysia ("UKM") in 1973 and became the Associate Professor and Head of the Department of Radiology UKM in 1978. He was later promoted and served as the Deputy Dean, Faculty of Medicine, UKM, from 1982-1983.

He does not have any family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company.

Presently, Dr. Ahmad Kamal is also a Director of Apex Healthcare Berhad, a company listed on the Main Market of Bursa Securities.

Dr. Ahmad Kamal has not been convicted of any offences within the past 10 years.

## **Leong Khai Cheong**

Mr. Leong Khai Cheong, aged 60, a Malaysian, was appointed as an Independent Non-Executive Director of OWB on 8 February 2007.

He was appointed as Senior Independent Non-Executive Director of OWB on 9 October 2007. Mr. Leong is also the Chairman of the Audit and Nomination Committees and a member of Remuneration Committee of OWB. He is a member of the Malaysian Institute of Accountants and Chartered Accountant and Fellow of the Association of Chartered Certified Accountants, United Kingdom and a Certified Public Accountant, Singapore.

Mr. Leong holds associate membership of the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators. He has worked in professional firms and Public Listed Companies and has diverse knowledge and experience in auditing, finance & accounting and general management.

He does not have any family relationships with any director and/or major shareholder of the Group, nor any conflict of interest in any business arrangement involving the Company.

Presently, Mr. Leong is also a Director of Apex Healthcare Berhad, a company listed on the Main Market of Bursa Securities.

Mr. Leong has not been convicted of any offences within the past 10 years.

# MESSAGE FROM THE CHAIRMAN



## **RICHARD WONG**

IN ORDER TO MAINTAIN OGAWA AS THE NUMBER ONE CHOICE,  
OUR PURSUIT TOWARDS PERFECTION CONTINUES...

# MESSAGE FROM THE CHAIRMAN

(continued)

## Dear Shareholders,

On behalf of the Board of Directors, I present to you the Annual Report and the Audited Financial Statements of Ogawa World Berhad and its subsidiary companies ("The Group") for the financial year ended 30 June 2011.

## REVIEW OF PERFORMANCE

Financial year 2011 started strongly with the world economy recovering from effects of global financial crisis as governments across the world coordinated implementation of fiscal and monetary policies. Amid this background, the Group expanded its footprint and launched a new business division – ACTIVO.

ACTIVO focuses on Fitness Equipments and had opened 5 outlets in Malaysia within the financial year at Giant Kelana Jaya, Kluang Mall, Boulevard Kuching, Carrefour Batu Pahat and AEON Taman Equine. The Group also opened 5 OGAWA outlets. The new outlets are at Tesco Bukit Mertajam, AEON Taman Equine, Tesco Seremban 2, AEON Bukit Tinggi and Tesco Tanjung Pinang.

	← FY 2011 →		← FY 2010 →	
	Revenue (RM million)	No of Outlets*	Revenue (RM million)	No of Outlets*
Malaysia	99.5	66	91.5	57
Overseas	70.6	117	64.4	102
Group	170.1	183	155.9	159

\* Include distributors' outlets

In Vietnam, the Group acquired the business of the previous Ogawa distributor to amplify market development in the country. The Group also invested heavily in China with the opening of counters at Dalian as well as established a new operation in Philippines.

The Group is appreciative of the RM 2 million brand promotional grants from Malaysia External Trade Development Corporation, the National Trade Promotion Agency of Malaysia that had enabled the Group to be more aggressive with its road shows and exhibitions overseas. The exposure helped to increase brand awareness in our overseas markets.

## FINANCIAL PERFORMANCE

The Group achieved consolidated revenue of RM 170.1 million, representing an increase of 9.1% over the RM 155.9 million achieved in the previous financial year. While Malaysia remains the Group's main revenue driver, contributing RM 99.5 million or 58.5% as compared to RM 91.5 million or

58.7% in the previous financial year, revenue contribution from overseas increased to RM 70.6 million or 41.5% of Group revenue as compared to RM 64.4 million or 41.3% in the previous financial year.

The increase in revenue, especially from China, came at significant costs due to the investment requirements which in the short term had affected the Group's profitability. Still, the Group managed to achieve net profit before taxation of RM 8.2 million as compared to a profit before taxation of RM 8.4 million recorded in the previous financial year. Net profit after taxation was RM 6.4 million as compared to the RM 8.3 million recorded in the previous financial year.

The Group continues to be prudent with its cash and equivalent holdings of RM 48.3 million or RM 0.403 per share as at 30 June 2011 as compared to RM 49.1 million or RM 0.409 per share the previous year.

## CORPORATE DEVELOPMENT

The Group was relatively active with its corporate development in the last financial year. Its wholly-owned subsidiary, Healthy World Lifestyle Sdn Bhd had:

- On 27 September 2010 incorporated wholly-owned subsidiary, Ogawa Vietnam Sdn Bhd under the Companies Act, 1965.
- On 4 May 2011 acquired 100% equity interest in O-HealthCare Solution Phil., Inc., a company incorporated in the Philippines for a total cash consideration of PHP70,000.
- On 10 May 2011 incorporated wholly-owned subsidiary, OgawaWorld Philippines, Inc in the Philippines.

Ogawa Vietnam Sdn Bhd had on 17 January 2011 acquired 100% equity interest in Health Solution Company Limited, a company incorporated in Vietnam for a total cash consideration of VND300,000,000 (equivalent to RM47,692) to undertake the sales and distribution of Ogawa's products in Vietnam; while on 16 March 2011, Ogawa Medicare Sdn Bhd, a wholly-owned subsidiary of Ogawa World Berhad disposed of its distribution rights and inventory of medical products for a consideration of RM 28,043.00 as the Group discontinued its venture into medical products distribution.

## DIVIDEND

The Board is pleased to recommend a first and final single-tier dividend of 3 sen per ordinary share of 50 sen in respect of financial year ended 30 June 2011 for the approval of shareholders at the forthcoming Sixth Annual General Meeting to be held on 29 November 2011.

# MESSAGE FROM THE CHAIRMAN

(continued)

## **PROSPECTS & OUTLOOK**

While the Malaysian economy continues to be holding up well, sustainability of global recovery is uncertain as the European Union grapples with sovereign debt issues while the United States continues to be embroiled with its political uncertainties. Macro economic conditions affect the overall retail environment, thus the Group shall be cautious with its expansion as it focuses on improving operational efficiency and cost controls.

## **ACKNOWLEDGEMENT**

The Board would like to extend our sincere gratitude and appreciation to the management and staff at all levels for their dedicated effort and commitment. We are grateful to our loyal shareholders as well as our customers, suppliers and business associates for their continuing confidence and support. I would also take this opportunity to thank my fellow Directors for their invaluable advice and contributions to Group.



**Wong Lee Keong**  
Executive Chairman

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of Ogawa World Berhad (“the Company”) is committed towards adhering to high standards of corporate governance as guided by the Malaysian Code on Corporate Governance (“Code”) in its effort to discharge its duties in ensuring an appropriate and sound governance system is implemented throughout the Company and its subsidiaries (“the Group”) and to safeguard the interests of all stakeholders as well as to enhance shareholders’ value. The Board is continuously dedicated to evaluate the Group’s corporate governance practices and procedures to ensure the principles of good governance are applied and the best practices set out in the Code are complied. The statement set out below is divided into four (4) sections:

Section A: Directors

Section B: Directors’ Remuneration

Section C: Shareholders

Section D: Accountability and Audit

## Section A: Directors

### (1) Board Effectiveness

The Company is led by a Board which recognises its role in charting the strategic direction, development and control of the Group and has discharged the specific responsibilities listed in the Code. Board meetings are held quarterly, with additional meetings convened whenever necessary, with the attendance of the Company Secretary. The Chief Financial Officer and other advisors and consultants are invited to the meetings as the Board deems necessary. For good corporate governance, the proceedings, decisions and deliberations at the Board meetings in terms of issues discussed in arriving at the decisions are minuted. During the financial year ended 30 June 2011, the Board held four (4) meetings and the respective Directors’ records of attendance are as follows:

Name of Director	Designation	Attendance	Percentage
Wong Lee Keong	Executive Chairman	4/4	100
Lim Poh Khian	Deputy Executive Chairperson	4/4	100
Lim Mee Ling	Executive Director	3/4	75
Cheah Yew Kong	Executive Director	4/4	100
Chong Swee Main	Executive Director	4/4	100
Lim Wai Heng	Executive Director	3/4	75
Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah	Independent Non-Executive Director	4/4	100
Dr. Ahmad Kamal Bin Md Alif	Independent Non-Executive Director	4/4	100
Leong Khai Cheong	Senior Independent Non-Executive Director	4/4	100

The Board has entrusted the Board Committees with specific responsibilities to oversee the affairs of the Group on behalf of the Board in accordance with their respective defined terms of reference. The chairmen of the relevant Board Committees highlight to the Board key issues raised by the Board Committees. The Directors bring to the Board various skills sets and experience in determining the Group’s development and overall strategic directions. The skill sets of the Directors, Board committees and the Board as a whole are evaluated annually. The results of the evaluation for financial year ended 30 June 2011 were presented to the Board on 23 August 2011.

The Board has further delegated to the Executive Committee, which comprises executive members of the Board and key management staff, an oversight function to ensure that the operations and performance of the Group are aligned with the strategies and approved business plan. The Executive Committee is also tasked with the oversight function of risk management activities, which framework is in respect of identifying, evaluating and mitigating principal business risks. Periodic reports are furnished to the Board on any significant risks faced by the Group and the corresponding action plans.

# CORPORATE GOVERNANCE STATEMENT

(continued)

## (2) Board Balance

The Board is structured where at least one third of the Board is independent which is in compliance with the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements. The Board has a balance of Executive and Non-Executive Directors with a total of nine (9) members, comprising six (6) Executive Directors, and three (3) Independent Non-Executive Directors. The presence of Independent Non-Executive Directors provides broader and independent views, advice and judgment to take into account the interest of not only the Group, but also those of minority shareholders and stakeholders like employees, customers, suppliers and the many diverse communities in which the Group conducts their business.

The Directors bring to the Board a mix of technical skills, knowledge and vast experiences in areas of wholesale and retail business, sales and marketing of household and health care products, economics, finance, accounting and medical knowledge and practice, which are key to charting the direction of the Group. The profiles of the Directors are available on pages 9 to 11 of this Annual Report.

The Executive Chairman of the Board has the responsibility to ensure both the Board and the Executive Committee's effectiveness and conduct, whilst the Deputy Executive Chairperson has an overall responsibility over the operating units, organisation effectiveness and proper implementation of the Board's policies and decisions. In order to ensure there is a balance of influence and authority, the Independent Directors participate fully in the deliberations and decisions of the Board. The Independent Directors have full access to information, past and present and can call on members of the Management and independent auditors for any information to assist them in understanding the Group's operations and business as well as forming opinions for matters that are placed before the Board for decisions. In addition, the Board has identified the Audit Committee Chairman as the Senior Independent Non-Executive Director to whom concerns of individuals, internal and external may be conveyed.

## (3) Supply of Information to the Board

The Board has unrestricted and timely access to all information necessary for the discharge of its responsibilities. The Board is supplied with all relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters by way of Board papers to assist the Directors in the decision making and to discharge their duties effectively. Board meetings are scheduled in advance at the beginning of each new financial year to enable the Directors to plan ahead. Meeting notices and board papers are provided to Directors a week in advance to enable the Directors to consider and seek further explanation where necessary so that meaningful deliberations and sound decisions can be made at Board meetings.

All Directors, whether as a full Board or in their individual capacity, have access to the advice and services of the Company Secretaries, Management representatives and, if deemed necessary, other independent professionals at the expense of the Group in the discharge of their duties.

## (4) Appointments to the Board

The Nomination Committee, in its terms of reference, is tasked with the duty of making suitable recommendations to fill vacancies within the Board and its committees. The Nomination Committee comprises exclusively of independent non-executive directors with members as follows:

### **Chairman:**

Leong Khai Cheong (*Senior Independent Non-Executive Director*)

### **Member:**

Dr. Ahmad Kamal Bin Md Alif (*Independent Non-Executive Director*)

# CORPORATE GOVERNANCE STATEMENT

(continued)

The Board through the Nomination Committee reviews and makes recommendation on appointment of new members for the Board's assessment and endorsement. In making its recommendation, the Committee considers the desired size of the Board with a view to determine the impact of number upon the Board's effectiveness as well as the required mix of skills, knowledge, expertise, experience, professionalism and integrity of the candidates. The Board, through the Nomination Committee, annually reviews the mix of skills and experience and other qualities including core competencies which Directors should bring to the Board. The Nomination Committee also assists the Board in its annual assessment of the effectiveness of the Board as a whole and the Board Committee as well as the contribution of each individual Director. The Nomination Committee met once during the financial year attended by all the members.

The Board acknowledges that continuous education is important. In this regard, Board has tasked the Nomination Committee to determine appropriate training for Directors and review the fulfillment of such training. The Nomination Committee makes recommendation on training for the Board members. The records of the Directors' attendance of training or workshop and the training programmes attended by the Directors are tabulated as follows:

i) Number of trainings attended by each Director:

Directors	No. of trainings attended	
	Internal	External
Wong Lee Keong	2	1
Lim Poh Khian	2	1
Lim Mee Ling	2	1
Cheah Yew Kong	2	1
Chong Swee Main	2	1
Lim Wai Heng	2	1
Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah	1	5
Dr. Ahmad Kamal Bin Md Alif	2	
Leong Khai Cheong	1	2

Training programme	Date	Attendance	
		Executive Directors	Non-Executive Directors
Kuliah Undang-undang Ke-24 Sultan Azlan Shah	06-Oct-10		1
Corporate Governance Guide: Towards Boardroom Excellence	25-Nov-10	6	3
Corporate Governance Guide: Towards Boardroom Excellence (Mandarin)	17-Feb-11	5	-
Investment Appraisal & Time Value of Money	22-Feb-11	6	1
Corporate Governance Guide: Towards Boardroom Excellence (BM)	03-Mar-11		1
Update of FRSs 2010/11 New and Revised FRSs, Amendments, IC Interpretations and the New Bursa Listing Requirements	7 & 8 Mar 2011	-	1
Assessing The Risk And Control Environment	24-Mar-11	-	1
Government Transformation Programme National Key Results Area on Fighting Corruption: Corporate Integrity	31-Mar-11	-	1
Corporate Directors Conference 2011	3 & 4 May 2011		1
The Board's Responsibility for Corporate Culture - Selected Governance & Tools for Addressing Corporate Culture and Board Performance	5-May-11		1
Marketing Seminar- Going World Class	01-Jun-11	1	-

# CORPORATE GOVERNANCE STATEMENT

(continued)

## (5) Re-election

In accordance with the Company's Articles of Association, one third (1/3) of the Directors shall retire from office and shall be eligible for re-election at the annual general meeting. Additionally, each Director shall retire from office at least once in every three (3) years. In the financial year under review, the following Directors retired from office and were re-elected at the Annual General Meeting held on 25 November 2010:

- |   |   |
|---|---|
| • Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah | (Independent Non-Executive Director)        |
| • Dr. Ahmad Kamal Bin Md Alif                           | (Independent Non-Executive Director)        |
| • Leong Khai Cheong                                     | (Senior Independent Non-Executive Director) |

## Section B: Directors' Remuneration

### (1) The Level and Make-Up on Remuneration

The Remuneration Committee, in its terms of reference, is tasked to assist the Board in assessing the remuneration packages of the Executive Directors and key management personnel. Majority of the Remuneration Committee members are Independent Non-Executive Directors. The Remuneration Committee members are as follows:

#### Chairman:

Wong Lee Keong (*Executive Chairman*)

#### Members:

Leong Khai Cheong (*Senior Independent Non-Executive Director*)

Dr. Ahmad Kamal Bin Md Alif (*Independent Non-Executive Director*)

The Executive Directors' and key management's level of remuneration is based on agreed targets and contribution to corporate strategy and performance. The Board, as a whole determines the remuneration packages of Non-Executive Directors and the individuals concerned abstain from discussing their own remuneration. Non-Executive Directors remuneration packages are presented to the Remuneration Committee for notation only. The Remuneration Committee met once during the financial year, attended by all members.

### (2) Procedure

The objectives of the Remuneration Committee are to establish and recommend to the Board the remuneration structure and policy on all elements of the remuneration, terms of employment, reward structure and fringe benefits for Executive Directors and key management staff with the aim to attract, retain and motivate individuals of the highest quality. The approval of Directors' remuneration rests with the Board as a whole and the individuals concerned abstain from discussing their own remuneration. The annual fees of Directors are tabled to the Board for its recommendation to the shareholders for approval at the Annual General Meeting.

# CORPORATE GOVERNANCE STATEMENT

(continued)

## (3) Disclosure

Details of Director's remuneration for the financial year ended 2011 are as follows:

i) Aggregate remuneration of Directors categorised into appropriate components

Category	Salaries (RM)	Fees (RM)	Bonus & Incentive (RM)	Benefits-in-kind (RM)	Allowances (RM)	Total (RM)
Executive Directors	1,433,150		1,563,338	142,634		3,139,122
Non-Executive Directors		240,000			12,000	252,000
Total	1,433,150	240,000	1,920,938	142,634	12,000	3,391,122

Range of Remuneration (RM)	Executive	Non-Executive	Total
50,001 to 100,000		2	2
100,001 to 150,000		1	1
300,001 to 350,000	1		1
350,001 to 400,000	1		1
450,001 to 500,000	1		1
500,001 to 550,000	1		1
600,001 to 650,000	1		1
750,001 to 800,000	1		1

## Section C: Shareholders

### (1) Dialogue between Company and Investors

The Board acknowledges the importance of timely and equal dissemination of material information to shareholders, investors and the public at large. The Group places importance on maintaining dialogue with investors as a way of effective communication on the Group's strategies and directions, performance and other matters which are of interest to investors. Information disseminated to the investing public is in accordance with Bursa Malaysia's disclosure rules and regulations. Timely release of the financial results on a quarterly basis, press releases and announcements provide an overview of the Group's performance and operations to shareholders. In addition, the Group has also established a website at <http://www.ogawaworld.net> to provide a comprehensive avenue for the shareholders and the public to access up-to-date information and new events of the Group.

### (2) Annual General Meeting

The Annual General Meeting remains the principal forum for dialogue with shareholders. The key element of the Company's dialogue with its shareholders is the opportunity to gather the views of and answer questions from both private and institutional shareholders on all issues pertaining to the Company. Shareholders are also encouraged to participate in a question and answer session regarding the Group's business activities, during and after the meeting. Shareholders are notified of the meeting together with a copy of the Company's Annual Report at least 21 days before the meeting in accordance with the Company's Articles of Association.

# CORPORATE GOVERNANCE STATEMENT

(continued)

## Section D: Accountability and Audit

### (1) Financial Reporting

The Board acknowledges its responsibilities to ensure that there is a clear, balanced and understandable assessment of the Company's and Group's financial position and prospects in its quarterly financial and annual reports. The Board ensures that financial statements are prepared in accordance with the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year and of the results of their operations and cash flows for the year ended on that date.

In preparing financial statements, the Group had used the appropriate accounting policies, made reasonable and prudent judgments and estimates, and applied them consistently. Quarterly and annual financial statements are reviewed by the Audit Committee and approved by the Board prior to their release to the regulators.

The Statement by Directors pursuant to Section 169 on the Companies Act, 1965 is set out on page 80.

### (2) Internal Control

The Board is responsible for the Group's system of internal controls encompassing financial, operational and compliance controls as well as risk management. An overview of the internal control system to safeguard shareholders' investment and the Group's assets is set out in the Statement on Internal Control on pages 21 and 22.

### (3) Relationship with Auditors

The Board has established an Audit Committee, committed to maintain a formal and transparent relationship with the Group's auditors, both internal and external. All the Audit Committee members are financially literate Independent Non-Executive Directors. The Audit Committee Chairman is a member of the Malaysian Institute of Accountants. The terms of reference, summary of activities and number of meetings held and attendance of each member can be found in the Audit Committee Report on pages 23 to 27 of the Annual Report.

The Audit Committee members had met twice both with the external auditors and the internal auditors during the financial year without the presence of Executive Board members and Management.

This statement is made in accordance with the resolution of the Board of Directors dated 23 August 2011.

# STATEMENT ON INTERNAL CONTROL

The Malaysian Code on Corporate Governance (Revised 2007) promulgates, inter-alia, the need for listed companies to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets. The Board of Directors ("Board") of Ogawa World Berhad is committed to maintaining a sound system of internal control in the Group and is pleased to present the Statement on Internal Control (the "Statement") which is in compliance with paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and has taken into account the guidelines mentioned in the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

## RESPONSIBILITY OF THE BOARD

The Board acknowledges its responsibility for the Group's system of internal control and risk management to ensure good corporate governance, which includes the establishment of an appropriate control environment and framework. Due to the inherent limitations in any system of internal control, such system put in place within the Group can only manage risks rather than eliminate all risks that may impede the achievement of the Group's business objectives. Accordingly, the internal control system established can only provide reasonable but not absolute assurance against material misstatement or loss. Nevertheless, the Board reaffirms its responsibility and its commitment for reviewing the adequacy and integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines and risk management practices.

## MONITORING MECHANISMS AND MANAGEMENT STYLE

In striving to operate a system of internal control that drives the Group towards achieving its goals, the Board has set in place a formal oversight structure that has an appropriate balance of both the Board and Management's involvement in managing the Group. This is seen from the formal organisational structure which has defined lines of responsibility and reporting. The structure for the daily running of the business operations is headed by the Deputy Executive Chairperson, Executive Directors, and key management staff. The Deputy Executive Chairperson, Executive Directors and Management of the Group practise a 'hands on' style in managing the business of the Group. This close-to-operations management style enables timely identification and reporting of significant matters. The Board has also delegated the operational decision making responsibilities as defined in the Financial Authority Manual to an Executive Committee, comprising executive members of the Board and other key management personnel. Operational and financial risks and issues are discussed and dealt with at the monthly Executive Committee Meetings and the meeting minutes of such meetings are circulated to the Audit Committee Chairman and subsequently tabled to the Board for notation. Throughout the financial year, the Board has evaluated and managed the key principal risks faced by the Group through the monitoring of the Group's operations, performance and profitability by reviewing quarterly financial results against the budgets and other qualitative matters that need the Board's attention or approval at its Board meetings. The Group has a formal strategic business plan and key performance indicators, which are in line with the Group's business objective for the forthcoming year. Other key elements of the Group's internal controls include:

- Formal Financial Authority Manual outlining the limits of Management's authority and responsibilities in respect of key business processes that have been disseminated to all relevant employees of the Group.
- Formal policies for major processes that provide guidance to personnel in executing their daily tasks. There is an ongoing effort of reviewing and updating the existing policies and developing new policies as the Group recognises the importance of having a comprehensive and updated set of policies.
- The Board had also tasked the responsibility for overseeing the conduct of the Group's operations to various Board Committees. All Board Committees have formal terms of reference outlining the committee's functions and duties.
- Compliance Unit which has been set up to monitor the operations of the outlets and general operations.

## RISK MANAGEMENT

The Board firmly believes that risk management is critical to the Group's continued profitability and the enhancement of shareholder value. Therefore, the Board has in place a formal enterprise risk management framework that allows a more structured and focused approach to identify, evaluate, monitor and report the principal risks that affect the achievement of the Group's business objectives and enables the adoption of a risk-based internal control system. The following activities have taken place as part of establishing this formal framework:

# STATEMENT ON INTERNAL CONTROL

(continued)

- Risk profile and corresponding action plans had been developed for the Group.
- Risk Management Policy had been developed which incorporates amongst others a structured process for identifying, evaluating and prioritising risks as well as clearly defining the risk responsibilities and escalation process.
- Risk Manager had been appointed with key roles and responsibilities to champion risk awareness and training efforts of the Group which include the identification of risk, reviewing action plans and ensuring that the action plans are acted upon and addressed.
- Risk reports are being reported and discussed in Executive Committee Meetings, the agenda of which and the minutes of meetings are circulated to Audit Committee Chairman. The meeting minutes are thereafter tabled to the Board for notation.
- A Risk Management Report is tabled to the Board on an annual basis summarising identified risks, controls and action plans taken to mitigate the identified risks. The Risk Management Report for the financial year ended 2010 was presented to the Board on 25 November 2010.

## ASSURANCE MECHANISMS

The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated to the Executive Committee by the Board. The Audit Committee assesses the adequacy and integrity of the internal control system through independent reviews conducted by the internal audit function and external auditors. The Audit Committee Chairman also continuously engages senior management to ensure that matters affecting the Group are identified timely and brought to the attention of the other Audit Committee members.

The Audit Committee had met four (4) times with full attendance by all members at each meeting. Executive Directors, relevant senior management staff and professional advisors are invited to the meetings where necessary to provide explanation or clarification on matters where required.

The Group had outsourced its internal audit function to a professional firm who reports independently and directly to the Audit Committee. The internal audit function provides the Audit Committee with periodic reports, based on the audits conducted, highlighting observations, recommendations and management action plans to improve the system of internal control. The internal auditors are invited to all Audit Committee meetings.

The external auditors highlight internal control issues and other matters identified during the course of their annual statutory audit of the financial statements of the Group through management letter to the Audit Committee and Board. The Audit Committee had met with the external auditors and internal auditors twice each in the absence of Executive Board members and Management staff during the financial year ended 2011.

The Board also reviews the minutes of the Audit Committee's meetings. The Report of the Audit Committee is set out on pages 23 to 27 of the Annual Report.

## THE BOARD'S COMMITMENT

The Board is of the view that the present system of internal control is adequate for the Group to manage its risks and to achieve its business objectives. The Board recognises that the Group operates in a dynamic business environment in which the internal control system must be responsive in order to be able to support its business objectives. Cognisant of this fact, the Board is committed towards keeping abreast with the ever-changing business environment and striving for continuous improvement to put in place appropriate measures, when necessary, to further enhance the Group's system of internal control.

The Statement is made in accordance with the resolution of the Board of Directors dated 23 August 2011.

# AUDIT COMMITTEE REPORT

## MEMBERSHIP

The members of the Audit Committee for the financial year ended 30 June 2011 are:

### Chairman:

Leong Khai Cheong (Senior Independent Non-Executive Director)

### Members:

Dr. Ahmad Kamal Bin Md Alif (Independent Non-Executive Director)

Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah (Independent Non-Executive Director)

## TERMS OF REFERENCE

### 1. OBJECTIVE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

- 1.1 Review and assess the Group's processes relating to its risks and control environment;
- 1.2 Review and assess the Group's quarterly and year end financial reporting; and
- 1.3 Review and assess the internal and external audit processes.

### 2. COMPOSITION

The Audit Committee shall be appointed by the Board from among its members who fulfil the following requirements:-

- 2.1 the Committee must be composed of not fewer than three (3) members;
- 2.2 all the members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors;
- 2.3 the members of AC shall elect a Chairman from among their number who shall be an Independent Non-Executive Director;
- 2.4 all members of the Audit Committee shall be financially literate and at least one member of the Committee:-
  - must be a member of the Malaysian Institute of Accountants; or
  - if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience; and
    - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities");
- 2.5 no Alternate Director shall be appointed as a member of the Committee; and
- 2.6 subject to any regulatory disqualification, members of the Committee shall not be removed except by the Board.

# AUDIT COMMITTEE REPORT

(continued)

In the event of any vacancy in the Committee, the Board shall within three (3) months fill the same so as to comply with all regulatory requirements. In any event the Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years.

## 3. SECRETARY

The Company Secretary shall be the Secretary of the Committee.

## 4. QUORUM AND VOTING

The quorum for all meetings of the Committee shall not be less than three (3) members, a majority of whom shall be Independent Non-Executive Directors. All meetings shall be chaired by the Chairman; if the Chairman is absent at any meeting, it shall be chaired by another Independent Non-Executive Director.

All resolutions of the Committee shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote.

## 5. MEETINGS AND ATTENDANCE

5.1 Meetings shall be held not less than four (4) times a year.

5.2 The meeting shall normally be attended by the Executive in charge of Finance, Internal Audit and Corporate Governance.

5.3 The external auditors are normally invited to attend meetings as and when necessary.

5.4 Other Board Members and employees may attend meetings only upon the invitation of the Audit Committee.

5.5 However, at least twice a year, the Committee shall meet with the external auditors without any executive Board member present. The external auditors may also request additional meeting if they consider it necessary.

5.6 The Secretary of the Audit Committee shall provide the necessary administrative and secretarial services for the effective functioning of the Committee. The minutes shall be circulated to the Committee members and to all other members of the Board.

5.7 A resolution in writing, signed by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.

5.8 The Secretary shall on the requisition of the members of the Audit Committee summon a meeting of the Committee and, except in the case of an emergency, reasonable notice of every Committee meeting shall be given in writing.

## 6. AUTHORITY

The Committee shall have authority to investigate any matter within its terms of reference.

The Committee is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Committee, and it shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of Executive Directors and employees of the Company, whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

# AUDIT COMMITTEE REPORT

(continued)

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements, the Committee shall promptly report such matter to the Bursa Securities.

## 7. RESPONSIBILITY AND DUTIES

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

- 7.1 Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- 7.2 Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- 7.3 Ensure that the internal audit function is independent of the activities it audits and the internal auditors shall report directly to the Committee. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company.
- 7.4 Review any appraisal or assessment of the performance of members of the internal audit function.
- 7.5 Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning.
- 7.6 Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in control or procedures that are identified.
- 7.7 Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- 7.8 Review major audit findings and the management's response during the year with management, external auditors, including the status of previous audit recommendations.
- 7.9 Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- 7.10 Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- 7.11 Review the appointment and performance of external auditors, the audit fee, any question of resignation or dismissal, any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment before making recommendations to the Board and recommend the nomination of a person or persons as external auditors.
- 7.12 Review the Internal Audit Charter, budget and staffing of the internal audit functions.
- 7.13 Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.
- 7.14 Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcation, frauds and thefts and management's response.

# AUDIT COMMITTEE REPORT

(continued)

7.15 Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:-

- changes in or implementation of major accounting policy changes;
- the going concern assumption;
- significant adjustments arising out of audit and unusual events; and
- compliance with accounting standards and other legal requirements.

7.16 Review procedures in place to ensure that the Group complies with the Companies Act 1965, Bursa Securities Listing Requirements and other legislative and reporting requirements.

7.17 Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.

7.18 Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the activities or work performed in fulfilling the Committee's primary responsibilities, including details of relevant training attended by each Committee member.

7.19 Review the annual enterprise risk profile of the group (including risk registers) and evaluate the Risk Manager's risk assessments of the group and his plans to mitigate business risks as identified from time to time.

7.20 Any other activities, as authorised by the Board.

The Chairman of the Committee shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

## MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 30 JUNE 2011

There were four (4) meetings held during the financial year ended 30 June 2011. Details of the attendance are as follows:

<b>Members</b>	<b>Attendance</b>
Leong Khai Cheong (Chairman)	4/4
Dr. Ahmad Kamal Bin Md Alif	4/4
Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah	4/4

Other Board members, the Chief Financial Officer, Advisers, General Manager and representatives of the External Auditors and outsourced Internal Auditors were present by invitation to brief the Committee on specific issues, with the Company Secretaries in attendance.

## ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

During the year, the Audit Committee discharged its duties in accordance with its terms of reference as follows:

- a) Reviewed the Group's unaudited quarterly financial results and annual financial statements to ensure compliance with regulatory requirements prior to submission to the Board for consideration and approval for release.
- b) Reviewed with the external auditors, their audit plan and matters arising from the audit.
- c) Reviewed the internal auditor's scope of work and audit plan for the year.
- d) Reviewed the risk management and internal audit reports and management's responses.
- e) Reviewed related party transactions within the Company and the Group.
- f) Appraised the activities of the internal auditors to ensure adequate monitoring of the internal control systems.

# AUDIT COMMITTEE REPORT

(continued)

- g) Evaluated the adequacy of the scope, functional, competency and resources of the internal auditors.
- h) Reviewed and verified the allocation of options pursuant to Executives' Share Option Scheme during the financial year to ensure compliance with the criteria set out in the By-Laws as well as the criteria approved by the Option Committee.

## **INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES**

The Group's Internal Audit function was outsourced to an independent professional firm that reports directly to the Audit Committee. The role of the Internal Auditor is to undertake independent and systematic reviews of the operation of the companies within the Group to ensure that proper systems of internal controls are in place. It adopts a risk based approach towards planning and conduct of audits, guided by an Enterprise Risk Management framework of the Company.

### **Summary of activities that were carried out include:**

- Formulated the audit plan that focuses on high risk areas.
- Performed internal audit reviews in accordance with the approved audit plan.
- Issued reports on the results of the internal audit reviews, identifying weaknesses with suggested recommendations for improvements to management for further action.
- Attended Audit Committee's meetings to table and discuss the audit reports and followed up on matters raised.
- Followed-up on the implementation of corrective action plans or best practices agreed with Management.
- Reviewed the appropriateness of the disclosure statements with regard to compliance with the Malaysian Code on Corporate Governance and the state of internal controls.

The total cost incurred for the Internal Audit function for the year ended 30 June 2011 amounted to RM75,000.

# OTHER DISCLOSURES

## **Corporate Social Responsibility Statement**

In the ideal Ogawa world, everyone would be able to enjoy good health. In reality, not everyone is given the opportunity. As a leader in health and wellness equipment, we are passionate about devoting our time and monetary support to help those who are less fortunate to experience healthy and balanced lives. We strive to make a difference to the communities around us and ultimately, bring joy to their lives.

Through our ongoing Corporate Social Responsibility efforts, we have worked with old folks' homes and charitable organisations. We have also funded a teaching scheme by the National Society for the Deaf to make the traditional spoken language accessible for the hearing-impaired to reach out to those in need.

## **Utilisation of Proceeds**

No proceeds were raised by the Company from any corporate proposal during the financial year.

## **Share Buybacks**

During the year under review, the Company did not enter into any share buyback transactions.

## **Options, Warrants or Convertible Securities**

No options, warrants or convertible securities were issued or exercised during the financial year under review, other than the granting of option under the Executives' Share Option Scheme as disclosed in the Report of the Directors attached to the Audited Financial Statements for the financial year ended 30 June 2011.

## **Depository Receipt Programme**

The Company did not sponsor any Depository Receipt programme during the financial year under review.

## **Sanctions and / or Penalties**

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year under review.

## **Non-Audit Fees**

The amount of non-audit fees paid and payable to a company affiliated to the external auditors by the Group for the financial year ended 30 June 2011 was RM 56,850 which was for provision of corporate tax compliance services.

## **Recurrent Related Party Transactions**

There was no recurrent related party transactions during the financial year ended 30 June 2011.

## **Material Contracts**

During the year under review, there were no material contracts entered into by the Company and its subsidiaries which involve Directors' or major shareholders' interests.

## **Revaluation Policy**

The Group does not have a revaluation policy in respect of the Group's properties.

## **Profit Guarantee**

The Company did not receive any profit guarantee during the financial year ended 30 June 2011.

# FINANCIAL STATEMENTS

30 REPORT OF THE DIRECTORS

35 INDEPENDENT AUDITORS' REPORT

37 STATEMENTS OF COMPREHENSIVE INCOME

38 STATEMENTS OF FINANCIAL POSITION

40 STATEMENTS OF CHANGES IN EQUITY

41 STATEMENTS OF CASH FLOWS

43 NOTES TO THE FINANCIAL STATEMENTS

80 STATEMENT BY DIRECTORS

80 DECLARATION BY THE OFFICER PRIMARILY  
RESPONSIBLE FOR THE FINANCIAL  
MANAGEMENT OF THE COMPANY

# REPORT OF THE DIRECTORS

The directors of **OGAWA WORLD BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended June 30, 2011.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 11 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

## RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	<b>The Group RM</b>	<b>The Company RM</b>
Profit/(Loss) before tax	8,215,356	(2,476,530)
Income tax expense	(1,806,612)	(306,089)
Profit/(Loss) for the year	6,408,744	(2,782,619)

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

A first and final single tier dividend of 6%, amounting to RM3,600,000, proposed in the previous financial year and dealt with in the previous year directors' report, was paid on January 5, 2011.

The directors have proposed a first and final single-tier dividend of 6% amounting to RM3,600,000, in respect of the current financial year ended June 30, 2011. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

# REPORT OF THE DIRECTORS

(continued)

## SHARE OPTIONS

The Company implemented an Executives Share Option Scheme (“ESOS”) for all eligible directors and employees of the Group on September 1, 2010 to subscribe for unissued new ordinary shares of RM0.50 each in the Company. The ESOS is governed by the by-laws which were approved by shareholders on August 3, 2010. The salient features of the ESOS are disclosed in Note 17.1 to the Financial Statements.

The share options granted and cancelled during the financial year are as follows:

Date of grant	Exercise price per ordinary share (RM)	Balance as of 1.7.2010 '000	Number of share options			Balance as of 30.6.2011 '000
			Granted '000	Exercised '000	Cancelled '000	
1.9.2010	0.50	-	14,100	-	(1,040)	13,060

The exercise period for the above options will expire on August 31, 2015.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of eligible employees who were granted less than 600,000 options. The eligible employee (excluding the directors) who was granted 600,000 options or more during the financial year is as follows:

Name of employee	Number of options granted
Chew Eng Loke	1,000,000

## OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and the statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

# REPORT OF THE DIRECTORS

(continued)

## OTHER STATUTORY INFORMATION (CONT'D)

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability 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, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

## DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Wong Lee Keong  
Lim Poh Khian  
Lim Mee Ling  
Cheah Yew Kong  
Chong Swee Main  
Lim Wai Heng  
Leong Khai Cheong  
Dr. Ahmad Kamal Bin Md Alif  
Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah

In accordance with Article 92 of the Company's Articles of Association, Mr. Wong Lee Keong, Ms. Lim Poh Khian and Ms. Lim Mee Ling retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

The shareholdings in the Company and in the related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.50 each			Balance as of 30.6.2011
	Balance as of 1.7.2010	Bought	Sold	
<b>Shares in the Company</b>				
<b>Registered in the name of the directors</b>				
Wong Lee Keong	1,057,700	-	-	1,057,700
Lim Poh Khian	951,700	-	-	951,700
Lim Mee Ling	483,300	-	-	483,300
Cheah Yew Kong	363,300	-	-	363,300
Chong Swee Main	367,900	-	-	367,900
Lim Wai Heng	196,900	-	-	196,900
Leong Khai Cheong	10,000	-	-	10,000
Dr. Ahmad Kamal Bin Md Alif	10,000	-	-	10,000
Y.T.M. Raja Dato Seri Azureen Binti Sultan Azlan Shah	10,000	-	-	10,000

(Forward)

# REPORT OF THE DIRECTORS

(continued)

	Number of ordinary shares of RM0.50 each			
	Balance as of 1.7.2010	Bought	Sold	Balance as of 30.6.2011
<b>Deemed interest</b>				
Wong Lee Keong	61,200,000	-	-	61,200,000*
Lim Poh Khian	61,200,000	-	-	61,200,000*
Lim Mee Ling	61,814,800	-	-	61,814,800*
Cheah Yew Kong	61,406,600	100,000	(200,000)	61,306,600*
Chong Swee Main	61,200,000	-	-	61,200,000*
Lim Wai Heng	62,101,200	-	-	62,101,200*

\* Deemed interest by virtue of their shareholdings in Great Genesis Sdn. Bhd. and/or family members in the Company.

	Number of ordinary shares of RM1.00 each			
	Balance as of 1.7.2010	Bought	Sold	Balance as of 30.6.2011
<b>Shares in the holding company, Great Genesis Sdn. Bhd.</b>				
<b>Registered in the name of the directors</b>				
Wong Lee Keong	17,291	-	-	17,291
Lim Poh Khian	15,147	-	-	15,147
Lim Mee Ling	8,568	-	-	8,568
Cheah Yew Kong	8,568	-	-	8,568
Chong Swee Main	6,732	-	-	6,732
Lim Wai Heng	4,896	-	-	4,896
<b>Indirect interest</b>				
Lim Mee Ling	11,628	-	-	11,628
Lim Wai Heng	15,300	-	-	15,300

In addition to the above, the following directors have interest in the shares of the Company to the extent of the options granted pursuant to the ESOS of the Company:

	Number of options over ordinary shares of RM0.50 each			
	Balance as of 1.7.2010	Granted	Balance	Balance as of 30.6.2011
Wong Lee Keong	-	840,000	-	840,000
Lim Poh Khian	-	840,000	-	840,000
Lim Mee Ling	-	1,000,000	-	1,000,000
Cheah Yew Kong	-	1,000,000	-	1,000,000
Chong Swee Main	-	600,000	-	600,000
Lim Wai Heng	-	800,000	-	800,000

By virtue of their interests in the shares of the Company and of the holding company, the abovementioned directors are also deemed to have an interest in the shares of the subsidiary companies to the extent that the Company and the holding company have an interest.

# REPORT OF THE DIRECTORS

(continued)

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements or being fixed salary of full-time employees of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the related party transactions as disclosed in Note 29 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **HOLDING COMPANY**

The directors regard Great Genesis Sdn. Bhd., a company incorporated in Malaysia, as the immediate and ultimate holding company.

## **AUDITORS**

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

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**WONG LEE KEONG**

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**LIM POH KHIAN**

Petaling Jaya,  
August 23, 2011

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OGAWA WORLD BERHAD (Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of **OGAWA WORLD BERHAD**, which comprise the statements of financial position of the Group and of the Company as of June 30, 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 78.

### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal controls as the directors determine as necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as of June 30, 2011 and of their financial performance and cash flows for the year then ended.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OGAWA WORLD BERHAD (Incorporated in Malaysia) (continued)

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
- (b) we have considered the accounts and auditors' reports of the subsidiaries, of which we have not acted as auditors, as mentioned in Note 11 to the Financial Statements, being accounts that have been included in the financial statements of the Group;
- (c) we are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and
- (d) the auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Section 174 (3) of the Act.

## Other Reporting Responsibilities

The supplementary information set out in Note 30 on page 79 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**DELOITTE KASSIMCHAN**  
**AF 0080**  
**Chartered Accountants**

**HIEW KIM TIAM**  
**Partner - 1717/08/11 (J)**  
**Chartered Accountant**

August 23, 2011

Petaling Jaya

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED JUNE 30, 2011

	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Revenue	5	170,119,350	155,952,514	800,000	2,200,000
Interest income from short-term deposits		712,392	605,348	578,299	478,593
Other operating income	7	3,662,580	964,675	90,142	21,000
Changes in inventories of trading merchandise		6,376,005	1,003,023	-	-
Trading merchandise purchased		(67,254,625)	(57,020,613)	-	-
Remuneration of key management personnel	6	(4,520,425)	(3,156,322)	(252,000)	(200,000)
Staff costs	7	(41,940,369)	(34,321,047)	(11,567)	(900)
Depreciation of property, plant and equipment	10	(5,013,165)	(4,069,962)	(312,276)	(386,354)
Interest expense on hire-purchase		(74,660)	(37,735)	-	-
Other operating expenses	7	(53,851,727)	(51,543,895)	(3,369,128)	(462,228)
<b>Profit/(Loss) before tax</b>		8,215,356	8,375,986	(2,476,530)	1,650,111
Income tax expense	8	(1,806,612)	(85,488)	(306,089)	(524,935)
<b>Profit/(Loss) for the year</b>		6,408,744	8,290,498	(2,782,619)	1,125,176
<b>Other comprehensive loss</b>					
Exchange differences on translating foreign operations		(170,818)	(896,333)	-	-
<b>Total comprehensive income/(loss) for the year</b>		6,237,926	7,394,165	(2,782,619)	1,125,176
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company		6,408,744	8,290,498	(2,782,619)	1,125,176
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		6,237,926	7,394,165	(2,782,619)	1,125,176
<b>Earnings per ordinary share</b>					
Basic (RM)	9	0.05	0.07	-	-

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2011

	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>ASSETS</b>					
<b>Non-current Assets</b>					
Property, plant and equipment	10	14,420,005	11,885,078	16,826	329,102
Investment in subsidiary companies	11	-	-	48,577,058	51,309,527
Goodwill on consolidation	12	10,392	10,392	-	-
Deferred tax assets	13	131,569	101,752	-	-
<b>Total Non-current Assets</b>		<b>14,561,966</b>	<b>11,997,222</b>	<b>48,593,884</b>	<b>51,638,629</b>
<b>Current Assets</b>					
Inventories	14	18,965,223	12,589,218	-	-
Trade receivables	15	5,856,899	6,789,127	-	-
Other receivables, deposits and prepaid expenses	16	11,353,976	8,685,766	2,000	59,729
Amount owing by subsidiary companies	11	-	-	12,479,689	8,009,102
Tax recoverable		2,051,358	1,744,210	215,347	321,436
Short-term deposits with licensed banks	25	18,860,414	26,508,009	16,900,000	24,026,000
Cash and bank balances	25	29,472,555	22,622,540	260,878	267,791
<b>Total Current Assets</b>		<b>86,560,425</b>	<b>78,938,870</b>	<b>29,857,914</b>	<b>32,684,058</b>
<b>Total Assets</b>		<b>101,122,391</b>	<b>90,936,092</b>	<b>78,451,798</b>	<b>84,322,687</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Issued capital	17	60,000,000	60,000,000	60,000,000	60,000,000
Reserves	18	(20,116,947)	(20,481,966)	7,249,903	7,249,903
Retained earnings	19	27,611,612	24,802,868	5,726,343	12,108,962
<b>Total Equity</b>		<b>67,494,665</b>	<b>64,320,902</b>	<b>72,976,246</b>	<b>79,358,865</b>
<b>Non-current Liability</b>					
Hire-purchase payables - non-current portion	20	273,205	344,335	-	-

(Forward)

# STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2011 (continued)

	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>Current Liabilities</b>					
Trade payables	21	9,586,648	6,607,947	-	-
Other payables and accrued expenses	21	23,562,047	19,250,268	357,014	293,992
Amount owing to directors	22	-	79,152	-	-
Amount owing to subsidiary companies	11	-	-	5,118,538	4,669,830
Hire-purchase payables - current portion	20	205,826	333,488	-	-
<b>Total Current Liabilities</b>		33,354,521	26,270,855	5,475,552	4,963,822
<b>Total Liabilities</b>		33,627,726	26,615,190	5,475,552	4,963,822
<b>Total Equity and Liabilities</b>		101,122,391	90,936,092	78,451,798	84,322,687

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2011

The Group	Non-distributable reserves					Distributable reserve		Total RM
	Share capital RM	Share premium RM	Reverse acquisition reserve RM	Equity compensation reserve RM	Translation reserve RM	Retained earnings RM		
<b>Balance as at July 1, 2009</b>	60,000,000	7,249,903	(27,204,000)	-	368,464	16,512,370	56,926,737	
Total comprehensive income / (loss) for the year	-	-	-	-	(896,333)	8,290,498	7,394,165	
<b>Balance as at June 30, 2010</b>	60,000,000	7,249,903	(27,204,000)	-	(527,869)	24,802,868	64,320,902	
<b>Balance as of July 1, 2010</b>	60,000,000	7,249,903	(27,204,000)	-	(527,869)	24,802,868	64,320,902	
Share options expense (Note 17.1)	-	-	-	535,837	-	-	535,837	
Total comprehensive income / (loss) for the year	-	-	-	-	(170,818)	6,408,744	6,237,926	
Dividends (Note 27)	-	-	-	-	-	(3,600,000)	(3,600,000)	
<b>Balance as at June 30, 2011</b>	60,000,000	7,249,903	(27,204,000)	535,837	(698,687)	27,611,612	67,494,665	

The Company	Non-distributable reserve -		Distributable reserve - Retained earnings RM	Total RM
	Share capital RM	Share premium RM		
<b>Balance as of July 1, 2009</b>	60,000,000	7,249,903	10,983,786	78,233,689
Total comprehensive income for the year	-	-	1,125,176	1,125,176
<b>Balance as of June 30, 2010</b>	60,000,000	7,249,903	12,108,962	79,358,865
<b>Balance as of July 1, 2010</b>	60,000,000	7,249,903	12,108,962	79,358,865
Total comprehensive loss for the year	-	-	(2,782,619)	(2,782,619)
Dividend (Note 27)	-	-	(3,600,000)	(3,600,000)
<b>Balance as of June 30, 2011</b>	60,000,000	7,249,903	5,726,343	72,976,246

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>CASH FLOW FROM/(USED IN)</b>					
<b>OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		8,215,356	8,375,986	(2,476,530)	1,650,111
Adjustments for:					
Depreciation of property, plant and equipment		5,013,165	4,069,962	312,276	386,354
Share option expense		535,837	-	-	-
Property, plant and equipment written off		256,436	228,281	-	-
Allowance for obsolete inventories		256,279	-	-	-
Finance costs		74,660	37,735	-	-
Inventories written off		34,360	-	-	-
Bad debts written off		127,421	268,569	-	-
Allowance for doubtful debts		-	739,782	-	-
Gain on disposals of property, plant and equipment		(875,479)	(112,405)	-	-
Interest income		(712,392)	(605,348)	(578,299)	(478,593)
Allowance for doubtful debts no longer required		(550,676)	-	-	-
Unrealised gain on foreign exchange		(82,197)	-	-	-
Provision for utilised leave		114,511	-	-	-
Allowance for obsolete inventories no longer required		-	(479,750)	-	-
Provision for unutilised leave no longer required		-	(190,818)	-	-
Impairment loss on investment in subsidiary companies		-	-	2,732,469	-
Dividend income		-	-	(800,000)	(2,200,000)
<b>Operating Profit/(Loss) Before Working Capital Changes</b>					
		12,407,281	12,331,994	(810,084)	(642,128)
(Increase)/Decrease in:					
Inventories		(6,666,644)	(523,273)	-	-
Trade receivables		1,450,522	475,994	-	-
Other receivables, deposits and prepaid expenses		(2,762,347)	(983,527)	57,729	(14,231)
Amount owing by subsidiary companies		-	-	(3,870,587)	616,946
Increase/(Decrease) in:					
Trade payables		2,915,490	(2,962,916)	-	-
Other payables and accrued expenses		4,155,035	3,320,802	63,022	24,008
Amount owing to directors		(79,152)	(67,298)	-	-
Amount owing to subsidiary companies		-	-	448,708	1,991,163
Cash Generated From/(Used In) Operations		11,420,185	11,591,776	(4,111,212)	1,975,758
Income tax paid		(2,150,322)	(1,620,815)	-	(8,530)
Net Cash Generated From/(Used In) Operating Activities		9,269,863	9,970,961	(4,111,212)	1,967,228
(Forward)					

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011 (continued)

	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>CASH FLOWS</b>					
<b>FROM/(USED IN) INVESTING ACTIVITIES</b>					
Interest income received		712,392	605,348	578,299	478,593
Proceeds from disposals of property, plant and equipment		1,057,400	253,328	-	-
Dividends received		-	-	-	1,650,000
Purchase of property, plant and equipment (See note below)		(5,210,795)	(3,035,516)	-	-
Decrease/(Increase) in fixed deposits with licensed banks		7,821,595	(10,138,470)	7,800,000	(10,000,000)
Acquisition of minority interests in a subsidiary company		-	(1)	-	-
Subscription of additional shares issued by subsidiary companies		-	-	-	(1,800,000)
Net Cash From/(Used In) Investing Activities		4,380,592	(12,315,311)	8,378,299	(9,671,407)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>					
Payment of hire-purchase payables		(2,900,825)	(316,254)	-	-
Dividend paid		(3,600,000)	-	(3,600,000)	-
Finance costs paid		(74,660)	(37,735)	-	-
Net Cash Used In Financing Activities		(6,575,485)	(353,989)	(3,600,000)	-
<b>NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		7,074,970	(2,698,339)	667,087	(7,704,179)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		37,648,540	41,127,046	14,293,791	21,997,970
Effects of exchange rate changes on cash and cash equivalents		(50,955)	(780,167)	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	25	44,672,555	37,648,540	14,960,878	14,293,791

Note: During the current financial year, the Group and the Company acquired property, plant and equipment through the following arrangements:

	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Total costs of property, plant and equipment acquired		7,912,828	3,488,516	-	-
Less: Acquisition via hire-purchase arrangements		(2,702,033)	(453,000)	-	-
Cash payments		5,210,795	3,035,516	-	-

The accompanying Notes form an integral part of the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The Company is principally engaged in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 11.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal place of business of the Company is located at No. 22 Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on August 23, 2011.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

### 2.1 Adoption of New and Revised Financial Reporting Standards (“FRSs”)

In the current financial year, the Group and the Company has adopted all the new and revised FRSs and IC Interpretations (“IC Int.”) issued by the Malaysian Accounting Standards Board (“MASB”) that are relevant to their operations and effective for annual periods beginning on or after July 1, 2010 as follows:

FRS 2	Share-based payment (Amendments relating to vesting conditions and cancellations)
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)
FRS 3	Business Combinations (revised)
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary)
FRS 7	Financial Instruments: Disclosures
FRS 7	Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets - Effective date and transition)
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing costs (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
FRS 128	Investments in Associates (revised)
FRS 132	Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation and transitional provision relating to compound instruments)
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of rights issue)

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.1 Adoption of New and Revised Financial Reporting Standards ("FRSs") (CONT'D)

FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from FRS 3)
FRS 139	Financial Instruments: Recognition and Measurement
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets - effective date and transition, embedded derivatives)
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127)
Improvements to FRSs issued in 2009	
IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives)
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from FRS 3)
IC Int. 10	Interim Financial Reporting and Impairment
IC Int. 11	FRS 2 – Group and Treasury Share Transactions

The adoption of these new and revised Standards and IC Int. has not affected materially the amounts reported on the financial statements of the Group and of the Company except for those Standards and IC Int. as set out in section 2.1.1 and section 2.1.2. Details of other Standards and IC Int. adopted in the financial statements of the Group and of the Company that have had no effect on the amounts reported but may affect the accounting for future transactions or arrangements are as set out in section 2.2.

#### 2.1.1 Standards Affecting Presentation and Disclosure

##### FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential amendments to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and process for managing capital.

Certain comparative figures have not been presented upon initial adoption of this Standard by virtue of the exemption given in paragraph 44AA of FRS 7.

##### FRS 101 Presentation of Financial Statements (revised)

FRS 101 has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

#### 2.1.2 Standards Affecting the Reported Results or Financial Position

##### FRS 139 Financial Instruments: Recognition and Measurement

The Group and the Company have adopted FRS 139 prospectively on July 1, 2010 in accordance with the transitional provisions in FRS 139. On that date, financial assets were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial liabilities were classified as either financial liabilities at fair value through profit or loss or other financial liabilities (i.e. those financial liabilities which are not held for trading or designated as at fair value through profit or loss upon initial recognition).

All financial assets and financial liabilities within the scope of FRS 139 are recognised and re-measured accordingly. The adoption of FRS 139 has not affected materially the amounts reported in these financial statements on initial application.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.2 Standards and IC Interpretations Adopted With No Effect on Financial Statements

The adoption of the following new and revised Standards and IC Interpretation has not had any material impact on the amounts reported in the financial statements of the Group and of the Company but may affect the accounting for future transactions or arrangements.

#### **Amendments to FRS 2 Share-based Payment - Vesting Conditions and Cancellations**

The amendments clarify the definition of vesting conditions for the purposes of FRS 2, introduce the concept of “non-vesting” conditions, and clarify the accounting treatment for cancellations.

#### **FRS 3 - Business Combinations (revised)**

The revised FRS 3:

- allows a choice on a transaction-by-transaction basis for the measurement of minority interests either at fair value or at the minority interests' share of the fair value of the identifiable net assets of the acquiree;
- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in statement of comprehensive income;
- requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and
- requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in statement of comprehensive income as incurred, whereas previously they were accounted for as part of the cost of the business combination.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

#### **FRS 127 - Consolidated and Separate Financial Statements (revised)**

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in statement of comprehensive income.

Under FRS 127 (revised), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parents, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (revised) requires that the Group derecognised all assets, liabilities and minority interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in statement of comprehensive income.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.2 Standards and IC Interpretations Adopted With No Effect on Financial Statements (CONT'D)

#### **Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation**

The revisions to FRS 132 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

#### **Amendments to FRS 139 Financial Instruments: Recognition and Measurement - Eligible Hedged Items**

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

#### **IC Int.9 Reassessment of Embedded Derivatives**

This Interpretation clarifies that an entity should reassess whether an embedded derivative needs to be separated from the host contract after initial hybrid contract is recognised only when there is a change on the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

#### **IC Int. 10 Interim Financial Reporting and Impairment**

This Interpretation requires that when an impairment loss is recognised in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment should not be reversed in subsequent interim financial statements nor in annual financial statements.

#### **Embedded Derivatives (Amendments to IC Int.9 and FRS 139)**

The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the "fair value through profit or loss" category as permitted by the amendments to FRS 139 Financial Instruments: Recognition and Measurement.

#### **Improvements to FRSs issued in 2009**

The Improvements have led to a number of changes in the detail of the Company's accounting policies - some of which are changed in terminology only, and some of which are substantive but have had no material effect on amounts reported.

### 2.3 Standards and IC Interpretations in Issue but Not Yet Effective

At the date of authorisation for issue of these financial statements, the new and revised FRSs, IC Int. and amendments to FRSs which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from comparative FRS disclosures for first-time adopters) <sup>1</sup>
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters) <sup>1</sup>

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.3 Standards and IC Interpretations in Issue but Not Yet Effective (CONT'D)

- FRS 2 Share-based Payment (Amendments relating to group cash-settled share based payment transaction)<sup>1</sup>  
FRS 7 Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)<sup>1</sup>  
FRS 124 Related Party Disclosures (revised)<sup>2</sup>  
Improvements to FRSs issued in 2010<sup>1</sup>  
IC Int. 4 Determining whether an arrangement contains a lease<sup>1</sup>  
IC Int. 14 FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendments relating to prepayments of a minimum funding requirement)<sup>5</sup>  
IC Int. 15 Agreements for the Construction of Real Estate<sup>3</sup>  
IC Int. 18 Transfers of Assets from Customers<sup>4</sup>  
IC Int. 19 Extinguishing Financial Liabilities with Equity Instruments<sup>5</sup>

1 Effective for annual periods beginning on or after January 1, 2011

2 Effective for annual periods beginning on or after January 1, 2012

3 Original effective date of July 1, 2009 deferred to January 1, 2012 via amendment issued by MASB on August 30, 2010

4 Applies prospectively to transfers of assets from customers received on or after January 1, 2011

5 Effective for annual periods beginning on or after July 1, 2011

The directors anticipate that where appropriate, the abovementioned FRSs and IC Int. will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

The principal accounting policies are set out below:

### 3.2 Subsidiary Companies and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results from subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2.1 Subsidiary Companies

Investments in subsidiary companies, which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

### 3.3 Business Combinations

The acquisition of subsidiaries is accounted for using either the acquisition method or reverse acquisition method.

#### 3.3.1 Acquisition

The cost of business combination for each acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 Business Combinations, are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

#### 3.3.2 Reverse Acquisition

In connection with the initial public offering of the Company in 2007, the Company acquired the entire equity interest in a subsidiary company via the issuance of ordinary shares and became the legal holding company of the subsidiary company although the relative value of the subsidiary company was greater than the Company. The Company's continuing operations and executive management are those of the subsidiary company. Accordingly, the substance of the business combination was that the subsidiary company acquired the Company in a reverse acquisition and hence the directors adopted the reverse acquisition accounting as the basis of consolidation in order to give a true and fair view of the business combination.

The application of the reverse acquisition method under FRS 3, Business Combination resulted in the subsidiary company being identified as the acquirer of the Group for accounting purposes and accordingly the pre-acquisition reserve of the subsidiary company was accounted for as reverse acquisition reserve.

### 3.4 Goodwill

Goodwill arising in a business combination represents the excess of the sum of consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary company recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of service tax, trade discounts and allowances and after eliminating sales within the Group.

Revenue of the Group comprises revenue from sales of goods and rendering of services. Revenue of the Company comprises dividend income from subsidiary companies.

Revenue from sales of goods is recognised when the risks and rewards of ownership have passed. Revenue from services is recognised upon performance and acceptance of services rendered.

Dividend income is recognised when the shareholder's right to receive payment have been established.

### 3.6 Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### 3.7 Foreign Currency Conversion

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation accumulated in a separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Employee Benefits

#### 3.8.1 Short-term employee benefits

Wages, salaries, paid annual leaves, bonuses, social contributions and non-monetary benefits are recognised in the year in which the associated services are rendered by employees. The Group accrues for staff annual leave which are unutilised and carried forward into future periods, if any. The cost accrued is based on the basic salary and the number of days of unutilised annual leave.

#### 3.8.2 Post-employment benefits

The Group makes statutory contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan. Such contributions are recognised as an expense in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### 3.8.3 Share-based payments

The Group issue equity-settled share-based payments to certain employees of the Group. Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions.

At the end of each reporting period, the Group revise the estimated number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the share options reserve.

Fair value is measured using the Binomial pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

### 3.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 3.9.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

#### 3.9.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9.2 Deferred tax (CONT'D)

The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow to all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group or the Company intends to settle its current tax assets and liabilities on a net basis.

### 3.9.3 Current and Deferred Tax for the Period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

## 3.10 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Other than freehold land which is not depreciated, depreciation of property, plant and equipment is computed on the straight-line method to write off the cost of various assets after netting off the residual value over their estimated useful lives at the following annual rates:

Freehold building	2%
Office equipment, furniture and fittings	10%
Computer and telecommunication equipment (including integral software application)	33 1/3%
Renovations	25%
Electrical installation and signboards	25%
Motor vehicles	20%

The estimated useful lives, residual values and depreciation method of property, plant and equipment are reviewed at the end of each reporting period, with the effect of any change in estimates accounted for prospectively.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

## 3.11 Property, Plant and Equipment Acquired Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations are treated as liabilities. Finance charges are allocated to profit and loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Assets held under hire-purchase arrangements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 Impairment of Assets Excluding Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the 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 (or its cash-generating unit).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

### 3.13 Inventories

Inventories consist of trading merchandise which are valued at lower of cost (determined on the "first-in, first-out" basis) and net realisable value. The cost consists of the original cost of purchase plus the cost of bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs.

Allowance for obsolete inventories is made when an item had been identified as obsolete or excess inventory. The identification of an item as obsolete is done on an item by item basis after proper analysis has been conducted. Allowance is also made when inventories are generally considered in excess when the quantity on hand exceeds the normal operation needs.

### 3.14 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Operating Lease

Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rental arising under operating leases are recognised as an expense in the period which they are incurred.

### 3.16 Financial Instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held to maturity” investments, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### 3.16.1 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

#### 3.16.2 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### 3.16.3 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.16.3 Impairment of Financial Assets (CONT'D)

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 1 - 18 months, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

### 3.16.4 Derecognition of Financial Assets

The Group derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

## 3.17 Financial Liabilities and Equity Instruments Issued by the Group and the Company

### 3.17.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### 3.17.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.17.3 Financial Liabilities

Financial liabilities of the Group are classified as other financial liabilities and are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

### 3.17.4 Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### 3.18 Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to cash with insignificant risk of changes in value.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 4.1 Critical judgements made in applying accounting policies

The following are critical judgements, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### 4.1.1 Allowance for doubtful debts

The policy for allowance for doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### 4.1.2 Deferred tax assets

Deferred tax assets are recognised on provision for various costs and are measured and recognised based on the tax rates that are expected to apply in the period when the assets is realised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### 4.2 Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group and of the Company within the next financial year.

## 5. REVENUE

	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
Sales of goods		169,249,385	155,246,234	-	-
Services rendered		869,965	706,280	-	-
Dividends income from subsidiary companies		-	-	800,000	2,200,000
		170,119,350	155,952,514	800,000	2,200,000

## 6. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Note	The Group		The Company	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>Directors of the Company:</b>					
- Fees		240,000	186,000	240,000	186,000
- Salaries and other emoluments		3,008,488	2,093,226	12,000	14,000
		3,248,488	2,279,226	252,000	200,000
<b>Directors of the subsidiary companies:</b>					
- Salaries and other emoluments		600,200	578,461	-	-
<b>Other key management personnel:</b>					
- Salaries and other emoluments		671,737	298,635	-	-
		4,520,425	3,156,322	252,000	200,000

Contributions to EPF by the Group and the Company for directors and other key management personnel amounted to RM167,293 (2010: RM132,238) and RM47,569 (2010: RM32,760) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 6. REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONT'D)

The number of directors of the Company whose total remuneration (inclusive of benefits-in-kind) during the financial year fall into the respective bands are as follows:

	Numbers of Directors	
	2011	2010
<b>Range of Remuneration</b>		
<b>Executive Directors:</b>		
RM200,001 to RM250,000	-	1
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	1	1
RM350,001 to RM400,000	1	2
RM400,001 to RM450,000	-	2
RM450,001 to RM500,000	1	-
RM500,001 to RM550,000	1	-
RM550,001 to RM600,000	-	-
RM600,001 to RM650,000	1	-
RM650,001 to RM700,000	-	-
RM700,001 to RM750,000	-	-
RM750,001 to RM800,000	1	-
<b>Non-Executive Directors:</b>		
RM50,001 to RM100,000	2	3
RM100,001 to RM150,000	1	-

## 7. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS

Included in other operating income/(expenses) and staff costs are the following credits/(charges):

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Rental expense	(25,523,655)	(22,312,288)	-	-
Share options expense (Note 17.1)	(535,837)	-	-	-
Property, plant and equipment written off	(256,436)	(228,281)	-	-
Allowance for obsolete inventories	(256,279)	-	-	-
Audit fees:				
Statutory audit				
- current year	(222,908)	(203,821)	(15,000)	(15,000)
- overprovision in prior years	-	2,500	-	-
Audit fees:				
Others				
- current year	(14,500)	-	(14,500)	-
- underprovision in prior years	-	(10,000)	-	(10,000)
Provision for unutilised leave	(114,511)	-	-	-
Bad debts written off	(127,421)	(268,569)	-	-
Inventories written off	(34,360)	-	-	-
Realised loss on foreign exchange	(6,011)	(178,857)	(22)	-
Government grant received and receivable	2,000,000	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 7. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS (CONT'D)

Included in other operating income/(expenses) and staff costs are the following credits/(charges):

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Gain on disposals of property, plant and equipment	875,479	112,405	-	-
Allowance for doubtful debts no longer required	550,676	-	-	-
Unrealised gain on foreign exchange	82,197	-	-	-
Impairment loss on investment in subsidiary companies	-	-	(2,732,469)	-
Administrative charges to subsidiary companies	-	-	90,066	-
Allowance for obsolete inventories no longer required	-	479,750	-	-
Allowance for doubtful debts	-	(739,782)	-	-
Provision for unutilised leave no longer required	-	190,818	-	-

Staff costs include salaries, contributions to EPF, bonuses and other staff related expenses. Contributions to EPF by the Group during the financial year amounted to RM2,841,183 (2010: RM2,305,315).

The estimated monetary value of benefits-in-kind received and receivable by the directors from the Group amounted to RM142,634 (2010: RM122,840).

## 8. INCOME TAX EXPENSE

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Malaysia</b>				
Estimated current tax payable:				
- Current year	2,351,644	1,066,830	210,764	559,031
- (Over)/Underprovision in prior years	(609,768)	(1,008,932)	95,325	(34,096)
	1,741,876	57,898	306,089	524,935
<b>Foreign</b>				
Estimated current tax payable	101,298	34,929	-	-
Deferred tax (Note 13)	(36,562)	(7,339)	-	-
	64,736	27,590	-	-
<b>Total tax expense</b>	<b>1,806,612</b>	<b>85,488</b>	<b>306,089</b>	<b>524,935</b>

The tax charge of the Company for the current and previous financial years relates to taxation deducted at source on dividend income.

Malaysian income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 8. INCOME TAX EXPENSE (CONT'D)

A numerical reconciliation of income tax expense applicable to profit/(loss) before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit/(Loss) before tax	8,215,356	8,375,986	(2,476,530)	1,650,111
Tax/(Tax loss) at applicable tax rate of 25%	2,053,839	2,093,997	(619,132)	412,528
Tax effects of expenses not deductible for tax purposes	3,166,459	2,077,756	829,896	146,503
Income not subject to tax	(302,896)	-	-	-
Effects of different tax rates in other jurisdictions	(498,297)	(162,532)	-	-
Utilisation of deferred tax assets previously not recognised	(2,046,475)	(2,914,800)	-	-
Deferred tax assets not recognised	43,750	-	-	-
(Over)/Underprovision in prior years	(609,768)	(1,008,933)	95,325	(34,096)
	1,806,612	85,488	306,089	524,935

## 9. EARNINGS PER ORDINARY SHARE

The earnings per ordinary share of the Group has been calculated by dividing the Group's profit for the year attributable to owners of the Company of RM6,408,744 (2010: RM8,290,498) by the number of ordinary shares in issue of 120,000,000 (2010: 120,000,000) during the financial year.

As the exercise price of the ESOS exceeded the average market price of ordinary shares during the financial year, the options do not have any dilutive effect on the weighted average number of ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 10. PROPERTY, PLANT AND EQUIPMENT

### The Group

	Freehold land RM	Freehold building RM	Office equipment, furniture fittings RM	Computer and telecommuni- cation equipment RM	Renovations RM	Electrical installation and signboards RM	Motor vehicles RM	Total RM
<b>Cost</b>								
Balance as of July 1, 2009	1,576,470	3,040,643	3,756,532	2,918,954	6,856,904	2,096,937	6,676,401	26,922,841
Additions	-	-	363,290	703,693	1,223,045	214,948	983,540	3,488,516
Disposals	-	-	(16,808)	(5,349)	(948,699)	(5,500)	(327,690)	(1,304,046)
Write-offs	-	-	(142,086)	(8,348)	(134,558)	(143,938)	-	(428,930)
Foreign exchange differences	-	-	(36,913)	(18,697)	(283,529)	-	(44,615)	(383,754)
Balance as of June 30, 2010/July 1, 2010	1,576,470	3,040,643	3,924,015	3,590,253	6,713,163	2,162,447	7,287,636	28,294,627
Additions	-	-	764,984	643,732	2,718,847	478,537	3,306,728	7,912,828
Disposals	-	-	(10,196)	(9,014)	(1,133,007)	-	(2,689,107)	(3,841,324)
Write-offs	-	-	(344,263)	(4,998)	(333,261)	(321,346)	-	(1,003,868)
Foreign exchange differences	-	-	20,021	4,181	146,041	-	72,372	242,615
Balance as of June 30, 2011	1,576,470	3,040,643	4,354,561	4,224,154	8,111,783	2,319,638	7,977,629	31,604,878
<b>Accumulated Depreciation</b>								
Balance as of July 1, 2009	-	318,846	1,620,842	1,602,454	4,420,984	1,326,869	4,689,699	13,979,694
Charge for the year	-	60,813	378,944	749,455	1,478,833	369,009	1,032,908	4,069,962
Disposals	-	-	(8,650)	(5,391)	(916,012)	(3,666)	(229,404)	(1,163,123)
Write-offs	-	-	(35,756)	(5,163)	(71,729)	(88,001)	-	(200,649)
Foreign exchange differences	-	-	(25,596)	(6,798)	(219,156)	-	(24,785)	(276,335)
Balance as of June 30, 2010/July 1, 2010	-	379,659	1,929,784	2,334,557	4,692,920	1,604,211	5,468,418	16,409,549
Charge for the year	-	60,813	400,276	834,864	2,286,724	369,604	1,060,884	5,013,165
Disposals	-	-	(9,176)	(11,907)	(1,133,007)	-	(2,505,313)	(3,659,403)
Write-offs	-	-	(183,482)	(4,996)	(269,842)	(289,112)	-	(747,432)
Foreign exchange differences	-	-	20,231	902	111,706	-	36,155	168,994
Balance as of June 30, 2011	-	440,472	2,157,633	3,153,420	5,688,501	1,684,703	4,060,144	17,184,873
<b>Net Book Value</b>								
Balance as of June 30, 2011	1,576,470	2,600,171	2,196,928	1,070,734	2,423,282	634,935	3,917,485	14,420,005
Balance as of June 30, 2010	1,576,470	2,660,984	1,994,231	1,255,696	2,020,243	558,236	1,819,218	11,885,078

(Forward)

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Computer and telecommunication equipment RM	Electrical installation and signboards RM	Total RM
<b>Cost</b>			
Balance as of July 1, 2009/July 1, 2010/June 30, 2011	1,155,727	6,000	1,161,727
<b>Accumulated Depreciation</b>			
Balance as of July 1, 2009	443,521	2,750	446,271
Charge for the year	384,854	1,500	386,354
Balance as of June 30, 2010/ July 1, 2010	828,375	4,250	832,625
Charge for the year	310,777	1,499	312,276
Balance as of June 30, 2011	1,139,152	5,749	1,144,901
<b>Net Book Value</b>			
Balance as of June 30, 2011	16,575	251	16,826
Balance as of June 30, 2010	327,352	1,750	329,102

As of June 30, 2011, included in property, plant and equipment of the Group are:

(a) Cost of fully depreciated assets which are still in use as follows:

	The Group	
	2011 RM	2010 RM
Office equipment, furniture and fittings	438,618	391,445
Computer and telecommunication equipment	1,702,140	741,480
Electrical installation and signboard	682,148	582,868
Renovations	2,407,635	3,162,334
Motor vehicles	1,619,535	2,969,708
	6,850,076	7,847,835

(b) Net book value of assets under hire-purchase arrangements:

	The Group	
	2011 RM	2010 RM
Motor vehicles	1,199,979	1,598,366

The Group has charged the above motor vehicles to secure the hire-purchase facilities granted to the Group as disclosed in Note 20.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 11. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2011 RM	2010 RM
Unquoted shares - at cost	51,391,469	51,391,469
Less: Accumulated impairment loss	(2,814,411)	(81,942)
	48,577,058	51,309,527

Details of the subsidiary companies, incorporated in Malaysia, except for those indicated otherwise, are as follows:

Direct subsidiary companies	Principal Activities	Effective Equity Interest	
		2011 %	2010 %
Healthy World Lifestyle Sdn. Bhd.	Design, marketing and retailing of health care equipment and supplementary appliances	100	100
Ogawa Care Services Sdn. Bhd.	Marketing, sales and servicing of health care equipment and supplementary appliances	100	100
Ogawa Health-Care Pte. Ltd.# (Incorporated in Singapore)	Marketing and retailing of health care equipment and supplementary appliances	100	100
Ogawaworld Evas Sdn. Bhd.	Ceased operations and presently dormant	100	100
Fujiiryoki (Malaysia) Sdn. Bhd.	Ceased operations and presently dormant	100	100
Ogawa Health-Care Sdn. Bhd.	Ceased operations and presently dormant	100	100
Ogawa Health-Care (KL) Sdn. Bhd.	Ceased operations and presently dormant	100	100
Ogawa Medicare Sdn. Bhd.	Ceased operations and presently dormant	100	100
Ogawa Health-Care (East Malaysia) Sdn. Bhd.	Ceased operations and presently dormant	100	100
Morwell Sdn. Bhd.	Ceased operations and presently dormant	100	100
<b>Indirect subsidiary companies</b>			
Ogawa Health-Care International (HK) Ltd. # (Incorporated in Hong Kong)	Marketing, retailing, distributing and servicing of health care equipment and supplementary appliances	100	100

(Forward)

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 11. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Indirect subsidiary companies	Principal Activities	Effective Equity Interest	
		2011 %	2010 %
Ogawa (Shanghai) Health-Care Equipment Co. Ltd. # (Incorporated in The People's Republic of China)	Marketing, retailing, distributing and servicing of health care equipment and supplementary appliances	100	100
Ogawa International Ltd. # (Incorporated in Hong Kong)	Marketing, retailing, distributing and servicing of health care equipment and supplementary appliances	100	100
Ogawa International (Aust) Pty. Ltd. # (Incorporated in Australia)	Marketing, retailing, distributing and servicing of health care equipment and supplementary appliances	100	100
O-Healthcare Solution Phil. Inc # (Incorporated in Philippines)	Marketing, retailing, distributing and servicing of health care equipment and supplementary appliances	100	-
OgawaWorld Philippines Inc # (Incorporated in Philippines)	Import, wholesales and distributing of health care equipment and supplementary appliances	100	-
Ogawa Vietnam Sdn. Bhd.	Marketing and sales of health care equipment and supplementary appliances	100	-
Health Solution Company Limited # (Incorporated in Vietnam)	Distributing of wellness products and exercise equipment	100	-

# The financial statements of these subsidiary companies were audited by other firm of auditors.

Amounts owing by/(to) subsidiary companies, which arose mainly from advances to/(from) subsidiary companies and administration charges to subsidiary companies amounting to RM90,066 (2010: RMNil), are unsecured, interest-free and repayable on demand.

## 12. GOODWILL ON CONSOLIDATION

	The Group	
	2011 RM	2010 RM
<b>At cost:</b>		
Balance at beginning of year	10,392	10,391
Arising from acquisition of minority shareholder's interest in a subsidiary company	-	1
Balance at end of year	10,392	10,392

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 13. DEFERRED TAX ASSETS

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
At beginning of year	101,752	103,160	-	-
(Charge)/Credit to profit or loss (Note 8):				
Property, plant and equipment	(36,245)	7,339	-	-
Inventories	13,747	-	-	-
Other payables and accrued expenses	11,828	-	-	-
Unused tax losses	47,232	-	-	-
	36,562	7,339	-	-
Exchange difference on foreign operations	(6,745)	(8,747)	-	-
	29,817	(1,408)	-	-
At end of year	131,569	101,752	-	-

Deferred tax (liabilities)/assets provided in the financial statements are in respect of the tax effects on the following:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Deferred tax liabilities (before offsetting):</b>				
Temporary differences arising from:				
Property, plant and equipment	(3,385,600)	(2,342,700)	-	-
Trade payables	(97,000)	-	-	-
	(3,482,600)	(2,342,700)	-	-
Offsetting	3,482,600	2,342,700	-	-
<b>Deferred tax liabilities (after offsetting)</b>	-	-	-	-
<b>Deferred tax assets (before offsetting):</b>				
Temporary differences arising from:				
Property, plant and equipment	58,762	101,752	-	-
Inventories	13,747	-	-	-
Other payables and accrued expenses	1,610,328	-	-	-
Unused tax losses	1,931,332	2,342,700	-	-
	3,614,169	2,444,452	-	-
Offsetting	(3,482,600)	(2,342,700)	-	-
<b>Deferred tax assets (after offsetting)</b>	131,569	101,752	-	-

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 13. DEFERRED TAX ASSETS (CONT'D)

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of June 30, 2011, the estimated amount of deductible temporary differences, unused tax losses and unused tax credits, for which the deferred tax assets have not been recognised, are as follows:

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM</b>	<b>RM</b>
Temporary differences arising from:		
Inventories	1,132,000	1,164,000
Trade receivables	13,160,000	13,863,000
Other payables and accrued expenses	1,443,500	2,962,100
Unused tax losses	-	2,956,500
Unabsorbed capital allowances	85,400	2,886,200
	15,820,900	23,831,800

The unused tax losses and unabsorbed capital allowances are subject to agreement with the relevant tax authorities.

## 14. INVENTORIES

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM</b>	<b>RM</b>
Trading merchandise	18,913,301	13,226,313
Goods-in-transit	1,660,814	715,518
	20,574,115	13,941,831
Less: Allowance for obsolete inventories	(1,608,892)	(1,352,613)
	18,965,223	12,589,218

During the financial year, trading merchandise of RMNil (2010: RM1,003,476) were written off against the allowance for obsolete inventories.

## 15. TRADE RECEIVABLES

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM</b>	<b>RM</b>
Trade receivables	19,017,488	20,652,109
Less: Allowance for doubtful debts	(13,160,589)	(13,862,982)
	5,856,899	6,789,127

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 15. TRADE RECEIVABLES (CONT'D)

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted by the Group to its trade customers on sales of goods ranges from 1 to 18 months (2010: 1 to 18 months).

The Group's historical experience in collection of trade receivables falls within the recorded allowances and management believes that no additional credit risk beyond amount provided for collection losses is inherent in the Group's trade receivables.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

### Ageing of trade receivables not impaired

	<b>The Group 2011 RM</b>
Not past due	2,680,240
Past due 0 - 30 days	2,153,413
Past due 31 - 60 days	280,254
Past due 61 - 90 days	455,724
Past due more than 90 days	287,268
	5,856,899

### Movement in the allowance for doubtful debts

	<b>The Group 2011 RM</b>	<b>2010 RM</b>
Balance at beginning of the year	13,862,982	13,245,601
Impairment losses recognised on receivables	-	670,954
Amounts written off during the year	(1,752)	(53,573)
Impairment losses reversed	(700,641)	-
Balance at end of the year	13,160,589	13,862,982

### Ageing of impaired trade receivables

	<b>The Group 2011 RM</b>
Past due more than 90 days	13,160,589

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 15. TRADE RECEIVABLES (CONT'D)

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The currency exposure profile of trade receivables are as follows:

	2011 RM	2010 RM
Ringgit Malaysia	15,613,095	17,013,632
Chinese Renminbi	2,233,804	1,928,201
United States Dollar	1,053,427	655,729
Vietnam Dong	117,162	-
Hong Kong Dollar	-	773,993
Singapore Dollar	-	280,554
	19,017,488	20,652,109

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Government grant receivable	1,935,500	-	-	-
Other receivables	875,440	436,312	-	56,479
Refundable deposits	6,324,773	5,381,927	2,000	2,000
Prepaid expenses	2,376,942	2,936,355	-	1,250
	11,512,655	8,754,594	2,000	59,729
Less: Allowance for doubtful debts	(158,679)	(68,828)	-	-
	11,353,976	8,685,766	2,000	59,729

Government grant receivable represents grant receivable from MATRADE for the promotion of local Malaysian brand in overseas market.

## 17. SHARE CAPITAL

	The Group and The Company	
	2011 RM	2010 RM
<b>Authorised:</b>		
200,000,000 ordinary shares of RM0.50 each	100,000,000	100,000,000
<b>Issued and fully paid:</b>		
120,000,000 ordinary shares of RM0.50 each	60,000,000	60,000,000

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 17. SHARE CAPITAL (CONT'D)

### 17.1 Share options

Under the Company's Executives Share Option Scheme ("ESOS"), which became effective on September 1, 2010, options to subscribe for unissued new ordinary shares of RM0.50 each in the Company were granted for all eligible directors and employees of the Group. The exercise period for the options granted will expire on August 31, 2015.

The salient features of the ESOS are as follows:

- (i) the total number of shares which may be made available shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- (ii) the ESOS shall be in force for a period of 5 years from the effective implementation date of the ESOS, subject to any extension or renewal for a further period of 5 years commencing from the day after the date of expiry of the original 5 years period.
- (iii) the new shares to be allotted and issued upon the exercise of the options will upon such allotment and issuance, rank pari passu with the then existing issued and paid-up share capital except that these new shares will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the new shares and will be subject to all the provisions of the Articles of Association relating to the transfer, transmission and otherwise of the shares.
- (iv) the eligible persons are employees including full time executive directors who have been confirmed in service and served with the Group for a continuous period of at least two years before the offer date and have attained the age of eighteen years on or before the offer date.
- (v) the selection of the eligible employees to subscribe for ordinary shares of the Company in accordance with the terms of ESOS shall be at the discretion of the ESOS Committee after taking into consideration the performance, length of service and position of the employee.
- (vi) the exercise price for each share shall be the weighted average market price of the shares as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days immediately preceding the date of offer, subject to a discount of not more than 10% thereon. Notwithstanding this, the exercise price per share shall in no event be less than the nominal value of the share.
- (vii) the exercise price of the ESOS options shall be the issue price of RM0.50 for options that were granted prior to the listing.
- (viii) the shares to be allotted upon any exercise of the option will not be subject to any retention period or restriction on transfer.
- (ix) not more than 50% of the shares available under the scheme shall be allocated, in aggregate, to directors and senior management of the Group.
- (x) not more than 10% of the shares available under the scheme shall be allocated to any individual Eligible Executive who, either singly or collectively through person connected with the Eligible Executive, holds 20% or more in the issued and paid-up share capital (excluding treasury shares, if any) of the Company.
- (xi) the maximum percentage of options exercisable by the Grantee in year 1, year 2, year 3, year 4 is 10%, 30%, 30% and 30%. Options which are exercisable in a particular year but are not exercised shall be carried forward to subsequent years subject to the Option Period.
- (xii) the options shall be exercised in multiples of and not less than one hundred (100) shares of the Company. The option is exercisable only by the Grantee personally during his lifetime whilst he is in the employment of any company in the Group.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 17. SHARE CAPITAL (CONT'D)

### Fair value of share options granted during the year

The fair value of share options granted during the year was estimated using a binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	2011
Fair value of share options at the following grant date (RM):	
September 1, 2010	0.12
Weighted average share price (RM)	0.40
Weighted average exercise price (RM)	0.50
Expected volatility (%)	54.35
Expected life (years)	5 years
Risk free rate (%)	3.00
Expected dividend yield (%)	6.00

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The Group recognised total share option expenses of RM535,837 (2010: RMNil) related to equity-settled share-based payment transactions during the year.

## 18. RESERVES

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Non-distributable:</b>				
Share premium	7,249,903	7,249,903	7,249,903	7,249,903
Reverse acquisition reserve	(27,204,000)	(27,204,000)	-	-
Equity compensation reserve	535,837	-	-	-
Translation reserve	(698,687)	(527,869)	-	-
	(20,116,947)	(20,481,966)	7,249,903	7,249,903

### 18.1 Share premium

Share premium arose from the public issue of 17,200,800 ordinary shares of RM0.50 each at a premium of RM0.50 per share in 2007, net of share issue expenses amounting to RM1,350,497.

### 18.2 Reverse acquisition reserve

Reverse acquisition reserve arose from the reverse acquisition of the Company by a subsidiary company in prior years as disclosed in Note 3.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 18. RESERVES (CONT'D)

### 18.3 Equity compensation reserve

Equity compensation reserve relates to the share options granted to employees and is made up of the cumulative value of services received from employees recorded since grant of share options.

### 18.4 Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the translation reserve.

## 19. RETAINED EARNINGS

In accordance with the Finance Act 2007, the Company has elected to move to the single tier income tax system on January 1, 2008. Under this single tier income tax system, tax on a company's profits is a final tax and dividends distributed to shareholders will be exempted from tax.

## 20. HIRE-PURCHASE PAYABLES

	The Group	
	2011 RM	2010 RM
Total outstanding	540,175	751,900
Less: Interest-in-suspense	(61,144)	(74,077)
Principal outstanding	479,031	677,823
Less: Amount due within 12 months (shown under current liabilities)	(205,826)	(333,488)
Non-current portion	273,205	344,335

The non-current portion payable is as follows:

	The Group	
	2011 RM	2010 RM
Financial years ending June 30:		
2012	-	122,290
2013	145,316	101,675
2014	84,633	60,185
2015	22,699	60,185
2016	20,557	-
	273,205	344,335

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements and the average term is between 2 and 5 years. The interest rates implicit in the hire-purchase obligations range from 2.49% to 3.65% (2010: 2.50% to 3.65%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements. The hire-purchase payables are secured by a charge over the assets under hire-purchase as disclosed in Note 10.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 21. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding from trade purchases and ongoing costs. The average credit period granted to the Group for trade purchases is 30 days (2010: 30 days).

The currency exposure profile of trade payables is as follows:

	The Group	
	2011 RM	2010 RM
United States Dollar	7,059,019	5,000,294
Chinese Renminbi	2,497,296	1,546,902
Ringgit Malaysia	20,865	884
Australian Dollar	5,999	5,999
Indonesian Rupiah	3,469	3,469
Singapore Dollar	-	50,399
	9,586,648	6,607,947

Other payables and accrued expenses consist of:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Other payables	3,504,826	3,938,403	45,316	51,794
Accrued expenses	10,823,327	8,825,960	311,698	242,198
Deposits received	8,782,657	6,149,179	-	-
Provision for unutilised leave	451,237	336,726	-	-
	23,562,047	19,250,268	357,014	293,992

## 22. AMOUNT OWING TO DIRECTORS

Amount owing to directors in 2010, which arose mainly from directors' remuneration payable and expenses paid on behalf, was unsecured, interest free and was repayable within 12 months.

## 23. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

The Group operates solely in the business segment involving the design, development, distributing and servicing of health care equipment and supplementary appliances. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on single business segments which is retail.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 23. SEGMENTAL INFORMATION (CONT'D)

In determining the geographical segments of the Group, revenue is based on the country which the customers are located. Total segment assets and capital expenditure incurred during the financial year are determined according to the country where these assets are located. The Group's activities are located in Malaysia, Singapore, The People's Republic of China, Hong Kong and Australia. In addition, a Malaysian incorporated subsidiary company also exports its products to Indonesia, Vietnam, Thailand, Myanmar and Saudi Arabia via distributors.

The following is an analysis of the Group's external revenue by geographical markets, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2011 RM	2010 RM
Malaysia	99,557,958	91,545,265
Australia and other Asia countries	70,561,392	64,407,249
	170,119,350	155,952,514

The following is an analysis of the carrying amount of segment assets and capital additions by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2011 RM	2010 RM	2011 RM	2010 RM
Malaysia	61,815,520	65,865,925	5,165,968	2,304,102
Australia and other Asia countries	39,306,871	25,070,167	2,746,860	1,184,414
	101,122,391	90,936,092	7,912,828	3,488,516

## 24. FINANCIAL INSTRUMENTS

### 24.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders. The Group and the Company monitor and review their capital structure based on their business and operating requirements. There were no changes in the Group's and the Company's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Group is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

### 24.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 24. FINANCIAL INSTRUMENTS (CONT'D)

### 24.3 Categories of Financial Instruments

	The Group RM	The Company RM
<b>Financial assets</b>		
Trade receivables	5,856,899	-
Other receivables and refundable deposits	8,977,034	2,000
Amount owing by subsidiary companies	-	12,479,689
Short-term deposits with licensed banks	18,860,414	16,900,000
Cash and bank balances	29,472,555	260,878
<b>Total loans and receivables, at amortised cost</b>	<b>63,166,902</b>	<b>29,642,567</b>
<b>Financial liabilities</b>		
Trade payables	9,586,648	-
Other payables and accrued expenses	14,328,153	357,014
Hire purchase payables	479,031	-
Amount owing to subsidiary companies	-	5,118,538
<b>Total financial liabilities, at amortised cost</b>	<b>24,393,832</b>	<b>5,475,552</b>

### 24.4 Financial Risk Management Objectives and Policies

The operations of the Group are subject to various financial risks which include foreign currency risk, credit risk, interest rate risk and liquidity risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

#### 24.4.1 Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies where the amounts outstanding are exposed to foreign currency risk. The Group monitors its foreign exchange exposure on an ongoing basis.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as disclosed in Note 15 for trade receivables and Note 21 for trade payables.

#### 24.4.2 Foreign Currency Sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the RM against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in profit and other equity where the RM fluctuates by 10% against the relevant currency.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 24. FINANCIAL INSTRUMENTS (CONT'D)

### 24.4.2 Foreign Currency Sensitivity (CONT'D)

	Carrying amount RM	The Group Foreign currency risk	
		+10% RM	-10% RM
<b>As of June 30, 2011</b>			
<b>Financial Asset/(Liability)</b>			
<b>Chinese Renminbi</b>			
Trade receivables (Note 15)	2,233,804	223,380	(223,380)
Trade payables (Note 21)	(2,497,296)	(249,730)	249,730
		(26,350)	26,350
<b>United States Dollar</b>			
Trade receivables (Note 15)	1,053,427	105,343	(105,343)
Trade payables (Note 21)	(7,059,019)	(705,902)	705,902
		(600,559)	600,559
<b>Vietnam Dong</b>			
Trade receivables (Note 15)	117,162	11,716	(11,716)
<b>Australian Dollar</b>			
Trade payables (Note 21)	(5,999)	(600)	600
Hire-purchase (Note 20)	(100,196)	(10,020)	10,020
		(10,620)	10,620
<b>Indonesia Rupiah</b>			
Trade payables (Note 21)	(3,469)	(347)	347
<b>Singapore Dollar</b>			
Hire-purchase (Note 20)	(191,716)	(19,172)	19,172

### 24.4.3 Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group. As the nature of the Group's business is mainly in retail, the majority of outstanding trade receivables are due from prominent department stores and reputable financial institutions with minimal credit risk exposure. Credit risk with respect to corporate trade and other receivables is managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the corporate customers based upon careful evaluation of the customers' financial condition and credit history.

The maximum credit exposure of the Group, without taking into account the fair value of any collateral, is represented by carrying amounts of the trade and other receivables as shown on the statement of financial position. The Group has no significant concentration of credit risk with its exposure spread over a large number of customers.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 24. FINANCIAL INSTRUMENTS (CONT'D)

### 24.4.4 Liquidity Risk Management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Effective interest rate %	Less than 1 year RM	1-5 years RM	Total RM
<b>The Group</b>				
Non-interest bearing	-	23,914,801	-	23,914,801
Fixed interest rate instruments	2.49% to 3.65%	205,826	273,205	479,031
		24,120,627	273,205	24,393,832

	Effective interest rate %	Less than 1 year RM	1-5 years RM	Total RM
<b>The Company</b>				
Non-interest bearing	-	5,475,552	-	5,475,552

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 24. FINANCIAL INSTRUMENTS (CONT'D)

### 24.5 Fair values

The carrying amounts of the financial assets and financial liabilities recognised at amortised cost in the statement of financial position approximate the fair values because of the short maturity of these instruments, except for the following:

	The Group		The Group	
	2011 Carrying amount RM	Fair value RM	2010 Carrying amount RM	Fair value RM
Hire-purchase payables (Note 20)	479,031	467,192	677,823	615,645
Foreign currency forward contracts	-	-	-	4,600

The fair value of hire-purchase payable is estimated using the discounted cash flow method based on current borrowing rates ranging from 4.73% to 6.81% (2010: 4.73% to 6.81%) per annum for similar types of borrowing arrangements.

The fair value of foreign currency forward contract in 2010 was calculated using market prices that the Group would pay or receive to settle the related agreements.

## 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following:

	The Group		The Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short-term deposits with licensed banks	-	200,000	-	-
Fixed deposits with licensed banks	18,860,414	26,308,009	16,900,000	24,026,000
Cash and bank balances	29,472,555	22,622,540	260,878	267,791
	48,332,969	49,130,549	17,160,878	24,293,791
Less: Fixed deposits with licensed banks (>3 months)	(3,660,414)	(11,482,009)	(2,200,000)	(10,000,000)
	44,672,555	37,648,540	14,960,878	14,293,791

Short-term deposits with licensed banks in 2010 bore interest at rates ranging from 1.00% to 1.95% per annum and had maturity period ranging from 3 to 12 days.

Fixed deposit with licensed banks earn interest at rates ranging from 2.40% to 6.10% (2010: 2.00% to 6.00%) per annum and have maturity periods ranging from 30 to 365 days (2010: 30 to 365 days).

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 26. CONTINGENT LIABILITIES

On September 15, 2005, the Group received a letter from the solicitors acting for a foreign manufacturer, alleging infringement of a product design allegedly owned by the said foreign manufacturer which is similar in design to one of the Group's foot massagers. Since then, there has been no further development in the allegation. The directors acting on the advice of the solicitors of the Group are of the opinion that the allegation has no merit and losses arising therefrom is remote, accordingly, no provision has been recognised in the financial statements.

Contingent liability arising from performance guarantee of its wholly owned subsidiary companies stipulated under the respective tenancy agreements entered into between the wholly owned subsidiary companies of the Company and the landlords is as follows:

	The Company	
	2011 RM	2010 RM
Corporate guarantee	635,533	1,306,826

## 27. DIVIDENDS

A first and final single tier dividend of 6%, amounting to RM3,600,000, proposed in the previous financial year and dealt with in the previous year directors' report, was paid on January 5, 2011.

The directors have proposed a first and final single-tier dividend of 6% amounting to RM3,600,000, in respect of the current financial year ended June 30, 2011. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

## 28. COMMITMENTS

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases of the outlets, which fall due as follows:

	The Group Future Minimum Lease Payments	
	2011 RM	2010 RM
Within one year	13,702,998	10,021,040
In the second to fifth years inclusive	7,712,552	8,233,147
	21,415,550	18,254,187

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 29. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, significant related party transactions are as follows:

Transactions	Relationship	Group	
		2011 RM	2010 RM
Rental of premises paid/payable to Mr. Wong Lee Keong	Director of the Company	2,700	6,300
Sale of motor vehicle to Ms. Lim Mee Fong	Spouse of Mr. Chong Swee Main	-	105,250
Rental of premises paid/payable to Mr. Wong Kuan Tak	Former director of a subsidiary company	-	18,400

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 30. DISCLOSURE ON REALISED AND UNREALISED PROFITS - SUPPLEMENTARY INFORMATION

On March 25, 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On December 20, 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as of June 30, 2011 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group RM	The Company RM
<b>Total retained earnings of the Company and its subsidiary companies</b>		
Realised	32,756,488	5,726,343
Unrealised	213,766	-
	32,970,254	5,726,343
Less: Consolidation adjustments	(5,358,642)	-
<b>Total retained profits as per statement of financial position</b>	<b>27,611,612</b>	<b>5,726,343</b>

Comparative information is not presented in the first financial year of application pursuant to the directive issued by Bursa Malaysia on March 25, 2010.

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements” as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

# STATEMENT BY DIRECTORS/ DECLARATION BY THE OFFICER

## STATEMENT BY DIRECTORS

The directors of **OGAWA WORLD BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of June 30, 2011 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 30 on page 79, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors,

**WONG LEE KEONG**

Petaling Jaya,  
August 23, 2011

**LIM POH KHIAN**

## DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **CHEW ENG LOKE**, the officer primarily responsible for the financial management of **OGAWA WORLD BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, 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.

**CHEW ENG LOKE**

Subscribed and solemnly declared by the  
abovenamed **CHEW ENG LOKE** at  
**PETALING JAYA** this 23rd day of  
August, 2011.

Before me,

**PN KOH TWEE YONG @ KOH TWEE SIEW (No: B357)**  
**COMMISSIONER FOR OATHS**

# LIST OF PROPERTIES

Landed Properties Owned by the Group as at 30 June 2011 are set out below:

Registered Owners	Title/Location/ Postal Address	Description/ Existing Use	Land area/ Built up area	Tenure (years)	Age of Building	Year Lease Expiring	Audited net book value as at 30.6.2011 RM'000	Date of Acquisition
Healthy World Lifestyle Sdn Bhd	HSD 54845, No. PT 56248, Mukim and District of Klang, Selangor / No. 22, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan.	Head office and warehouse	45,042 sq ft / 7,642 sq ft	Freehold	7	Not Applicable	4,177	16-07-02

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2011

Authorised Share Capital	:	RM100,000,000.00
Issued and Paid-Up Share Capital	:	RM60,000,000.00
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One vote per share

Size of Shareholdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares held	% of Issued Capital
Less than 100	10	0.600	307	0.000
100 to 1,000	311	18.679	275,450	0.230
1,001 to 10,000	881	52.913	4,229,143	3.524
10,001 to 100,000	377	22.643	13,032,400	10.860
100,001 to 5,999,999 (less than 5% of issued shares)	84	5.045	41,262,700	34.386
6,000,000 (5% of issued shares) and above	2	0.120	61,200,000	51.000
<b>TOTAL</b>	<b>1,665</b>	<b>100.000</b>	<b>120,000,000</b>	<b>100.000</b>

## DIRECTORS' SHAREHOLDINGS AS AT 30 SEPTEMBER 2011

### In the Holding Company Great Genesis Sdn Bhd

Name	←-----Direct-----→		←-----Indirect-----→	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
Wong Lee Keong	17,291	28.251	-	-
Lim Poh Khian	15,147	24.749	-	-
Lim Mee Ling	8,568	14.000	(1) 11,628	18.999
Cheah Yew Kong	8,568	14.000	-	-
Chong Swee Main	6,732	11.000	-	-
Lim Wai Heng	4,896	8.000	(2) 15,300	24.999

Notes:

1. Deemed interested in shares held by her sibling, Lim Wai Heng, and her brother-in-law, Chong Swee Main.
2. Deemed interested in shares held by his sibling, Lim Mee Ling, and his brother-in-law, Chong Swee Main.

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2011 (continued)

## Interest in the Company Ogawa World Berhad

Name	Ordinary Shares				No. of Option Shares Outstanding
	Direct		Indirect		
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital	
Wong Lee Keong	1,057,700	0.881	<sup>(1)</sup> 61,200,000	51.000	840,000
Lim Poh Khian	951,700	0.793	<sup>(1)</sup> 61,200,000	51.000	840,000
Lim Mee Ling	483,300	0.403	<sup>(2)</sup> 61,814,800	51.512	1,000,000
Cheah Yew Kong	363,300	0.303	<sup>(3)</sup> 61,306,600	51.089	1,000,000
Chong Swee Main	367,900	0.307	<sup>(1)</sup> 61,200,000	51.000	600,000
Lim Wai Heng	196,900	0.164	<sup>(4)</sup> 62,101,200	51.751	800,000
Y.T.M. Raja Dato Seri Azureen					
Binti Sultan Azlan Shah	10,000	0.008	-	-	-
Dr Ahmad Kamal Bin Md Alif	10,000	0.008	-	-	-
Leong Khai Cheong	10,000	0.008	-	-	-

### Notes:

- Deemed interested in the shares held by Great Genesis Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.
- Deemed interested in the shares held by Great Genesis Sdn Bhd by virtue of Section 6A of the Companies Act, 1965 and shares held by her siblings, Lim Wai Heng and Lim Mee Yen, and her brother-in-law, Chong Swee Main.
- Deemed interested in the shares held by Great Genesis Sdn Bhd by virtue of Section 6A of the Companies Act, 1965 and shares held by his brother, Cheah Yew Keng.
- Deemed interested in the shares held by Great Genesis Sdn Bhd by virtue of Section 6A of the Companies Act, 1965 and shares held by his siblings, Lim Mee Ling, Lim Mee Yen, and his brother-in-law, Chong Swee Main.

## In subsidiary and indirect subsidiary companies

By virtue of their interests in the shares of the Company, Wong Lee Keong, Lim Poh Khian, Lim Mee Ling, Cheah Yew Kong, Chong Swee Main and Lim Wai Heng are deemed to have interest in the shares of all the subsidiary companies to the extent the Company has an interest.

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2011

Name	Direct		Indirect	
	No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
Great Genesis Sdn Bhd	61,200,000	51.000	-	-
Wong Lee Keong	1,057,700	0.881	<sup>(1)</sup> 61,200,000	51.000
Lim Poh Khian	951,700	0.793	<sup>(1)</sup> 61,200,000	51.000
Lim Mee Ling	483,300	0.403	<sup>(2)</sup> 61,814,800	51.512
Cheah Yew Kong	363,300	0.303	<sup>(3)</sup> 61,306,600	51.089
Chong Swee Main	367,900	0.307	<sup>(1)</sup> 61,200,000	51.000
Lim Wai Heng	196,900	0.164	<sup>(4)</sup> 62,101,200	51.751

### Notes:

- Deemed interested in the shares held by Great Genesis Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.
- Deemed interested in the shares held by Great Genesis Sdn Bhd by virtue of Section 6A of the Companies Act, 1965 and shares held by her siblings, Lim Wai Heng and Lim Mee Yen, and her brother-in-law, Chong Swee Main.
- Deemed interested in the shares held by Great Genesis Sdn Bhd by virtue of Section 6A of the Companies Act, 1965 and shares held by his brother, Cheah Yew Keng.
- Deemed interested in the shares held by Great Genesis Sdn Bhd by virtue of Section 6A of the Companies Act, 1965 and shares held by his siblings, Lim Mee Ling, Lim Mee Yen, and his brother-in-law, Chong Swee Main.

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2011 (continued)

## THIRTY LARGEST SHAREHOLDERS

		No. of Shares	% of Issued Capital
1	GREAT GENESIS SDN. BHD.	51,200,000	42.667
2	M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GREAT GENESIS SDN. BHD. (MG0152-171)	10,000,000	8.333
3	LIM YU LENG	4,140,800	3.451
4	NG HOCK GUAN	3,605,000	3.004
5	KONG POK SENG	1,719,400	1.433
6	M.I.T NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YIM WAI MUN (MG0123-171)	1,531,700	1.276
7	YONG SIEW KIM	1,506,900	1.256
8	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOPERASI PENDIDIKAN ISLAM MALAYSIA BERHAD (M09)	1,270,000	1.058
9	TAN BOON HOOI	1,263,000	1.052
10	WONG MEE LING	1,100,000	0.917
11	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR CHAN OI ING	950,000	0.792
12	TAE SEW TIN	950,000	0.792
13	LIM KOK KIEN	928,900	0.774
14	YEOH AH TU	924,900	0.771
15	OSK NOMINEES (ASING) SDN BERHAD TIGERMOTH INVESTMENTS LTD	810,500	0.675
16	GAN BOON SENG	800,000	0.667
17	TAE SEW TIN	750,000	0.625
18	TEH BEE GAIK	739,900	0.617
19	MOHD ISA BIN OMAR	665,000	0.554
20	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW PENG YAN	653,300	0.544
21	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)	645,000	0.537
22	WONG LEE KEONG	539,700	0.450
23	WONG LEE KEONG	518,000	0.432
24	NG LAI YIN	510,000	0.425
25	LIM POH KHIAN	484,000	0.403
26	LIM MEE LING	483,300	0.403
27	LIM POH KHIAN	467,700	0.390
28	CHIA KUO CHUNG	462,100	0.385
29	TEH CHO HENG @ TEH CHOR HENG	421,000	0.351
30	TASEC NOMINEES (TEMPATAN) SDN BHD TA INVESTMENT MANAGEMENT BERHAD FOR SABAH ENERGY CORPORATION SDN.BHD.(SEC 2)	384,300	0.320
		90,424,400	75.354

# OGAWA WORLD BERHAD

(Company No. 712499-V)  
(Incorporated in Malaysia)

<b>CDS account no.</b>

## PROXY FORM

I/We \_\_\_\_\_ NRIC / Co.No. \_\_\_\_\_  
of \_\_\_\_\_ being a member of the  
Company, hereby appoint \_\_\_\_\_  
NRIC No. \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ or failing whom, \_\_\_\_\_  
NRIC No. \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ and/or failing whom \*the Chairman of the Meeting as my/our\* proxy to vote for me/us\* on my/our\* behalf at the Sixth Annual General Meeting of the Company to be held at Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Tuesday, 29 November 2011 at 9.00 a.m. and at each and every adjournment thereof.

\* Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.

My/our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
<b>Ordinary Resolution 1</b> Adoption of the Audited Financial Statements for the financial year ended 30 June 2011 and Directors' and Auditors' Reports thereon		
<b>Ordinary Resolution 2</b> Declaration of first and final single-tier dividend		
<b>Ordinary Resolution 3</b> Approval of the increase and payment of Directors' Fee		
<b>Ordinary Resolution 4</b> Re-election of Mr Wong Lee Keong as Director		
<b>Ordinary Resolution 5</b> Re-election of Ms Lim Poh Khian as Director		
<b>Ordinary Resolution 6</b> Re-election of Ms Lim Mee Ling as Director		
<b>Ordinary Resolution 7</b> Re-appointment of Messrs Deloitte KassimChan as Auditors of the Company and authorise the Directors to fix the Auditors' remuneration		
<b>Ordinary Resolution 8</b> Authority for the Company to Purchase its own Ordinary Shares		
<b>Ordinary Resolution 9</b> Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

\_\_\_\_\_  
Signature/Common Seal

Number of shares held : \_\_\_\_\_

Date : \_\_\_\_\_

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:	
	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

### NOTES :

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and the provisions of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to the Company.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account held by it with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member appoints two (2) proxies, the member shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointments shall be invalid.
- The instrument appointing a proxy shall be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under its Common Seal or signed by an officer or attorney so authorised.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney must be deposited at the Company's Share Registrar's Office at Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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AFFIX  
STAMP

**REGISTRAR OF OGAWA WORLD BERHAD**

**Tricor Investor Services Sdn Bhd**

Level 17  
The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

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