
12. ACCOUNTANTS' REPORT

Deloitte.

(Prepared for inclusion in this Prospectus)

March 1, 2007

The Board of Directors
Ogawa World Berhad
Lot 4.81, 4th Floor
Wisma Central, Jalan Ampang
50450 Kuala Lumpur

Gentlemen:

**OGAWA WORLD BERHAD
ACCOUNTANTS' REPORT**

A. INTRODUCTION

This report has been prepared by Deloitte KassimChan, an approved company auditor, for inclusion in the Prospectus of Ogawa World Berhad ("OWB") to be dated March 28, 2007 in conjunction with the listing of and quotation for the entire issued and paid-up share capital of OWB, comprising 120,000,000 ordinary shares of RM0.50 each ("OWB Shares") on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"), which include the public issue of 17,200,800 new OWB Shares and the offer for sale of 36,000,000 OWB Shares to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI") at an issue/offer price of RM1.00 per OWB Share payable in full upon application.

B. GENERAL INFORMATION

B.1 Incorporation and Principal Activity

OWB was incorporated as a public limited company in Malaysia on October 12, 2005 under the Companies Act, 1965.

OWB is principally involved in investment holding.

B.2 Listing Exercise

In conjunction with, and as an integral part of the listing and quotation of OWB's entire issued and paid-up share capital on the Main Board of Bursa Securities, OWB undertook/will be undertaking the following exercises which were approved by the Securities Commission (and approval under the Foreign Investment Committee's Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests), vide its letter dated December 6, 2006.

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B.2.1 Acquisitions

B.2.1 (a) Acquisition of Healthy World Lifestyle Sdn Bhd ("Healthy World")

Acquisition by OWB of the entire equity interest of Healthy World comprising 1,200,000 ordinary shares of RM1.00 each for a total purchase consideration of RM28,403,000 satisfied by the issuance of 56,806,000 new ordinary shares of RM0.50 each in OWB ("OWB Shares") at par, completed on January 3, 2007.

B.2.1 (b) Acquisitions of Subsidiary Companies of Healthy World

Acquisitions by OWB of certain equity interest in the following subsidiary companies of Healthy World for a total purchase consideration of RM1,398,000 satisfied by the issuance of 2,796,000 new OWB Shares at par, completed on January 3, 2007:

| Company | Total equity interest acquired % | No. of new OWB Shares of RM0.50 each issued |
|---|----------------------------------|---|
| Ogawa Health-Care Sdn Bhd | 6.85 | 446,000 |
| Ogawa Health-Care Pte Ltd | 12.00 | 278,000 |
| Ogawa Health-Care (KL) Sdn Bhd | 11.68 | 684,000 |
| Fujiiryoki (Malaysia) Sdn Bhd | 15.00 | 200,000 |
| Ogawa Care Services Sdn Bhd | 10.00 | 204,000 |
| Ogawa Health-Care (East Malaysia) Sdn Bhd | 10.70 | 448,000 |
| Ogawa Health-Care (Selangor) Sdn Bhd | 11.35 | 536,000 |
| TOTAL | | 2,796,000 |

B.2.1 (c) Acquisition of Morwell Sdn Bhd ("Morwell")

Acquisition by OWB of the entire equity interest of Morwell comprising 200,000 ordinary shares of RM1.00 each for a total purchase consideration of RM6,912,000 satisfied by the issuance of 13,824,000 new OWB Shares at par, completed on January 3, 2007.

B.2.2 Corporate Reorganisation

Corporate re-organisation by OWB with the acquisitions of the following subsidiary companies of Healthy World for a total cash consideration of RM3,579,190, arrived at based on the net carrying value of Healthy World's cost of investment, completed on January 5, 2007:

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| Company | Total equity interest acquired % | Cash Consideration |
|---|----------------------------------|--------------------|
| Ogawa Health-Care Sdn Bhd | 86.30 | 863,000 |
| Ogawa Health-Care Pte Ltd | 76.00 | 177,612 |
| Buzzard Event Sdn Bhd | 100.00 | 18,058 |
| Ogawa Health-Care (KL) Sdn Bhd | 76.65 | 766,500 |
| Fujiiryoki (Malaysia) Sdn Bhd | 70.00 | 105,000 |
| Ogawa Care Services Sdn Bhd | 80.00 | 88,020 |
| Ogawa Health-Care (East Malaysia) Sdn Bhd | 78.68 | 786,800 |
| Ogawa Health-Care (Selangor) Sdn Bhd | 77.42 | 774,200 |
| TOTAL | | 3,579,190 |

B.2.3 Rights Issue

Rights issue of 29,371,200 new OWB Shares at an issue price of RM0.50 on a renounceable basis of 2 new OWB Shares for every 5 existing OWB Shares held after the abovementioned Acquisitions and Corporate Reorganisation, completed on February 28, 2007.

B.2.4 Share Transfer

Proposed transfer of 61,200,000 OWB Shares from the Promoters of OWB to Great Genesis Sdn Bhd ("Great Genesis") in consideration for 61,200 ordinary shares of RM1.00 each in Great Genesis to be issued at par and the balance will remain as amount owing from Great Genesis to the Promoters.

B.2.5 Public Issue and Offer for Sale

B.2.5 (a) Public Issue

Proposed public issue by OWB of 17,200,800 new OWB Shares to be issued at an issue price of RM1.00 per OWB Share payable in full upon application, to be allotted in the following manner:

- (i) 6,000,000 OWB Shares for application by the Malaysian Public, of which at least 30% will be set aside strictly for Bumiputera investors;
- (ii) 6,000,000 OWB Shares for eligible Directors, employees, and other persons who have contributed to the success of OWB Group; and
- (iii) 5,200,800 OWB Shares for application by way of private placement to selected investors.

B.2.5 (b) Offer for Sale

The offer for sale of 36,000,000 new OWB Shares at an offer price of RM1.00 per OWB Share payable in full upon application, to Bumiputera investors approved by the MITI.

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B.2.6 Listing

The admission into the Official List of Bursa Securities, listing of and quotation for the entire issued and paid-up share capital of OWB, comprising 120,000,000 OWB Shares, on the Main Board of Bursa Securities.

B3. Share Capital

The current authorised share capital of OWB is RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each and the issued and paid-up share capital is RM51,399,600 comprising 102,799,200 ordinary shares of RM0.50 each.

Details of movement in the issued and paid-up share capital of OWB since the date of its incorporation are as follows:

| Date of Allotment | No. of Ordinary Shares of RM0.50 Each Allotted | Consideration For Shares Issued | Resultant Share Capital RM |
|-------------------|--|--|----------------------------|
| 12.10.2005 | 2,000 | Cash | 1,000 |
| 3.1.2007 | 56,806,000 | Acquisition of Healthy World | 28,404,000 |
| 3.1.2007 | 2,796,000 | Acquisition of certain equity interest in Healthy World's subsidiary companies | 29,802,000 |
| 3.1.2007 | 13,824,000 | Acquisition of Morwell | 36,714,000 |
| 28.2.2007 | 29,371,200 | Rights issue | 51,399,600 |

Upon completion of the public issue of 17,200,800 new OWB Shares, the issued and paid-up share capital of OWB will be RM60,000,000, comprising 120,000,000 OWB Shares.

B4 Subsidiary Companies

As of the date of this Report, the subsidiary companies of OWB are as follows:

| Name of Subsidiary Companies | Country of Incorporation | Effective Equity Interest % | Principal Activities |
|-------------------------------------|--------------------------|-----------------------------|--|
| <i>Direct subsidiary companies:</i> | | | |
| Healthy World Lifestyle Sdn Bhd | Malaysia | 100.00 |) Marketing and retailing of health care equipment and supplementary appliances. |
| Fujiiryoki (Malaysia) Sdn Bhd | Malaysia | 85.00 | |
| Ogawa Health-Care Sdn Bhd | Malaysia | 93.15 | |
| Ogawa Health-Care (KL) Sdn Bhd | Malaysia | 88.33 | |

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| Name of Subsidiary Companies | Country of Incorporation | Effective Equity Interest % | Principal Activities |
|---|----------------------------|-----------------------------|---|
| Ogawa Health-Care (East Malaysia) Sdn Bhd | Malaysia | 89.38 |)) Marketing and) retailing of) health care) equipment) and supplementary) appliances. |
| Ogawa Health-Care (Selangor) Sdn Bhd | Malaysia | 88.77 |)) equipment) and supplementary) appliances. |
| Ogawa Health-Care Pte Ltd | Singapore | 88.00 |)) |
| Ogawa Care Services Sdn Bhd | Malaysia | 90.00 |) Marketing, sales and) servicing of health) care equipment and) supplementary) appliances. |
| Morwell Sdn Bhd | Malaysia | 100.00 |) Import and marketing) of health care) equipment and) supplementary) appliances. |
| Buzzard Event Sdn Bhd | Malaysia | 100.00 |) Ceased operations) and dormant. |
| Indirect subsidiary companies: (held indirectly through Healthy World) | | | |
| Ogawa Health-Care International (HK) Ltd | Hong Kong | 98.18 |)) Marketing, retailing,) distributing and) servicing of health) care equipment.) and supplementary) appliances |
| Ogawa (Shanghai) Health-Care Equipment Co Ltd | People's Republic of China | 100.00 |))) and supplementary) appliances |

C. AUDITED FINANCIAL STATEMENTS

We have acted as auditors of OWB since its incorporation on October 12, 2005. The financial statements of OWB for the financial period October 12, 2005 (date of incorporation) to June 30, 2006 and, financial period July 1, 2006 to September 30, 2006 were reported by us without any qualification.

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D. FINANCIAL STATEMENTS AND BASIS OF PREPARATION

The financial statements of OWB as mentioned in Section F have been prepared based on the audited financial statements of OWB, which have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia. On July 1, 2006, OWB adopted all the new and revised Financial Reporting Standards ("FRSs") issued by MASB that are relevant to its operations and effective for financial periods beginning on or after January 1, 2006.

The adoption of the abovementioned new/revised FRSs does not result in significant changes in the accounting policies of OWB. Accordingly, there were no changes in the accounting policies or accounting estimates made by OWB for the financial periods under consideration that have significant effects on the audited financial statements.

The presentation of the audited balance sheet as of June 30, 2006 in Section F has been changed to conform with the presentation of the audited balance sheet as of September 30, 2006.

E. DIVIDEND

No dividend has been paid or declared by OWB since its date of incorporation.

F. HISTORICAL FINANCIAL STATEMENTS OF OWB**Income Statements**

The following income statements are based on the audited financial statements of OWB for the financial period October 12, 2005 (date of incorporation) to June 30, 2006 and the financial period July 1, 2006 to September 30, 2006:

| | Financial period October 12, 2005 to June 30, 2006 (7.5 months) RM'000 | Financial period July 1, 2006 to September 30, 2006 (3 months) RM'000 |
|----------------------------|---|--|
| Revenue | - | - |
| Other operating expenses | (8) | (105) |
| Loss before tax | (8) | (105) |
| Income tax expense | - | - |
| Loss for the period | (8) | (105) |

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Balance Sheets

The following balance sheets are based on the audited financial statements of OWB as of June 30, 2006 and September 30, 2006:

| | June 30 2006 RM'000 | As Of September 30 2006 RM'000 |
|-------------------------------------|------------------------------------|---|
| ASSETS | | |
| Current Asset | | |
| Cash and bank balances | 21 | 20 |
| TOTAL ASSETS | <u>21</u> | <u>20</u> |
| EQUITY AND LIABILITIES | | |
| Capital and Reserves | | |
| Issued capital | 1 | 1 |
| Accumulated losses | (8) | (113) |
| Capital Deficiency | <u>(7)</u> | <u>(112)</u> |
| Current Liabilities | | |
| Other payables and accrued expenses | 24 | 128 |
| Amount owing to a Director | 4 | 4 |
| | <u>28</u> | <u>132</u> |
| Total Liabilities | <u>28</u> | <u>132</u> |
| TOTAL EQUITY AND LIABILITIES | <u>21</u> | <u>20</u> |

Statements of Changes in Equity

The following statements of changes in equity are based on the audited financial statements of OWB for the financial period October 12, 2005 (date of incorporation) to June 30, 2006 and financial period July 1, 2006 to September 30, 2006:

| | Share Capital RM'000 | Accumulated Losses RM'000 | Net RM'000 |
|--|-------------------------------------|--|-----------------------|
| Balance at October 12, 2005 (date of incorporation) | 1 | - | 1 |
| Loss for the period | - | (8) | (8) |
| Balance at June 30, 2006 | 1 | (8) | (7) |
| Loss for the period | - | (105) | (105) |
| Balance at September 30, 2006 | <u>1</u> | <u>(113)</u> | <u>(112)</u> |

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Cash Flow Statements

The following cash flow statements are based on the audited financial statements of OWB for the financial period October 12, 2005 (date of incorporation) to June 30, 2006 and financial period July 1, 2006 to September 30, 2006:

| | Financial period October 12, 2005 to June 30, 2006 (7.5 months) RM'000 | Financial period July 1, 2006 to September 30, 2006 (3 months) RM'000 |
|---|---|--|
| Cash Flows From Operating Activities | | |
| Operating Loss Before Working Capital Changes | (8) | (105) |
| Increase in: | | |
| Other payables and accrued expenses | 24 | 104 |
| Amount owing to a Director | 4 | - |
| | <u>20</u> | <u>(1)</u> |
| Net Cash From/(Used In) Operating Activities | | |
| CASH FLOWS USED IN FINANCING ACTIVITY | | |
| Issuance of shares | 1 | - |
| | <u>1</u> | <u>-</u> |
| Net Cash From Financing Activity | | |
| Net Increase/(Decrease) In Cash And Cash Equivalents | 21 | (1) |
| Cash And Cash Equivalents At Date Of Incorporation/Beginning Of Period | <u>-</u> | <u>21</u> |
| Cash And Cash Equivalents At End Of Period (Representing Cash And Bank Balances) | <u>21</u> | <u>20</u> |

G. INFORMATION ON HEALTHY WORLD**G1. General Information**

Healthy World was incorporated as a private limited company in Malaysia on June 18, 2001 under the Companies Act, 1965.

Healthy World is principally involved in the marketing and retailing of health care equipment and supplementary appliances.

The current authorised share capital of Healthy World is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM1,200,000 comprising 1,200,000 ordinary shares of RM1.00 each.

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G2. AUDITED FINANCIAL STATEMENTS

We have acted as auditors of Healthy World and its Malaysian subsidiary companies since the financial year/period ended June 30, 2005. The audited financial statements of Healthy World for the financial years ended June 30, 2005 and 2006 and, financial period July 1, 2006 to September 30, 2006 were not subject any qualification.

We were not the statutory auditors of Healthy World and its Malaysian subsidiary companies for the financial year ended June 30, 2004/December 31, 2004. The audit of the consolidated financial statements of Healthy World for the financial year ended June 30, 2004 was conducted by Messrs. Tan & Tan Associates. These audited financial statements, which were not subject to any qualification, have not been reaudited by us.

The auditors' reports on the consolidated financial statements of Healthy World for the financial years ended June 30, 2004 to 2006 and financial period July 1, 2006 to September 30, 2006 have been enclosed in Appendices I to IV of this Report.

The auditors of Healthy World foreign subsidiary companies for the financial year/period under consideration are as follows:

| Foreign Subsidiary Companies | Auditors |
|---|--|
| Ogawa Health-Care Pte Ltd | Tan Kian Tin & Co |
| Ogawa Health-Care International (HK) Ltd | Albert Wong & Co |
| Ogawa (Shanghai) Health-Care Equipment Co Ltd | Shanghai Shangzi Certified Public Accountants Co Ltd |

The audited financial statements of these foreign subsidiary companies for the financial year/period under consideration were not subject any qualification.

G3. FINANCIAL STATEMENTS AND BASIS OF PREPARATION

The consolidated financial statements of Healthy World as mentioned in Section G4 have been prepared based on the audited consolidated financial statements of Healthy World, which have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia. As of July 1, 2006, Healthy World adopted all the new and revised Financial Reporting Standards ("FRSs") issued by MASB that are relevant to its operations and effective for financial periods beginning on or after January 1, 2006 as mentioned in Note 1 of Section G4. As disclosed therein, the adoption of FRSs resulted in the change in presentation of minority interests and derecognition of reserve on consolidation.

Other than those as mentioned in Note 1 of Section G4, there were no changes in accounting policies or accounting estimates made by Healthy World and its subsidiary companies for the financial years/period under consideration that have significant effects on the audited financial statements.

The presentation of the audited consolidated income statements and balance sheets for the financial years ended June 30, 2004, 2005 and 2006 in Section G4 has been changed to conform with the presentation of the audited consolidated income statement and balance sheet for the financial period July 1, 2006 to September 30, 2006.

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G4. HISTORICAL FINANCIAL STATEMENTS OF HEALTHY WORLD AND ITS SUBSIDIARY COMPANIES ("HEALTHY WORLD GROUP" or "THE GROUP")**Consolidated Income Statements**

The following consolidated income statements are based on the audited financial statements of Healthy World Group for the financial years ended June 30, 2004 to 2006 and financial period July 1, 2006 to September 30, 2006 and, the unaudited management accounts for the financial period July 1, 2005 to September 30, 2005:

| | Note | Audited | | | Financial | Unaudited |
|---|-------------|------------------------------|--------------|---------------|--|--|
| | | Financial year ended June 30 | | | period July 1, | Financial |
| | | 2004 | 2005 | 2006 | period July 1, 2006 to September 30, 2006 | period July 1, 2005 to September 30, 2005 |
| | (12 months) | | | (3 months) | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Revenue | 3 | 44,336 | 96,615 | 131,850 | 30,308 | 26,551 |
| Investment income | | 55 | 65 | 91 | 33 | 22 |
| Other operating income | 5 | 50 | 248 | 309 | 50 | 23 |
| Changes in inventories | | (774) | 6,704 | 1,629 | 711 | (1,724) |
| Trading merchandise purchased | | (17,257) | (48,889) | (58,613) | (11,556) | (9,094) |
| Staff costs | 5 | (6,460) | (12,105) | (17,750) | (4,487) | (1,698) |
| Directors' remuneration | 4 | (1,493) | (2,284) | (3,120) | (780) | (577) |
| Depreciation of property, plant and equipment | 8 | (852) | (1,341) | (1,721) | (621) | (326) |
| Finance costs | 6 | (46) | (53) | (77) | (23) | (3) |
| Other operating expenses | 5 | (14,179) | (26,855) | (35,173) | (9,392) | (8,585) |
| Profit before tax | | 3,380 | 12,105 | 17,425 | 4,243 | 4,589 |
| Income tax expense | 7 | (1,469) | (3,543) | (5,923) | (1,361) | (1,413) |
| Profit for the year/period | | <u>1,911</u> | <u>8,562</u> | <u>11,502</u> | <u>2,882</u> | <u>3,176</u> |
| Attributable to: | | | | | | |
| Equity holders of the parent | | 2,102 | 8,204 | 10,352 | 2,701 | 2,785 |
| Minority interests | | (191) | 358 | 1,150 | 181 | 391 |
| | | <u>1,911</u> | <u>8,562</u> | <u>11,502</u> | <u>2,882</u> | <u>3,176</u> |

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Consolidated Balance Sheets

The following consolidated balance sheets are based on the audited financial statements of Healthy World Group as of June 30, 2004 to 2006 and September 30, 2006:

| | Note | As of | | | |
|---|------|----------------|----------------|----------------|--------------------------------|
| | | 2004 RM'000 | 2005 RM'000 | 2006 RM'000 | September 30 2006 RM'000 |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 8 | 7,204 | 10,078 | 11,689 | 12,949 |
| Goodwill on consolidation | 9 | 9 | - | 110 | 115 |
| Deferred tax asset | 10 | - | - | 8 | 12 |
| | | <u>7,213</u> | <u>10,078</u> | <u>11,807</u> | <u>13,076</u> |
| Current Assets | | | | | |
| Inventories - at cost | | 1,355 | 8,167 | 9,815 | 14,608 |
| Trade receivables | 11 | 6,641 | 8,798 | 15,249 | 15,622 |
| Other receivables and prepaid expenses | 11 | 2,712 | 3,679 | 6,283 | 7,978 |
| Amount owing by Directors | 12 | 36 | 26 | 380 | 5 |
| Amount owing by non-consolidated subsidiary company | | 870 | - | - | - |
| Short-term deposits with licensed banks | | 800 | 2,700 | 2,780 | 3,270 |
| Cash and bank balances | | 1,835 | 4,640 | 5,224 | 4,632 |
| | | <u>14,249</u> | <u>28,010</u> | <u>39,731</u> | <u>46,115</u> |
| TOTAL ASSETS | | <u>21,462</u> | <u>38,088</u> | <u>51,538</u> | <u>59,191</u> |
| EQUITY AND LIABILITIES | | | | | |
| Capital and Reserves | | | | | |
| Issued capital | 13 | 1,200 | 1,200 | 1,200 | 1,200 |
| Reserve on consolidation | | 1,578 | 1,845 | 2,520 | - |
| Translation reserve | | 12 | (13) | 34 | 54 |
| Unappropriated profit | 14 | 6,202 | 14,406 | 24,758 | 29,979 |
| Equity attributable to equity holders of parent | | 8,992 | 17,438 | 28,512 | 31,233 |
| Minority interests | | 266 | 735 | 2,746 | 2,929 |
| Total Equity | | <u>9,258</u> | <u>18,173</u> | <u>31,258</u> | <u>34,162</u> |
| Non-Current Liabilities | | | | | |
| Hire-purchase payables | 15 | 126 | 926 | 971 | 1,036 |
| Term loan | 16 | 464 | - | - | - |
| Deferred tax liabilities | 10 | 126 | 233 | 399 | 349 |
| | | <u>716</u> | <u>1,159</u> | <u>1,370</u> | <u>1,385</u> |

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| | Note | As of | | | September 30 2006 RM'000 |
|-------------------------------------|------|----------------|----------------|----------------|--------------------------------|
| | | 2004 RM'000 | 2005 RM'000 | 2006 RM'000 | |
| Current Liabilities | | | | | |
| Trade payables | 17 | 2,355 | 7,540 | 6,915 | 11,864 |
| Other payables and accrued expenses | 17 | 8,276 | 7,930 | 9,335 | 9,033 |
| Amount owing to Directors | 12 | 301 | 526 | 280 | 149 |
| Hire-purchase payables | 15 | 143 | 672 | 770 | 835 |
| Term loan | 16 | 32 | - | - | - |
| Income tax liabilities | | 381 | 2,088 | 1,610 | 1,763 |
| | | <u>11,488</u> | <u>18,756</u> | <u>18,910</u> | <u>23,644</u> |
| Total Liabilities | | <u>12,204</u> | <u>19,915</u> | <u>20,280</u> | <u>25,029</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>21,462</u> | <u>38,088</u> | <u>51,538</u> | <u>59,191</u> |

Note 1: Finance lease payables as of June 30, 2004 and 2005 based on the audited financial statements have been reclassified as hire-purchase payables to conform with their presentation in the audited financial statements as of June 30, 2006.

Consolidated Statements of Changes in Equity

The following consolidated statements of changes in equity are based on the audited financial statements of HEALTHY WORLD Group for the financial years ended June 30, 2004 to 2006 and financial period July 1, 2006 to September 30, 2006 and, the unaudited management accounts for the financial period July 1, 2005 to September 30, 2005:

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| | ----- Non-distributable ----- | | | Distributable | | Total RM'000 |
|---|-------------------------------|---------------------------------------|----------------------------------|------------------------------------|---------------------------------|-----------------|
| | Issued capital RM'000 | Reserve on consolidation RM'000 | Translation reserve RM/000 | Unappropriated profit RM'000 | Minority interests RM'000 | |
| Balance as of July 1, 2003 | 1,200 | 1,578 | 12 | 4,100 | 218 | 7,108 |
| Translation differences | - | - | - | - | (5) | (5) |
| Acquisition of subsidiary companies | - | - | - | - | 244 | 244 |
| Net profit for the year | - | - | - | 2,102 | (191) | 1,911 |
| Balance as of June 30, 2004 | 1,200 | 1,578 | 12 | 6,202 | 266 | 9,258 |
| Acquisition of subsidiary companies | - | 256 | - | - | 209 | 465 |
| Piecemeal acquisition of investment in an existing subsidiary company | - | 11 | - | - | (102) | (91) |
| Translation differences | - | - | (25) | - | 4 | (21) |
| Net profit for the year | - | - | - | 8,204 | 358 | 8,562 |
| Balance as of June 30, 2005 | 1,200 | 1,845 | (13) | 14,406 | 735 | 18,173 |
| Acquisition of subsidiary companies | - | 574 | - | - | 600 | 1,174 |
| Effect of issuance of shares by subsidiary companies | - | 101 | - | - | 255 | 356 |
| Translation differences | - | - | 47 | - | 6 | 53 |
| Net profit for the year | - | - | - | 10,352 | 1,150 | 11,502 |
| Balance as of June 30, 2006 | 1,200 | 2,520 | 34 | 24,758 | 2,746 | 31,258 |
| Transfer to unappropriated profit | - | (2,520) | - | 2,520 | - | - |
| Effect of issuance of shares by a subsidiary company | - | - | - | - | (6) | (6) |
| Translation differences | - | - | 20 | - | 8 | 28 |
| Net profit for the period | - | - | - | 2,701 | 181 | 2,882 |
| Balance as of September 30, 2006 | 1,200 | - | 54 | 29,979 | 2,929 | 34,162 |

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| | Issued capital RM'000 | ----- Non-distributable ----- | | | Distributable | | Total RM'000 |
|--|--------------------------|------------------------------------|-------------------------------|---------------------------------|------------------------------|---------------|-----------------|
| | | Reserve on consolidation RM'000 | Translation reserve RM/000 | Unappropriated profit RM'000 | Minority interests RM'000 | | |
| Unaudited: | | | | | | | |
| Balance as of July 1, 2005 | 1,200 | 1,845 | (13) | 14,406 | 735 | 18,173 | |
| Acquisition of subsidiary companies | - | 446 | - | - | 600 | 1,046 | |
| Effect of issuance of shares by subsidiary companies | - | 124 | - | - | - | 124 | |
| Translation differences | - | - | 21 | - | (9) | 12 | |
| Net profit for the period | - | - | - | 2,785 | 391 | 3,176 | |
| Balance as of September 30, 2005 | 1,200 | 2,415 | 8 | 17,191 | 1,717 | 22,531 | |

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Consolidated Cash Flow Statements

The following consolidated cash flow statements are based on the audited financial statements of Healthy World Group for the financial years ended June 30, 2004 to 2006 and financial period July 1, 2006 to September 30, 2006 and, the unaudited management accounts for the financial period July 1, 2005 to September 30, 2005:

| | Audited | | | Financial | Unaudited |
|--|------------------------------|---------|---------|----------------|----------------|
| | Financial year ended June 30 | | | period July 1, | Financial |
| | 2004 | 2005 | 2006 | 2006 to | period July 1, |
| | (12 months) | | | September 30, | 2005 to |
| | RM'000 | RM'000 | RM'000 | September 30, | September 30, |
| | | | | 2006 | 2005 |
| | | | | (3 months) | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash Flows From Operating Activities | | | | | |
| Profit before tax | 3,380 | 12,105 | 17,425 | 4,243 | 4,589 |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | 852 | 1,341 | 1,721 | 621 | 326 |
| Property, plant and equipment written off | 511 | 101 | 325 | 51 | 1 |
| Finance costs | 46 | 53 | 77 | 23 | 3 |
| Goodwill on consolidation written off | 12 | - | - | - | - |
| Bad debts written off | - | 1,702 | - | - | - |
| Inventories written off | - | 11 | 37 | - | - |
| Gain on piecemeal disposal of investment in subsidiary company | (49) | - | - | - | - |
| Gain on disposals of property, plant and equipment | (34) | (102) | - | - | - |
| Interest income | (6) | (65) | (91) | (33) | (22) |
| Operating Profit Before Working Capital Changes | 4,712 | 15,146 | 19,494 | 4,905 | 4,897 |
| (Increase)/Decrease in: | | | | | |
| Inventories | 774 | (6,703) | (1,647) | (4,793) | 638 |
| Trade receivables | (4,864) | (3,423) | (3,615) | (373) | 199 |
| Other receivables and prepaid expenses | 3,803 | (518) | (1,518) | (1,698) | (1) |
| Amount owing by Directors | (36) | 9 | (354) | 375 | 26 |
| Amount owing by non- consolidated subsidiary company | (870) | 870 | - | - | - |
| Increase/(Decrease) in: | | | | | |
| Trade payables | (2,533) | 4,924 | (625) | 4,949 | (1,657) |
| Other payables and accrued expenses | 606 | (678) | (433) | (302) | (1,118) |
| Amount owing to Directors | 147 | 125 | (246) | (131) | (51) |
| Cash From Operations | 1,739 | 9,752 | 11,056 | 2,932 | 2,933 |
| Income tax paid | (1,333) | (1,776) | (6,388) | (1,242) | (24) |
| Net Cash From Operating Activities | 406 | 7,976 | 4,668 | 1,690 | 2,909 |

(Forward)

12. ACCOUNTANTS' REPORT (Cont'd)

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| | Audited | | | Financial period July 1, 2006 to September 30, 2006 | Unaudited Financial period July 1, 2005 to September 30, 2005 | |
|--|------------------------------|----------------|----------------|---|--|---------|
| | Financial year ended June 30 | | | | | |
| | Note | 2004 RM'000 | 2005 RM'000 | 2006 RM'000 | (3 months) RM'000 | RM'000 |
| Cash Flows From Investing Activities | | | | | | |
| Proceeds from disposal of property, plant and equipment | | 195 | 240 | 19 | - | 287 |
| Proceeds from disposal of investment | | 56 | - | - | - | - |
| Interest received | | 6 | 65 | 91 | 33 | 22 |
| Purchase of property, plant and equipment (Note) | | (3,937) | (2,522) | (2,386) | (1,582) | (128) |
| Acquisition of minority interests in subsidiary companies | | (30) | (24) | (25) | - | - |
| Net cash inflow/(outflow) from acquisition of subsidiary companies | | - | 50 | (1,074) | - | (1,185) |
| Net Cash Used In Investing Activities | | (3,710) | (2,191) | (3,375) | (1,549) | (1,004) |
| Cash Flows Used In Financing Activities | | | | | | |
| Repayment of hire-purchase payables | | (260) | (449) | (530) | (217) | (131) |
| Interest paid | | (46) | (53) | (77) | (23) | (3) |
| Repayment of term loan | | (34) | (496) | - | - | - |
| Dividend paid to minority shareholder of subsidiary company | | - | (50) | - | - | - |
| Net Cash Used In Financing Activities | | (340) | (1,048) | (607) | (240) | (134) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (3,644) | 4,737 | 686 | (99) | 1,771 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/ PERIOD | | 6,278 | 2,635 | 7,340 | 8,004 | 7,340 |
| Effect of exchange rate changes on cash and cash equivalents | | 1 | (32) | (22) | (3) | - |
| CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD | 19 | 2,635 | 7,340 | 8,004 | 7,902 | 7,340 |

12. ACCOUNTANTS' REPORT (Cont'd)

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Note to Consolidated Cash Flow Statement:

The Group acquired property, plant and equipment through the following arrangements:

| | ----- Audited ----- | | | Financial | Unaudited |
|---|------------------------------|----------------|--------------|------------------------|----------------|
| | Financial year ended June 30 | | | period July 1, | Financial |
| | 2004 | 2005 | 2006 | 2006 to | period July 1, |
| | (12 months) | | | September 30, | 2005 to |
| | | | | 2006 | September 30, |
| | RM'000 | RM'000 | RM'000 | RM'000 | 2005 |
| | ----- | | | ----- (3 months) ----- | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Total costs of property, plant and equipment acquired | 4,237 | 4,261 | 3,057 | 1,929 | 217 |
| Less: Acquisition via hire-purchase arrangements | <u>(300)</u> | <u>(1,739)</u> | <u>(671)</u> | <u>(347)</u> | <u>(89)</u> |
| Cash payments | <u>3,937</u> | <u>2,522</u> | <u>2,386</u> | <u>1,582</u> | <u>128</u> |

12. ACCOUNTANTS' REPORT (Cont'd)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SIGNIFICANT ACCOUNTING POLICIES****Changes in Accounting Policies**

On July 1, 2006, the Group adopted all the new and revised Financial Reporting Standards ("FRSs") issued by MASB that are relevant to their operations and effective for financial periods beginning on or after January 1, 2006 as follows:

| | |
|---------|---|
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| FRS 101 | Presentation of Financial Statements |
| FRS 102 | Inventories |
| FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| FRS 110 | Events After the Balance Sheet Date |
| FRS 116 | Property, Plant and Equipment |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates |
| FRS 127 | Consolidated and Separate Financial Statements |
| FRS 132 | Financial Instruments: Disclosure and Presentation |
| FRS 133 | Earnings per Share |
| FRS 136 | Impairment of Assets |

The adoption of these new/revised FRSs does not result in significant changes in the accounting policies of the Group except for the following:

(a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(b) FRS 3: Business Combinations

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. Prior to July 1, 2006, negative goodwill was credited as reserve on consolidation in the balance sheet of the Group. In accordance with the transitional provisions of FRS 3, the negative goodwill as at July 1, 2006 was derecognised and an adjustment of RM2,520,625 is made to the opening unappropriated profit and reserve on consolidation. As such, this change in presentation has not been adjusted for retrospectively in the financial statements for the financial years ended June 30, 2004, 2005 and 2006.

12. ACCOUNTANTS' REPORT (Cont'd)

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Accounting Standards Issued But Not Effective

As of September 30, 2006, the following new and revised FRSs have been issued but not yet effective until future periods:

| | |
|---------|---|
| FRS 6 | Exploration for and Evaluation of Mineral Resources |
| FRS 117 | Leases |
| FRS 124 | Related Party Disclosures |
| FRS 139 | Financial Instruments: Recognition and Measurement |

(a) FRS 6 Exploration for and Evaluation of Mineral Resources

FRS 6 is effective for financial periods beginning on or after January 1, 2007. This standard is not relevant to the Group's operations as the Group does not carry out exploration for and evaluation of mineral resources.

(b) FRS 117 Leases

FRS 117 is effective for accounting periods beginning on or after October 1, 2006. The Group will apply this standard from financial periods beginning July 1, 2007. The adoption of FRS 117 is not expected to have any significant financial effects on the results of the Group.

(c) FRS 124 Related Party Disclosures

FRS 124 is effective for accounting periods beginning on or after October 1, 2006 and will affect the identification of related parties and certain other related party disclosures. The Group will apply this standard from financial periods beginning July 1, 2007.

(d) FRS 139 Financial Instruments: Recognition and Measurement

The effective date of FRS 139 has yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard when it becomes effective. The adoption of FRS 139 is not expected to have any significant financial effects on the results of the Group.

Basis of Consolidation

The consolidated financial statements include the audited financial statements of the Company and of all subsidiary companies made up to the end of the financial year/period.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholder is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed off during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances are eliminated on consolidation.

12. ACCOUNTANTS' REPORT (Cont'd)

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Revenue

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.

Income Tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using the tax rates that are enacted or substantively enacted as of the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences, unutilised tax losses and unused capital allowances can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of an asset or liability in a transaction which affects neither the tax profit nor the accounting profit.

At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Company recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Employee Benefits

Wages, salaries, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

The Company and certain subsidiary companies make monthly statutory contributions to Employees Provident Fund, a statutory defined contribution plan for all its eligible employees. The contributions, calculated at certain prescribed rates, are charged to the income statement.

Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates, or where settlement has not yet been made at the end of the financial year, at the approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary companies have been translated into Ringgit Malaysia as follows:

| | | |
|---------------------------|---|--------------------|
| Assets and liabilities | - | at closing rate |
| Share capital and reserve | - | at historical rate |
| Revenue and expenses | - | at average rate |

The closing rates per unit of Ringgit Malaysia used in converting foreign currency amounts and the translation of foreign incorporated subsidiary companies' financial statements are as follows:

12. ACCOUNTANTS' REPORT (Cont'd)

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| | 30.6.2004 RM | 30.6.2005 RM | 30.6.2006 RM | 30.9.2006 RM |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
| <u>Foreign currency</u> | | | | |
| 1 United States Dollar | 3.8000 | 3.8000 | - | - |
| 1 Australian Dollar | 2.8510 | 2.9032 | - | - |
| 1 Singapore Dollar | 2.2342 | 2.2576 | 2.3126 | 2.3221 |
| 1 Hong Kong Dollar | - | - | 0.4732 | 0.4729 |
| 1 China Renminbi | - | - | 0.4598 | 0.4660 |

Goodwill on Consolidation

Goodwill arising on consolidation represents the excess of the purchase consideration over the share of the fair value of the identifiable net assets of a subsidiary company at the date of acquisition. Goodwill arising on consolidation in respect of a subsidiary company acquired is recorded at cost in the balance sheets and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Property, Plant and Equipment and Depreciation

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

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 the income statements.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement.

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 the various assets after netting off the residual value over their estimated useful lives at the following annual rates:

| | |
|---|---------|
| Freehold building | 2% |
| Office equipment and furniture and fittings | 10% |
| Computer and telecommunication equipment | 33 1/3% |
| Renovation | 25% |
| Electrical installation and signboards | 25% |
| Motor vehicles | 20% |

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 the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

12. ACCOUNTANTS' REPORT (Cont'd)

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Investment in Subsidiary Companies

Investment in subsidiary companies, which is eliminated on consolidation, is stated at cost in the Company's financial statements. Where there is an indication of impairment in the value of the assets, the carrying amount of the assets is assessed and written down immediately to its recoverable amount.

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.

In arriving at net realisable value, due allowance is made for obsolete and slow moving inventories.

Receivables

Receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimate of possible losses which may arise from non-collection of certain receivable accounts.

Provisions

Provisions are made when the Group has 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.

Financial Assets

The Group's principal financial assets are trade and other receivables, amount owing by Directors, short-term deposits and, cash and cash equivalents.

Financial Liabilities

Debts and equity instruments are classified in accordance with the substance of the contractual arrangement.

The Group's significant financial liabilities are trade and other payables, amount owing to Directors, hire-purchase payables and term loan.

Term loan is recorded at the proceeds received net of direct issue costs and the relevant finance costs are accounted for on an accrual basis.

Cash Flow Statements

The Group adopts the indirect method in the preparation of the cash flow statements.

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

12. ACCOUNTANTS' REPORT (Cont'd)

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2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 1, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) 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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3. REVENUE

| | Audited | | | Unaudited | |
|-------------------|------------------------------|--------|---------|----------------------------------|----------------------------------|
| | Financial year ended June 30 | | | Financial period July 1, 2006 to | Financial period July 1, 2005 to |
| | 2004 | 2005 | 2006 | September 30, 2006 | September 30, 2005 |
| | (12 months) | | | (3 months) | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Sales of goods | 43,780 | 96,506 | 131,775 | 30,281 | 26,531 |
| Services rendered | 556 | 109 | 75 | 27 | 20 |
| | 44,336 | 96,615 | 131,850 | 30,308 | 26,551 |

4. DIRECTORS' REMUNERATION

| | Audited | | | Unaudited | |
|--|------------------------------|--------|--------|----------------------------------|----------------------------------|
| | Financial year ended June 30 | | | Financial period July 1, 2006 to | Financial period July 1, 2005 to |
| | 2004 | 2005 | 2006 | September 30, 2006 | September 30, 2005 |
| | (12 months) | | | (3 months) | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Executive Directors | | | | | |
| The Company: | | | | | |
| - Fees and salaries | 300 | 221 | 97 | 24 | 61 |
| - Other emoluments | 744 | 1,177 | 1,660 | 415 | 314 |
| | 1,044 | 1,398 | 1,757 | 439 | 375 |
| Subsidiary Companies: | | | | | |
| - Fees and salaries | - | 415 | 572 | 143 | 56 |
| - Other emoluments | 449 | 471 | 791 | 198 | 146 |
| | 449 | 886 | 1,363 | 341 | 202 |
| | 1,493 | 2,284 | 3,120 | 780 | 577 |
| Including: | | | | | |
| Contributions to Employees' Provident Fund | 26 | 47 | 56 | 14 | 18 |

12. ACCOUNTANTS' REPORT (Cont'd)

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5. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS

Included in other operating income/(expenses) are the following:

| | Audited | | | Unaudited | |
|--|------------------------------|---------|---------|----------------------------------|----------------------------------|
| | Financial year ended June 30 | | | Financial period July 1, 2006 to | Financial period July 1, 2005 to |
| | 2004 | 2005 | 2006 | September 30, 2006 | September 30, 2005 |
| | (12 months) | | | (3 months) | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Gain on disposals of property, plant and equipment | 34 | 102 | - | - | - |
| Rental expense on: | | | | | |
| Outlets | (2,345) | (3,786) | (4,108) | (2,700) | (1,286)) |
| Counters and booths | (1,498) | (1,830) | (2,617) | (912) | (857) |
| Others | (130) | (237) | (204) | (154) | (130) |
| Property, plant and equipment written off | (511) | (101) | (325) | (51) | (1) |
| Audit fees: | | | | | |
| Statutory audit | (48) | (79) | (137) | - | (34) |
| Special audit | - | - | - | (51) | - |
| Other services | - | (130) | (60) | - | - |
| Goodwill on consolidation written off | (12) | - | - | - | - |
| Inventories written off | - | (11) | (37) | - | - |
| Bad debts written off | - | (1,702) | - | - | - |
| Contributions to Employees' Provident Fund included in staff costs | 883 | 1,067 | 1,901 | 613 | 411 |

Staff costs include salaries, contributions to EPF, bonuses and other staff related expenses.

6. FINANCE COSTS

| | Audited | | | Unaudited | |
|------------------------|------------------------------|--------|--------|----------------------------------|----------------------------------|
| | Financial year ended June 30 | | | Financial period July 1, 2006 to | Financial period July 1, 2005 to |
| | 2004 | 2005 | 2006 | September 30, 2006 | September 30, 2005 |
| | (12 months) | | | (3 months) | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest on: | | | | | |
| Hire-purchase payables | 18 | 40 | 77 | 23 | 3 |
| Term loan | 28 | 13 | - | - | - |
| | 46 | 53 | 77 | 23 | 3 |

12. ACCOUNTANTS' REPORT (Cont'd)

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7. INCOME TAX EXPENSE

| | Audited | | | Unaudited | |
|---|------------------------------|--------|------------|--|--|
| | Financial year ended June 30 | | | Financial | Financial |
| | 2004 | 2005 | 2006 | period July 1, 2006 to September 30, 2006 | period July 1, 2005 to September 30, 2005 |
| (12 months) | | | (3 months) | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Estimated current tax payable: | | | | | |
| Income tax | 1,432 | 3,441 | 5,721 | 1,315 | 1,413 |
| Deferred tax (Note 10) | 4 | 102 | 80 | 109 | - |
| | 1,436 | 3,543 | 5,801 | 1,424 | 1,413 |
| Under/(Over)provision in prior years (net): | | | | | |
| Income tax | (64) | - | 43 | 100 | - |
| Deferred tax (Note 10) | 97 | - | 79 | (163) | - |
| | 33 | - | 122 | (63) | - |
| | 1,469 | 3,543 | 5,923 | 1,361 | 1,413 |

A reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

| | Audited | | | Unaudited | |
|--|------------------------------|--------|------------|--|--|
| | Financial year ended June 30 | | | Financial | Financial |
| | 2004 | 2005 | 2006 | period July 1, 2006 to September 30, 2006 | period July 1, 2005 to September 30, 2005 |
| (12 months) | | | (3 months) | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax | 3,380 | 12,105 | 17,425 | 4,243 | 4,589 |
| Tax at the applicable tax rates: | | | | | |
| - 20% on the first RM500,000 chargeable income | 141 | 375 | 771 | 279 | 577 |
| - 28% (27% for the financial period July 1, 2006 to September 30, 2006) on the remaining chargeable income | 747 | 2,864 | 3,995 | 715 | 477 |
| Difference in applicable tax rate of a foreign subsidiary company | - | - | 70 | 15 | - |
| Tax effects of expenses not deductible for tax purposes | 548 | 304 | 727 | 153 | 467 |
| Deferred tax asset not recognised | - | - | 238 | 262 | - |
| Realisation of deferred tax asset not recognised previously | - | - | - | - | (108) |
| Tax at effective tax rate | 1,436 | 3,543 | 5,801 | 1,424 | 1,413 |
| Under/(Over)provision in prior years (net) | 33 | - | 122 | (63) | - |
| Tax charged to income statements | 1,469 | 3,543 | 5,923 | 1,361 | 1,413 |

12. ACCOUNTANTS' REPORT (Cont'd)

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8. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM'000 | Freehold building RM'000 | Office equipment and furniture and fittings RM'000 | Computer and telecommuni- cation equipment RM'000 | Renovation RM'000 | Electrical installation and signboards RM'000 | Motor vehicles RM'000 | Total RM'000 |
|-------------------------------------|-------------------------|-----------------------------|---|---|----------------------|---|-----------------------------|-----------------|
| Cost | | | | | | | | |
| At beginning of year | 1,576 | 76 | 1,509 | 458 | 333 | 543 | 1,003 | 5,498 |
| Additions | - | 2,929 | 382 | 79 | 181 | 331 | 335 | 4,237 |
| Disposals | - | - | (108) | (21) | (19) | (40) | (30) | (218) |
| Write-offs | - | - | (708) | (43) | (96) | (192) | - | (1,039) |
| At end of year | 1,576 | 3,005 | 1,075 | 473 | 399 | 642 | 1,308 | 8,478 |
| Accumulated Depreciation | | | | | | | | |
| At beginning of year | - | - | 299 | 193 | 97 | 159 | 265 | 1,013 |
| Charge for the year | - | 15 | 156 | 155 | 136 | 153 | 237 | 852 |
| Disposals | - | - | (17) | (9) | (7) | (14) | (10) | (57) |
| Write-offs | - | - | (282) | (42) | (68) | (136) | - | (528) |
| Foreign exchange difference | - | - | (1) | (1) | (1) | (1) | (2) | (6) |
| At end of year | - | 15 | 155 | 296 | 157 | 161 | 490 | 1,274 |
| Net Book Value | | | | | | | | |
| At end of year | 1,576 | 2,990 | 920 | 177 | 242 | 481 | 818 | 7,204 |

12. ACCOUNTANTS' REPORT (Cont'd)

| | | Freehold land RM'000 | Freehold building RM'000 | Office equipment and furniture and fittings RM'000 | Computer and telecommunication equipment RM'000 | Renovation RM'000 | Electrical installation and signboards RM'000 | Motor vehicles RM'000 | Total RM'000 |
|-------------------------------------|-------|----------------------|--------------------------|--|---|-------------------|---|-----------------------|--------------|
| Deloitte KassimChan | | | | | | | | | |
| June 30, 2005 | | | | | | | | | |
| Cost | | | | | | | | | |
| At beginning of year | 1,576 | 3,005 | 1,075 | 473 | 399 | 642 | 1,308 | 8,478 | |
| Additions | 377 | 36 | 847 | 169 | 323 | 296 | 2,213 | 4,261 | |
| Acquisition of subsidiary companies | - | - | 79 | 7 | 13 | 45 | 73 | 217 | |
| Disposals | - | - | - | - | - | - | (358) | (358) | |
| Write-offs | - | - | (84) | (2) | (17) | (52) | - | (155) | |
| Foreign exchange difference | - | - | 1 | - | - | - | - | 1 | |
| At end of year | 1,953 | 3,041 | 1,918 | 647 | 718 | 931 | 3,236 | 12,444 | |
| Accumulated Depreciation | | | | | | | | | |
| At beginning of year | - | 15 | 155 | 296 | 157 | 161 | 490 | 1,274 | |
| Charge for the year | - | 60 | 192 | 132 | 221 | 202 | 534 | 1,341 | |
| Acquisition of subsidiary companies | - | - | 8 | 2 | 3 | 7 | 5 | 25 | |
| Disposals | - | - | - | - | - | - | (220) | (220) | |
| Write-offs | - | - | (17) | (1) | (11) | (25) | - | (54) | |
| Foreign exchange difference | - | - | - | - | - | - | - | - | |
| At end of year | - | 75 | 338 | 429 | 370 | 345 | 809 | 2,366 | |
| Net Book Value | | | | | | | | | |
| At end of year | 1,953 | 2,966 | 1,580 | 218 | 348 | 586 | 2,427 | 10,078 | |

12. ACCOUNTANTS' REPORT (Cont'd)

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| | Freehold land RM'000 | Freehold building RM'000 | Office equipment and furniture and fittings RM'000 | Computer and telecommunication equipment RM'000 | Renovation RM'000 | Electrical installation and signboards RM'000 | Motor vehicles RM'000 | Total RM'000 |
|-------------------------------------|-------------------------|-----------------------------|---|--|----------------------|--|--------------------------|-----------------|
| Cost | | | | | | | | |
| At beginning of year | 1,953 | 3,041 | 1,918 | 647 | 718 | 931 | 3,236 | 12,444 |
| Additions | - | - | 450 | 124 | 905 | 155 | 1,423 | 3,057 |
| Acquisition of subsidiary companies | - | - | 333 | 27 | 87 | 179 | - | 626 |
| Disposals | - | - | (168) | (32) | (34) | (100) | (113) | (113) |
| Write-offs | - | - | - | - | - | - | (155) | (489) |
| Foreign exchange difference | - | - | 2 | - | 16 | - | 6 | 24 |
| At end of year | 1,953 | 3,041 | 2,535 | 766 | 1,692 | 1,165 | 4,397 | 15,549 |
| Accumulated Depreciation | | | | | | | | |
| At beginning of year | - | 75 | 338 | 429 | 370 | 345 | 809 | 2,366 |
| Charge for the year | - | 61 | 235 | 124 | 307 | 210 | 784 | 1,721 |
| Acquisition of subsidiary companies | - | - | 5 | 2 | 4 | 6 | - | 17 |
| Disposals | - | - | - | - | - | - | (94) | (94) |
| Write-offs | - | - | (30) | (31) | (17) | (40) | (46) | (164) |
| Foreign exchange difference | - | - | 1 | - | 9 | - | 4 | 14 |
| At end of year | - | 136 | 549 | 524 | 673 | 521 | 1,457 | 3,860 |
| Net Book Value | | | | | | | | |
| At end of year | 1,953 | 2,905 | 1,986 | 242 | 1,019 | 644 | 2,940 | 11,689 |

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

| | Freehold land RM'000 | Freehold building RM'000 | Office equipment and furniture and fittings RM'000 | Computer and telecommunication equipment RM'000 | Renovation RM'000 | Electrical installation and signboards RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---------------------------------|-------------------------|-----------------------------|---|--|----------------------|--|--------------------------|-----------------|
| September 30, 2006 | | | | | | | | |
| Cost | | | | | | | | |
| At beginning of period | 1,953 | 3,041 | 2,535 | 766 | 1,692 | 1,165 | 4,397 | 15,549 |
| Additions | - | - | 360 | 92 | 804 | 155 | 518 | 1,929 |
| Write-offs | - | - | (38) | (3) | (4) | (16) | - | (61) |
| Foreign exchange difference | - | - | 1 | 1 | 13 | - | 4 | 19 |
| At end of period | 1,953 | 3,041 | 2,858 | 856 | 2,505 | 1,304 | 4,919 | 17,436 |
| Accumulated Depreciation | | | | | | | | |
| At beginning of period | - | 136 | 549 | 524 | 673 | 521 | 1,457 | 3,860 |
| Charge for the period | - | 15 | 84 | 38 | 185 | 64 | 235 | 621 |
| Write-offs | - | - | (4) | (1) | (1) | (4) | - | (10) |
| Foreign exchange difference | - | - | 2 | - | 10 | - | 4 | 16 |
| At end of period | - | 151 | 631 | 561 | 867 | 581 | 1,696 | 4,487 |
| Net Book Value | | | | | | | | |
| At end of period | 1,953 | 2,890 | 2,227 | 295 | 1,638 | 723 | 3,223 | 12,949 |

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

As of the end of the financial year/period, included in property, plant and equipment of the Group are:

- (a) Fully depreciated assets which are still in use:

| | 2004 RM'000 | As of June 30 2005 RM'000 | 2006 RM'000 | September 30 2006 RM'000 |
|--|----------------|------------------------------------|----------------|--------------------------------|
| Office equipment and furniture and fitting | - | - | - | 5 |
| Computer and telecommunication equipment | - | 237 | 185 | 217 |
| Electrical installation and signboard | - | 1 | 4 | 18 |
| Renovation | - | - | 15 | 9 |
| Motor vehicles | - | - | 8 | 81 |
| | - | 238 | 212 | 330 |

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

| | 2004 RM'000 | As of June 30 2005 RM'000 | 2006 RM'000 | September 30 2006 RM'000 |
|----------------|----------------|------------------------------------|----------------|--------------------------------|
| Motor vehicles | 776 | 2,386 | 2,736 | 2,810 |

- (c) Net book value of property, plant and equipment pledged as security for banking facilities granted to the Group as mentioned in Note 16:

| | 2004 RM'000 | As of June 30 2005 RM'000 | 2006 RM'000 | September 30 2006 RM'000 |
|----------------------------|----------------|------------------------------------|----------------|--------------------------------|
| Freehold land and building | 4,566 | - | - | - |

12. ACCOUNTANTS' REPORT (Cont'd)

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9. GOODWILL ON CONSOLIDATION

| | 2004 | As of June 30 2005 | 2006 | September 30 2006 |
|--|--------|--------------------------|--------|----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At cost: | | | | |
| Balance at beginning of year/period | - | 9 | - | 110 |
| Arising from increase in equity interest in a subsidiary company | 9 | - | 110 | 5 |
| Offset against reserve on consolidation arising from piecemeal acquisition of equity interest in the same subsidiary company | - | (9) | - | - |
| Balance at end of year/period | 9 | - | 110 | 115 |

10. DEFERRED TAX ASSET/(LIABILITIES)

| | 2004 | As of June 30 2005 | 2006 | September 30 2006 |
|--------------------------------------|--------|--------------------------|--------|----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>Deferred Tax Asset</i> | | | | |
| Balance at beginning of year/period | - | - | - | 8 |
| Transfer from income statements | - | - | 8 | 4 |
| Balance at end of year/period | - | - | 8 | 12 |
| <i>Deferred Tax Liabilities</i> | | | | |
| Balance at beginning of year/period | 25 | 126 | 232 | 399 |
| Transfer from/(to) income statements | 101 | 102 | 167 | (50) |
| Acquisition of subsidiary companies | - | 5 | - | - |
| Balance at end of year/period | 126 | 233 | 399 | 349 |

The deferred tax asset/(liabilities) are in respect of tax effects of temporary differences arising from property, plant and equipment.

As mentioned in Note 1, the tax effects of temporary difference which would give rise to net deferred tax asset are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused capital allowances can be utilised. As of the end of the financial year/period, the estimated amount of net deferred tax asset of the Group arising from unused tax losses, calculated at current tax rate which has not been recognised in the financial statements are as follows:

| | 2004 | As of June 30 2005 | 2006 | September 30 2006 |
|--|--------|--------------------------|--------|----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unrecognised net deferred tax asset arising from unused tax losses | 47 | 47 | 285 | 547 |
| | 47 | 47 | 285 | 547 |

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

11. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables comprise amounts receivable from the sales of goods. The credit period granted by the Group to its trade customers on sales of goods and services rendered during the financial year/period under review is 30 days.

Other receivables and prepaid expenses comprise:

| | As of | | | September 30 |
|----------------------------------|--------------|-----------------|--------------|--------------|
| | 2004 | June 30 2005 | 2006 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Advances to foreign distributors | 1,305 | 1,539 | 1,313 | 1,227 |
| Prepaid expenses | 1,060 | 1,714 | 1,339 | 2,126 |
| Other receivables | 219 | 120 | 372 | 567 |
| Refundable deposits | 128 | 237 | 3,044 | 3,862 |
| Tax recoverable | - | 69 | 215 | 196 |
| | <u>2,712</u> | <u>3,679</u> | <u>6,283</u> | <u>7,978</u> |

12. AMOUNT OWING BY/(TO) DIRECTORS

Amount owing by Directors, which arose mainly from expenses paid on behalf and sale proceeds collected on behalf of the Group, is unsecured, interest-free and has no fixed terms of repayment. As of February 9, 2007, amount owing by a Director as of September 30, 2006 of approximately RM5,000 had been settled in full.

Amount owing to Directors, which arose mainly from Directors' remuneration payable and expenses paid on behalf, is unsecured, interest free and has no fixed terms of repayment.

13. SHARE CAPITAL

| | As of | | | September 30 |
|---------------------------------------|--------------|-----------------|--------------|--------------|
| | 2004 | June 30 2005 | 2006 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Authorised: | | | | |
| 5,000,000 ordinary shares of RM1 each | <u>5,000</u> | <u>5,000</u> | <u>5,000</u> | <u>5,000</u> |
| Issued and fully paid: | | | | |
| 1,200,000 ordinary shares of RM1 each | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> |

14. UNAPPROPRIATED PROFIT

Based on the estimated tax credits available and the prevailing tax rate applicable to dividends, the Company is able to distribute all of its unappropriated profit as cash dividends without additional tax liability being incurred.

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

15. HIRE-PURCHASE PAYABLES

| | 2004 | As of June 30 2005 | 2006 | September 30 2006 |
|--|--------|--------------------------|--------|----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Total outstanding | 298 | 1,746 | 1,939 | 2,090 |
| Less: Interest-in-suspense | (29) | (148) | (198) | (219) |
| | 269 | 1,598 | 1,741 | 1,871 |
| Less: Amount due within 12 months (shown under current liabilities) | (143) | (672) | (770) | (835) |
| Non-current portion | 126 | 926 | 971 | 1,036 |

The non-current portion is payable as follows:

| | 2004 | As of June 30 2005 | 2006 | September 30 2006 |
|--------------------------------|--------|--------------------------|--------|----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial year ending June 30: | | | | |
| 2006 | 95 | - | - | - |
| 2007 | 28 | 536 | - | - |
| 2008 | 3 | 326 | 561 | 563 |
| 2009 | - | 57 | 231 | 271 |
| 2010 | - | 7 | 130 | 153 |
| 2011 | - | - | 49 | 49 |
| | 126 | 926 | 971 | 1,036 |

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements and the average term is about 2 to 5 years. The hire-purchase payables are secured by a charge over the assets under hire-purchase as disclosed in Note 8. The interest rates implicit in the hire-purchase obligations are as follows:

| | 2004 | As of June 30 2005 | 2006 | September 30 2006 |
|-----------------------------------|--------|--------------------------|-------------|----------------------|
| | % | % | % | % |
| Implicit interest rates per annum | 3-9.34 | 3.1 - 9.34 | 4.84 - 9.34 | 4.73 - 12.8 |

16. TERM LOAN

| | 2004 | As of June 30 2005 | 2006 | September 30 2006 |
|--|------|--------------------------|------|----------------------|
| | RM | RM | RM | RM |
| Total outstanding | 496 | - | - | - |
| Less: Portion repayable within 12 months | (32) | - | - | - |
| Non-current portion | 464 | - | - | - |

12. ACCOUNTANTS' REPORT (Cont'd)

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The term loan facility of RM550,000 obtained from a local licensed bank in 2004 was secured by way of fixed charge over the Company's freehold land and building and was jointly and severally guaranteed by all the Directors of the Company. The said term loan bore interest at rates ranging from 4.25% to 6% per annum. The said term loan was fully settled in 2005.

17. 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.

Included in trade payables of the Group as of the end of the financial year/period is amount owing to Morwell, a company in which Messrs. Wong Lee Keong and Lim Poh Khian, two (2) of the Directors of the Company, are also Directors and shareholders, as follows:

| | As of | | | September 30 |
|-------------------------|--------|--------|--------|--------------|
| | 2004 | 2005 | 2006 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amount owing to Morwell | 2,070 | 7,297 | 2,726 | 2,706 |

This amount which arose mainly from trade transactions, is unsecured, interest-free and is repayable within the trade credit period of 30 days.

During the financial year/period under consideration, significant transaction with Morwell is as follows:

| | Audited | | | Unaudited |
|-----------------|------------------------------|--------|--------|---|
| | Financial year ended June 30 | | | Financial period July 1, 2005 to September 30, 2005 |
| | 2004 | 2005 | 2006 | September 30, 2006 |
| | (12 months) | | | (3 months) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade purchases | 16,713 | 50,631 | 23,938 | 10,928 |

Other payables and accrued expenses consist of the following:

| | As of | | | September 30 |
|-------------------|--------|--------|--------|--------------|
| | 2004 | 2005 | 2006 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Accrued expenses | 1,905 | 2,870 | 4,460 | 2,527 |
| Other payables | 5,529 | 3,689 | 2,703 | 2,383 |
| Deposits received | 842 | 1,371 | 2,172 | 4,123 |
| | 8,276 | 7,930 | 9,335 | 9,033 |

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

18. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including interest rate risk, credit risk, liquidity risk and cash flow 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.

(i) **Interest rate risk**

As the Group's hire-purchase payables is subject to fixed interest rate, its only exposure to interest rate risk is through the impact of rate changes on short-term deposits.

(ii) **Credit risk**

The Group is exposed to credit risk mainly from its trade receivables. The Group extends credit to its customers based on careful evaluation of the customers' financial condition and credit history.

The Group's exposure to credit risk in relation to its trade receivables, should all its customers fail to perform their obligations as of the end of the financial year/period under review, is the carrying amount of these receivables as disclosed in the balance sheet.

(iii) **Liquidity risk**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(iv) **Cash flow risk**

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

Fair Values

The carrying amounts of financial assets and liabilities as reported in the balance sheets as of the end of the financial year/period under consideration approximate their fair values of these assets and liabilities because of the immediate and short-term maturity period of these financial instruments, except for the following financial liability:

| | As of | | | September 30 2006 RM'000 |
|---|----------------|---------------------------|----------------|--------------------------------|
| | 2004 RM'000 | June 30 2005 RM'000 | 2006 RM'000 | |
| Hire-purchase payables (Note 15) | | | | |
| Carrying value | 269 | 1,598 | 1,741 | 1,871 |
| Fair value | 253 | 1,543 | 1,551 | 1,615 |

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

The fair value of hire-purchase payables are estimated using discounted cash flow based on current borrowing rates for similar types of borrowing arrangements as follows:

| | 2004 | June 30 2005 | 2006 | September 30 2006 |
|-----------------------------------|----------|-----------------|-------------|----------------------|
| | % | % | % | % |
| Current borrowing rates per annum | 3 - 9.34 | 3.1 - 9.34 | 4.84 - 9.34 | 4.73 - 12.8 |

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following:

| | 2004 | As of June 30 2005 | 2006 | September 30 2006 |
|---|--------|--------------------------|--------|----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Short-term deposits with licensed banks | 800 | 2,700 | 2,780 | 3,270 |
| Cash and bank balances | 1,835 | 4,640 | 5,224 | 4,632 |
| | 2,635 | 7,340 | 8,004 | 7,902 |

The features of the short-term deposits with licensed banks are as follows:

| | 2004 | As of June 30 2005 | 2006 | September 30 2006 |
|--------------------------------|---------|--------------------------|---------|----------------------|
| Interest rate per annum (%) | 2 - 2.3 | 2 - 2.3 | 2 - 2.3 | 2 - 2.3 |
| Average maturity period (days) | 4 | 4 | 4 | 4 |

20. CONTINGENT LIABILITY

On September 15, 2005, the Company 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 Company's foot massagers. The solicitors of the Company are of the opinion that the case has no merit.

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

G5. FINANCIAL RATIOS OF HEALTHY WORLD GROUP

| | Audited | | | Financial | Unaudited |
|--|------------------------------|-------|-------|----------------|----------------|
| | Financial year ended June 30 | | | period July 1, | Financial |
| | 2004 | 2005 | 2006 | 2006 to | period July 1, |
| | (12 months) | | | September 30, | 2005 to |
| | | | | 2006 | September 30, |
| | | | | (3 months) | |
| Number of/Weighted average number of ordinary shares of RM1.00 each (RM'000) | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Pre-tax earnings per ordinary shares of RM1.00 each (RM) | 2.82 | 10.09 | 14.52 | 14.14 | 15.30 |
| Gross profit margin (%) | 59.33 | 56.34 | 56.78 | 64.22 | 59.26 |
| Net profit margin (%) | 4.74 | 8.49 | 7.85 | 8.91 | 10.49 |
| Net tangible assets per ordinary share of RM1.00 each based on number of shares in issue as of balance sheet date (RM) | 7.49 | 14.53 | 23.67 | 25.93 | 17.35 |
| Inventories turnover period (days) | 27 | 71 | 63 | 83 | 64 |
| | | | | Note 3 | |
| Trade receivables turnover period (days) | 55 | 33 | 42 | 46 | 39 |
| Trade payables turnover period (days) | 50 | 56 | 43 | 100 | 50 |
| | | | | Note 4 | |
| Gearing ratio (time) Note 2 | 8.51 | 9.16 | 0.06 | 0.06 | 0.07 |

Note 1: Financial results for the financial period July 1, 2006 to September 30, 2006 and financial period July 1, 2005 to September 30, 2005 were extrapolated to 12 months in computing the above.

Note 2: Computed based on interest-bearing borrowings over shareholders' equity.

Note 3: The longer inventories turnover period was due mainly to a higher inventory balance as of September 30, 2006, arising from the purchase of inventories from VGO Corporation Limited ("VGO") pursuant to a sale and purchase agreement dated July 1, 2006, to acquire VGO's furniture, fixture and fittings and inventories in relation to VGO's health and wellness equipment business.

Note 4: The longer trade payables turnover period was due mainly to amount owing to VGO as of September 30, 2006 arising from the abovementioned purchase of inventories from VGO.

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

H. MORWELL**H1. General Information**

Morwell was incorporated as a private limited company in Malaysia on August 26, 1986 under the Companies Act, 1965.

Morwell is principally involved in the import and marketing of health care equipment and supplementary appliances.

The current authorised share capital of Morwell is RM500,000 comprising 500,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM200,000 comprising 200,000 ordinary shares of RM1.00 each.

H2. AUDITED FINANCIAL STATEMENTS

We have acted as auditors of Morwell since the financial period January 1, 2005 to June 30, 2005. The audited financial statements of Morwell for the financial period January 1, 2005 to June 30, 2005, financial year ended June 30, 2006 and financial period July 1, 2006 to September 30, 2006 were not subject to any qualification.

We were not the statutory auditors of Morwell for the financial years ended December 31, 2003 and 2004. The audits of the financial statements of Morwell for the financial years ended December 31, 2003 and 2004 were conducted by Messrs. Y.L. Lim & Co. These audited financial statements, which were not subject to any qualification, have not been reaudited by us.

H3. FINANCIAL STATEMENTS AND BASIS OF PREPARATION

The financial statements of Morwell as mentioned in Section H4 have been prepared based on the audited financial statements of Morwell, which have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia. On July 1, 2006, Morwell adopted all the new and revised Financial Reporting Standards ("FRSs") issued by MASB that are relevant to its operations and effective for financial periods beginning on or after January 1, 2006.

The adoption of the abovementioned new/revised FRSs does not result in significant changes in the accounting policies of Morwell. Accordingly, there were no changes in the accounting policies or accounting estimates made by Morwell for the financial years/periods under consideration that have significant effects on the audited financial statements.

The presentation of the audited income statements and balance sheets for the financial years ended December 31, 2003 and 2004, financial period January 1, 2005 to June 2005 and financial year ended June 30, 2006 in Section H4 has been changed to conform with the presentation of the audited income statement and balance sheet for the financial period July 1, 2006 to September 30, 2006.

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

H4. HISTORICAL FINANCIAL STATEMENTS MORWELL

Income Statements

The following income statements are based on the audited financial statements of Morwell for the financial years ended December 31, 2003 and 2004, financial period January 1, 2005 to June 30, 2005, financial year ended June 30, 2006, financial period July 1, 2006 to September 30, 2006 and, the unaudited management accounts for the financial period July 1, 2005 to September 30, 2005:

| | Audited | | | | Unaudited | |
|---|---|---|---|---|---|---|
| | Financial year ended December 31, 2003 (12 months) RM'000 | Financial year ended December 31, 2004 (12 months) RM'000 | Financial period January 1, 2005 to June 30, 2005 (6 months) RM'000 | Financial year ended June 30, 2006 (12 months) RM'000 | Financial period July 1, 2006 to September 30, 2006 (3 months) RM'000 | Financial period July 1 2005 to September 30 2005 (3 months) RM'000 |
| Revenue | 13,383 | 29,142 | 29,766 | 24,499 | - | 10,935 |
| Interest income from fixed deposits | 22 | 8 | - | 23 | 16 | - |
| Other operating income | 85 | 68 | 235 | 1 | - | - |
| Changes in inventories | 1,425 | 1,558 | (4,235) | (35) | - | (35) |
| Purchase of trading merchandise | (12,767) | (28,734) | (24,075) | (23,442) | - | (10,669) |
| Staff costs | (193) | (203) | (58) | (133) | - | (19) |
| Directors' remunerations | (582) | (312) | (437) | (128) | - | (58) |
| Depreciation of property, plant and equipment | (101) | (136) | (30) | (61) | (15) | (15) |
| Finance costs | (25) | (70) | (14) | (12) | (1) | - |
| Other operating expenses | (240) | (223) | (261) | (208) | (5) | (78) |
| Profit before tax | 1,007 | 1,098 | 891 | 504 | (5) | 61 |
| Income tax expense | (286) | (286) | (183) | (106) | - | - |
| Profit for the year/period | 721 | 812 | 708 | 398 | (5) | 61 |

Note 1: The following reclassifications were made to the audited income statement for the financial years ended December 31, 2003 and 2004 to conform with their presentation in the audited financial statements for the financial period January 1, 2005 to June 30, 2005:

- Interest income of approximately RM22,000 and RM8,000 respectively was reclassified from other operating income and presented as a separate item on the income statement; and
- Directors' remuneration of approximately RM582,000 and RM312,000 respectively was reclassified from other operating expenses and presented as a separate item on the income statement.

Note 2: Staff welfare amounting to approximately RM28,000 during the financial year ended December 31, 2004 was reclassified from other operating expenses to staff costs to conform with its presentation in the audited financial statements for the financial period January 1, 2005 to June 30, 2005.

Note 3: In 2005, Morwell changed its financial year-end from December 31, to June 30.

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

Balance Sheets

The following balance sheets are based on the audited financial statements of Morwell as of December 31, 2003 and 2004, June 30, 2005 and 2006 and, September 30, 2006:

| | ----- As of ----- | | | | |
|--|-------------------------------|-------------------------------|---------------------------|---------------------------|-----------------------------------|
| | December 31 2003 RM'000 | December 31 2004 RM'000 | June 30 2005 RM'000 | June 30 2006 RM'000 | September 30 2006 RM'000 |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 821 | 971 | 226 | 167 | 152 |
| Investment | 25 | 25 | 25 | 25 | 25 |
| | <u>846</u> | <u>996</u> | <u>251</u> | <u>192</u> | <u>177</u> |
| Current Assets | | | | | |
| Inventories | 2,712 | 4,270 | 35 | - | - |
| Trade receivables | 850 | 1,480 | 7,432 | 2,736 | 2,706 |
| Other receivables, deposits and prepayments | 266 | 390 | 440 | 597 | 1,404 |
| Amount owing by Directors | 251 | 66 | 334 | 229 | - |
| Fixed deposit with licensed bank | 286 | - | - | 3,250 | 2,665 |
| Cash and bank balances | 6 | 767 | 1,437 | 1 | 3 |
| | <u>4,371</u> | <u>6,973</u> | <u>9,678</u> | <u>6,813</u> | <u>6,778</u> |
| TOTAL ASSETS | <u>5,217</u> | <u>7,969</u> | <u>9,929</u> | <u>7,005</u> | <u>6,955</u> |
| EQUITY AND LIABILITIES | | | | | |
| Capital and Reserves | | | | | |
| Issued capital | 100 | 200 | 200 | 200 | 200 |
| Unappropriated profit | 4,795 | 5,606 | 6,315 | 6,712 | 6,707 |
| Total Equity | <u>4,895</u> | <u>5,806</u> | <u>6,515</u> | <u>6,912</u> | <u>6,907</u> |
| Non-Current Liabilities | | | | | |
| Hire-purchase payables - Non-current portion | - | 62 | 29 | - | - |
| Deferred tax liability | 7 | 11 | 15 | 10 | 10 |
| | <u>7</u> | <u>73</u> | <u>44</u> | <u>10</u> | <u>10</u> |
| Current Liabilities | | | | | |
| Trade payables | - | 1,501 | 2,977 | - | - |
| Other payables and accrued expenses | 133 | 407 | 335 | 25 | 23 |
| Amount owing to Directors | - | 125 | - | 14 | - |
| Hire-purchase payables - current portion | 50 | 57 | 58 | 30 | 15 |
| Bank overdraft | 132 | - | - | 14 | - |
| | <u>315</u> | <u>2,090</u> | <u>3,370</u> | <u>83</u> | <u>38</u> |

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

| | ----- As of ----- | | | | |
|---|-------------------------------|-------------------------------|---------------------------|---------------------------|-----------------------------------|
| | December 31 2003 RM'000 | December 31 2004 RM'000 | June 30 2005 RM'000 | June 30 2006 RM'000 | September 30 2006 RM'000 |
| Total Liabilities | 322 | 2,163 | 3,414 | 93 | 48 |
| TOTAL EQUITY AND LIABILITIES | <u>5,217</u> | <u>7,969</u> | <u>9,929</u> | <u>7,005</u> | <u>6,955</u> |

I. SUBSEQUENT EVENTS

There are no significant events which have occurred subsequent to the date of the latest audited financial statements of Healthy World Group, OWB and Morwell, until the date of this Report which require adjustments to or disclosure in the financial statements other than as disclosed below:

- (a) On January 3, 2007, OWB completed the acquisition of the entire equity interest of Healthy World comprising 1,200,000 ordinary shares of RM1.00 each for a total purchase consideration of RM28,403,000 satisfied via the issuance of 56,806,000 OWB Shares at par.
- (b) On January 3, 2007, OWB completed the acquisitions of certain equity interest in the following subsidiary companies of Healthy World for a total purchase consideration of RM1,398,000 satisfied by the issuance of 2,796,000 new OWB Shares at par:

| Company | Total equity interest acquired % | No. of new OWB Shares issued |
|---|---|---------------------------------|
| Ogawa Health-Care Sdn Bhd | 6.85 | 446,000 |
| Ogawa Health-Care Pte Ltd | 12.00 | 278,000 |
| Ogawa Health-Care (KL) Sdn Bhd | 11.68 | 684,000 |
| Fujiiryoki (Malaysia) Sdn Bhd | 15.00 | 200,000 |
| Ogawa Care Services Sdn Bhd | 10.00 | 204,000 |
| Ogawa Health-Care (East Malaysia) Sdn Bhd | 10.70 | 448,000 |
| Ogawa Health-Care (Selangor) Sdn Bhd | 11.35 | 536,000 |
| TOTAL | | 2,796,000 |

- (c) On January 3, 2007, OWB completed the acquisition of the entire equity interest of Morwell comprising 200,000 ordinary shares of RM1.00 each for a total purchase consideration of RM6,912,000 satisfied via the issuance of 13,824,000 new OWB Shares at par.

12. ACCOUNTANTS' REPORT (Cont'd)

Deloitte KassimChan

- (d) On January 5, 2007, OWB completed the corporate re-organisation with the acquisitions of the following subsidiary companies of Healthy World for a total cash consideration of RM3,579,190, arrived at based on the net carrying value of Healthy World's cost of investment:

| Company | Total equity interest acquired % | Cash Consideration |
|---|----------------------------------|--------------------|
| Ogawa Health-Care Sdn Bhd | 86.30 | 863,000 |
| Ogawa Health-Care Pte Ltd | 76.00 | 177,612 |
| Buzzard Event Sdn Bhd | 100.00 | 18,058 |
| Ogawa Health-Care (KL) Sdn Bhd | 76.65 | 766,500 |
| Fujiiryoki (Malaysia) Sdn Bhd | 70.00 | 105,000 |
| Ogawa Care Services Sdn Bhd | 80.00 | 88,020 |
| Ogawa Health-Care (East Malaysia) Sdn Bhd | 78.68 | 786,800 |
| Ogawa Health-Care (Selangor) Sdn Bhd | 77.42 | 774,200 |
| TOTAL | | 3,579,190 |

- (e) On February 28, 2007, OWB completed the rights issue of 29,371,200 new OWB Shares at an issue price of RM0.50 on a renounceable basis of 2 new OWB Shares for every 5 existing OWB Shares held after the abovementioned acquisitions and corporate reorganisation.

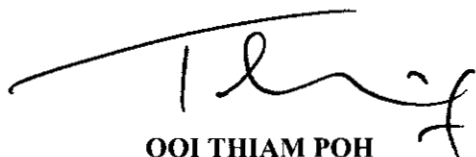
J. AUDITED FINANCIAL STATEMENTS

No audited financial statements of OWB, Healthy World Group and Morwell have been prepared in respect of any period subsequent to September 30, 2006.

Yours very truly,



DELOITTE KASSIMCHAN
AF 0800
Chartered Accountants



OOI THIAM POH
2495/01/08 (J)
Partner

12. ACCOUNTANTS' REPORT (Cont'd)

Appendix I

AUDITORS' REPORT TO THE MEMBERS OF
HEALTHY WORLD LIFESTYLE SDN. BHD. (550497-K)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 8 to 27. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit based on approved Standards of Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :

i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company

ii) the state of affairs of the Company and of the Group as at 30TH JUNE 2004 and of its results and the cash flow of the Company and of the Group for the year ended on that date.

(b) the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

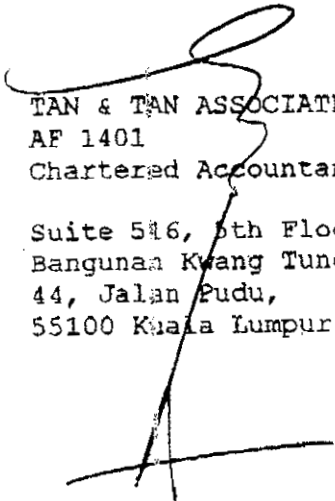
We have considered the financial statements and the auditors' report of the subsidiaries of which we have ~~not~~ acted as auditors, being financial statements which are included in the consolidated financial statements.

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

12. ACCOUNTANTS' REPORT (Cont'd)

Company No. : 550497-K

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under subsection (3) of Section 174 of the Act.



TAN & TAN ASSOCIATES
AF 1401
Chartered Accountants

Suite 516, 5th Floor,
Bangunan Kwang Tung,
44, Jalan Pudu,
55100 Kuala Lumpur

Tan Eng Aun
960/03/06(J) Partner
Chartered Accountant
Date: 3 DEC 2004

12. ACCOUNTANTS' REPORT (Cont'd)

Company No. 550497 - K

Deloitte.

Appendix II

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58, Damansara Uptown
47400 Petaling Jaya, Malaysia

P. O. Box 10093, 50704 Kuala Lumpur, Malaysia

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Fax : +603 77263986, 77268986

myaaa@deloitte.com

www.deloitte.com.my

REPORT OF THE AUDITORS TO THE MEMBERS OF

HEALTHY WORLD LIFESTYLE SDN. BHD.

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of June 30, 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of June 30, 2005 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

(Forward)

Member of
Deloitte Touche Tohmatsu

12. ACCOUNTANTS' REPORT (Cont'd)

Company No. 550497 - K

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 10 to the Financial Statements, being the financial statements that have been included in the consolidated financial statements.

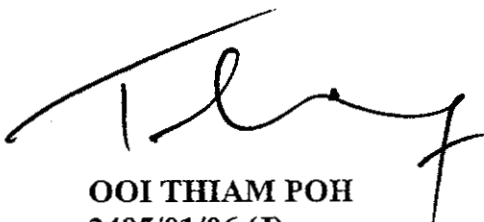
We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

The financial statements of the Company for the preceding financial year were audited by another firm of auditors and after certain reclassifications to conform with the presentation in the current financial year as disclosed in Note 23 to the Financial Statements, are presented merely for comparative purposes.



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



OOI THIAM POH
2495/01/06 (J)
Partner

October 18, 2005

12. ACCOUNTANTS' REPORT (Cont'd)

Company No. 550497 - K

Deloitte.

Appendix III

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58, Damansara Uptown
47400 Petaling Jaya, Malaysia

P. O. Box 10093, 50704 Kuala Lumpur, Malaysia

Tel : +603 77236500, 77261833
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myaaa@deloitte.com
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REPORT OF THE AUDITORS TO THE MEMBERS OF

HEALTHY WORLD LIFESTYLE SDN. BHD.
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of June 30, 2006 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of June 30, 2006 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

(Forward)

Member of
Deloitte Touche Tohmatsu

12. ACCOUNTANTS' REPORT (Cont'd)

Company No. 550497 - K

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 10 to the Financial Statements, being the financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies 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 the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



OOI THIAM POH
2495/01/08 (J)
Partner

July 28, 2006

12. ACCOUNTANTS' REPORT (Cont'd)

Company No. 550497 - K

Appendix IV

Deloitte.

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58, Damansara Uptown
47400 Petaling Jaya, Malaysia

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Fax : +603 77263986, 77268986
myaaa@deloitte.com
www.deloitte.com.my

March 1, 2007

The Board of Directors
Healthy World Lifestyle Sdn. Bhd.
No. 22, Jalan Anggerik Mokara 31/47
Kota Kemuning
40460 Shah Alam
Selangor Darul Ehsan

Dear Sirs,

SPECIAL EXAMINATION OF THE FINANCIAL STATEMENTS OF HEALTHY WORLD LIFESTYLE SDN. BHD. FOR THE FINANCIAL PERIOD JULY 1, 2006 TO SEPTEMBER 30, 2006

As requested, we have audited the accompanying balance sheet as of September 30, 2006 and the related statements of income, cash flows and changes in equity for the financial period July 1, 2006 to September 30, 2006. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements are properly drawn up in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards for Entities other than Private Entities in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as of September 30, 2006 and of the results and the cash flows of the Group and the Company for the financial period July 1, 2006 to September 30, 2006.

(Forward)

12. ACCOUNTANTS' REPORT *(Cont'd)*

Company No. 550497 - K

The abovementioned financial statements of Healthy World Lifestyle Sdn. Bhd. are prepared solely for the use of the Company's directors and management in connection with the listing of and quotation for the entire issued and paid-up share capital of Ogawa World Berhad on the Main Board of Bursa Malaysia Securities Berhad and are not to be used, or referred to, in whole or in part, for any other purposes without our prior written consent.

Yours very truly,

A handwritten signature in black ink that reads "Deloitte Kessie Che". The signature is written in a cursive style with a large initial 'D'.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT

6 March 2007

The Board of Directors
Ogawa World Berhad
Lot 4.81, 4th Floor
Wisma Central, Jalan Ampang
50450 Kuala Lumpur



Decide with Confidence

Dear Sirs

**EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
("EXECUTIVE SUMMARY") FOR OGAWA WORLD BERHAD ("OWB" OR "THE
COMPANY")**

Dun & Bradstreet (D&B) Malaysia Sdn Bhd (*formerly known as Infocredit D&B (Malaysia) Sdn Bhd*) ("D&B Malaysia") has prepared an Independent Market Research report ("Report") dated 18 August 2006, of which the Executive Summary dated 1 March 2007 which contains extracts updated from the said Report has been prepared for inclusion in the Prospectus to be dated ~~.....28 March 2007.....~~ pursuant to the listing of OWB on the Main Board of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the health and wellness equipment market in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, Government literatures, in-house databases, Internet research and online databases.

D&B Malaysia has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, D&B Malaysia acknowledges that if there are significant changes affecting the contents of the Executive Summary between the date hereof and the issue date of the Prospectus or after the issue of the Prospectus and before the issue of securities offered pursuant to the Prospectus, then D&B Malaysia has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

For and on behalf
Dun & Bradstreet (D&B) Malaysia Sdn Bhd
(formerly known as Infocredit D&B (Malaysia) Sdn Bhd)

Tan Sze Chong
Managing Director

Dun & Bradstreet (D&B) Malaysia Sdn Bhd

(Formerly known as Infocredit D&B (Malaysia) Sdn Bhd)
Level 9-3A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia
T 603.2080.6000 F 603.2080.6001 www.dnb.com.my
Company Registration No.527570-M

A Member of Infocredit Group

EXECUTIVE SUMMARY

1 INDUSTRY OVERVIEW

1.1 INTRODUCTION

Massage therapy is an effective approach to pain management and rehabilitation. Massage equipment are fast replacing human massage therapists for their convenience and portability. Having a massage in the privacy of the home is the major reason why some people are opting for health and wellness equipment as a potential means to ease their various body pains and to promote general well-being.

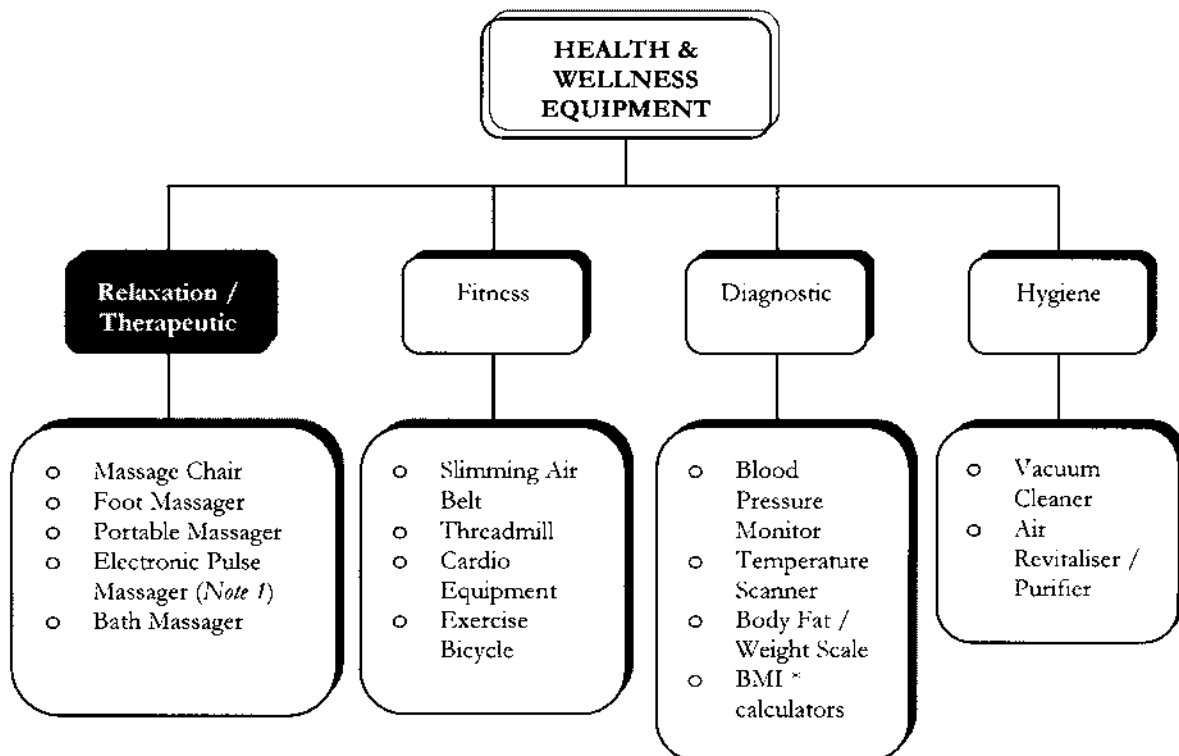
Such products basically revolve around massage therapy, involving massage tools that offer various types of massage designed to promote wellness. Health care products are in greater demand than ever before as the stresses of a fast-paced society are increasingly felt and as the elderly population grows. For the elderly who are basically healthy, products such as relaxing and therapeutic massage equipment, help them maintain their health through appropriate massage techniques that promote good blood circulation. For those weary after a busy day, massage equipment would come in handy. Growing in importance are hygiene products that help maintain good air, water and natural environments. These include air purifiers and water-cleaning devices as well as innovative vacuum cleaners to help promote a healthy environment.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

1.2 DEFINITION AND CLASSIFICATION

The health and wellness equipment market in Malaysia mainly targets the household consumer market. The following diagrammatical illustration shows the classification of various healthcare equipment which have been segmented according to various functional aspects, namely relaxation/therapeutic, fitness, diagnostic and hygiene.

Figure 1: Health and Wellness Equipment Classification – by Function



Notes:



- Focus segment for the purpose of this study.

Note 1 – Also known as ionisers and positioning aids

* - Body Mass Index

Source: Dun & Bradstreet (D&B) Malaysia Sdn Bhd (“D&B Malaysia”)

For the purpose of this study, health and wellness equipment shall exclude products that are intended for health and social services delivered at home to recovering, disabled, chronically or terminally ill persons in need of medical, skilled nursing care, social or therapeutic treatment and/or assistance with the essential activities of daily life.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

1.3 GOVERNMENT LEGISLATIONS AND INCENTIVES

Currently, there is no Malaysian law or regulation that governs the retail of health and wellness equipment in Malaysia. Such products, included under the household and personal goods category of the Malaysian retail sector, are also not required to be licensed or certified by any Malaysian authority such as SIRIM (formerly known as the Standards and Industrial Research Institute of Malaysia). Based on research findings obtained, health and wellness equipment which offer alternative methods to achieve relaxation/therapeutic results in attaining general wellness, do not involve the administration of toxic substances or drugs, and as such are not within the ambit of the Ministry of Health Malaysia.

Consequently, relaxation and/or therapeutic health and wellness equipment basically fall under the general consumer goods category, and hence, are not subject to any specific governmental health regulations, as well as other licensing or certification regulations in Malaysia.

In this regard, consumer confidence in such products basically falls back on the international safety standards that are imperative to the retail of such health and wellness equipment in most developed countries. In certain regions, such as the European Union, health equipments are covered by directives which set out the requirements for performance and safety of such equipment and procedures for checking product compliance. A product is required to have a CE mark to show full compliance with the European directive.

1.4 GOVERNMENT INITIATIVES

As part of the Government's efforts to promote Malaysian brand names, a Brand Promotion Grant ("BPG") is granted to eligible brands identified, with the objective of developing and promoting, in the international market, brand names owned by Malaysian companies for products and services originating from Malaysia. The BPG only covers the cost of developing and promoting for one (1) brand per company. Hence companies with more than one (1) brand name should select only one (1) to be promoted using the funds from the BPG.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

The BPG is offered by the Malaysia External Trade Development Corporation (“MATRADE”) in three (3) forms, which allows for up to 10% of the total grant to be utilised for the promotion of the brand name in the domestic market as part of assisting Malaysian companies to create awareness of the brand in the local market.

1.5 BARRIERS TO ENTRY

- Established distribution channels and strategic partnerships
- Market acceptance: established brand name
- Intensive product design and development
- Extensive advertising & promotion (“A&P”) activities

1.6 SUBSTITUTE PRODUCTS / SERVICES

Health and wellness equipment play a complementary role in relief of tension and stress and/or for general well-being. A possible substitute is the massage services provided by human massage therapists. Health and wellness equipment, however, have the advantage with their portability and users could enjoy the massage anytime and anywhere at their convenience.

The other possible substitute would be the spa but people need time to make their way to the spa, some of which offer hydrotherapies and/or a wide selection of essential oils, mud, sea salt and foams for relaxation and therapeutic values. The spa is, however, comparatively more costly than a massage chair, for example, of which the cost can be spread over its usage and can be used by more than one (1) person in the family.

1.7 RELIANCE ON AND VULNERABILITY TO IMPORTS

In the current local health and wellness equipment market, all of the players’ production needs are outsourced to external manufacturers that are based overseas, primarily in Japan, Korea, Taiwan and China. Collaboration with external manufacturers is a norm in which companies aim to gain more control over the source, availability and quality of health and wellness products. Companies essentially enter into supply agreements with the overseas-based manufacturers for the supply of health and wellness equipment.

2 MARKET PERFORMANCE AND TRENDS

In Malaysia, most health and wellness equipment companies are engaged in the marketing, distribution and retail stage of the value chain. These companies are mainly involved in the advertising, promotion and sales of a wide range of health and wellness products. They operate from their local/overseas headquarters, which centralise the company's overall operations from supplier sourcing, product design and development, innovation and procurement to quality assurance/testing and after-sales service functions. The players mainly import massage and other health and wellness equipment from overseas countries such as Japan, China, Korea and Taiwan and sell them in the local market through the setting-up of local retail chain outlets. Most of the players also organise regular road-shows to promote their brands as well as to launch new products, and boost sales through offering discounts and free gifts for customers who make purchases during these road-shows.

Throughout the past few years, however, established brands such as OGAWA and OSIM have undertaken to design and develop innovative and multi-functional products to enhance their competitive edge. The shift towards taking charge of the product development stage is viewed as an important step towards becoming a market leader through the introduction of health and wellness equipment that meet consumers' changing taste.

2.1 DEMAND AND SUPPLY CONDITIONS

As our society grows increasingly health conscious, the demand for relaxation/therapeutic and diagnostic health and wellness equipment is expected to continue growing. As Malaysians become more affluent, sophisticated and cosmopolitan, health, beauty, lifestyle and fitness become key leisure themes. The proliferation of malls, Mega Sale Carnivals and easier access to credit is promoting conspicuous consumption among Malaysians. Higher disposable income, which arose from firm commodity prices, stronger export earnings, better employment prospects as well as the positive wealth effects of favourable stock market conditions, have also given a major boost to private consumption. Coupled with other consumption indicators such as increased imports of consumption goods and credit card spending, private consumption expenditure is expected to maintain a healthy growth of 7.1% in 2006.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

The easy availability, myriad choices and the continuous introduction of innovative massage technologies have made exercise and fitness activities easily accessible to all levels of society. Strong branding and extensive A&P activities have played important roles in building demand and ensuring supply in the domestic market. Key brands such as OGAWA and OSIM have created a strong visible presence in the health and wellness equipment market. In particular, the proliferation of massage chairs and foot massagers over the past few years is indicative of the wide acceptance of such healthy lifestyle products among the common customer.

2.2 CONSUMER SPENDING TRENDS

Although the Consumer Sentiment Index ("CSI") softened towards the second half of 2004, consumers' willingness to spend remained unaffected. Private consumption is expected to maintain a sturdy growth of 7.1% in 2006 as compared to 9.2% in the previous year, following rising consumer confidence. Despite this, strong consumer spending continued to boost demand for retail space which has led to an improvement in the overall occupancy rate in shopping complexes from 80.1% in 2004 to 81.1% in 2005. Development of new shopping complexes was evidenced in popular residential areas and suburbs to target the surrounding affluent consumers.

The low interest rates provided additional impetus for households to spend on durable goods. Driven by income growth and financial innovation, new lending packages were made available to households by an increasingly competitive banking sector. Amongst some of the more popular consumer financing schemes was the zero interest instalment payment plan, which has played a major role in boosting general retail sales. Apart from the purchase of passenger cars, purchases of household furnishings and equipment increased in tandem with the relatively strong property sales in recent years. Malaysians have not tightened their belts nor have they abandoned plans to buy big-ticket items, an indication that household incomes are holding strong. Credit extended to households in Malaysia, in the form of housing loans or consumption, continues to rise. Backed by still-low interest rates, loans disbursed by the banking system to the household sector grew by 14.3% in April 2006 and 15.9% in May 2006. As at end August 2006, credit card outstanding balances alone amounted to RM18.4 billion, a significant increase of 18.2% year-on-year.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

2.3 RETAIL TRADE PERFORMANCE

The retail trade sector recorded a total sales value of RM59.9 billion in 2005, as compared to RM58.3 billion a year ago, an increase of RM1.6 billion or 2.7%. Retail sales from specialised stores have contributed increasingly towards the overall retail trade sales value, representing 72.2% of total retail trade in the first six (6) months of 2006 (January to June 2005: 69.9%). Specialised stores are stores which deal in one (1) main brand name / product / line of goods associated with one (1) product. They may specialise in food catering and restaurant services outside hotel premises; household/personal goods (for example, furniture, household electrical appliances, healthcare products, optical goods, footwear, clothing and apparel, sports goods, books, jewellery, spices, jewellery, electronic goods, etc); motorcycles-motor vehicles; small machinery, pharmaceutical products (for example, drugs, health and beauty care goods) and others.

Consumer spending has gradually become an engine of growth in Malaysia, as the case for the traditional reliance on export-led growth is beginning to be questioned, in the light of globalisation forces, the rise of China and structural changes in the economy. In fact, commercial banks in the country are focusing their lending portfolio on consumer lending instead of the conventional corporate loans.

A major part of consumer spending has gone into the purchase of key items like cars and houses. It can be said that the sales of massage chairs is indirectly linked to the property market. During the good times, the property market will experience a boom and house owners will also purchase the associated household and electrical products that will fill up the empty house. Hence, health and wellness equipment may also be purchased due to the increasing affluence and level of health consciousness of the society. The boom in consumer spending is also reflected in the growing number of shopping malls being opened, particularly in the Klang Valley.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

2.4 MARKETING AND DISTRIBUTION CHANNELS

There are about two (2) to three (3) channels for expanding market share for a brand. Most brands start with being present in multi-brand outlets, where the brand experience a customer gets is what the retailer packages along with other brands on the shelf. Then there are chain stores, where a brand can have some amount of exclusivity by way of a shop-within-a-shop. Within the chain store concept, a brand can display about 40% to 50% of its complete range, depending on the segment that the retail outlet is catering to. Ogawa World Berhad (herein referred to collectively, with its subsidiaries, as “OWB Group”), for instance, uses this distribution channel as one (1) of its marketing strategies to reach out to a wider customer base.

Over the recent years since the popularity of massage chairs, foot massagers, and portable massagers gained momentum, there evolved the exclusive brand outlet concept which is characteristic of the market for the health and wellness equipment as a whole. The exclusive brand outlet, or better known as the specialty store, is all about the complete brand experience, which includes the entire product range, the visual merchandising, the music, the look and the ambience. In their attempts at differentiation, brands have been increasingly moving into exclusive outlets and retail chains.

2.5 INDUSTRY CHALLENGES

Below are some of the major challenges faced by the health and wellness equipment market in Malaysia:

- Rapid changes in product design and features
- Challenges in attracting, recruiting and retaining people
- Changes in consumer tastes and income/buying power
- Susceptibility to downturn in economic cycles
- Competition

3 MARKET POSITIONING

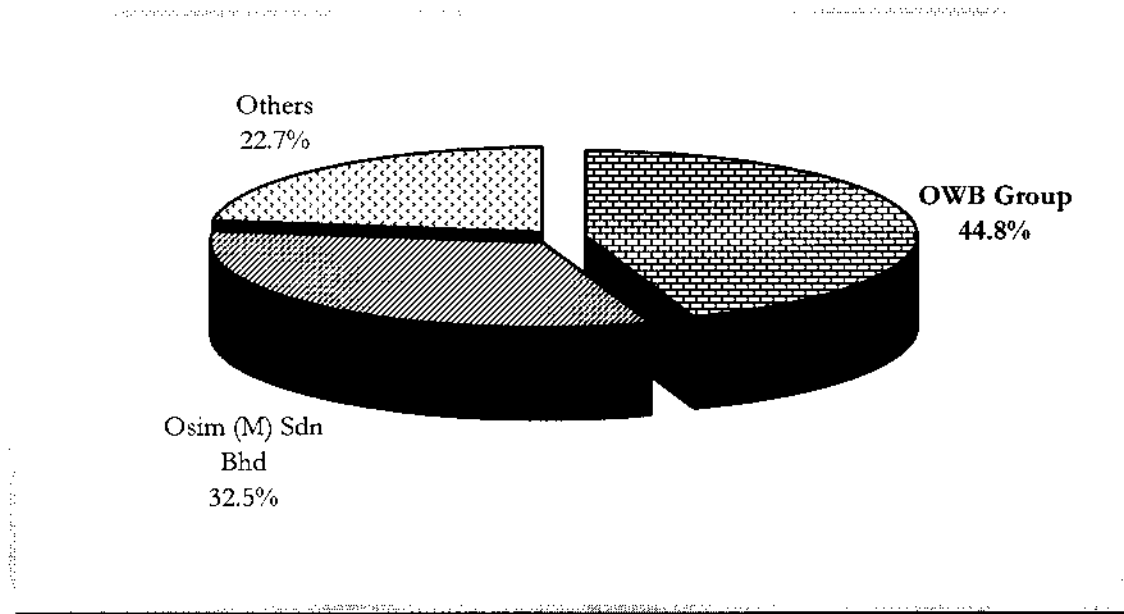
The current local health and wellness equipment market comprises key players such as the OWB Group and Osim (M) Sdn Bhd (“Osım Malaysia”). These larger players are predominantly involved in the product design and development stage up to the marketing, retailing and distribution, as well as servicing of these products. Apart from OWB Group and Osım Malaysia, other players are mainly offering off-the-shelf health and wellness products and are more focused on the marketing, retailing and distribution of their own-brand products within the local market. Comparing the brand names, the smaller-scale players have a limited range of products with a small number of model types.

Competition among health and wellness equipment companies in Malaysia is increasingly competitive as evidenced by the large market size, which is estimated to reach close to RM380 million in 2007. This is further substantiated by the huge market share dominated by the OWB Group and Osım Malaysia, which accounted for approximately 77% of the local market in 2006. This will require the existing market players to constantly keep abreast with changing consumers’ tastes and preferences. Furthermore, the growth in the health and wellness equipment market is forecasted at a compounded annual growth rate (“CAGR”) of approximately 16.9% over the next five (5) years. This level of growth is expected to stem from continued expansion of existing players and the introduction of a wider range of innovative and high-quality health and wellness products. The key factors based on which companies compete are briefly discussed in Section 4.2 – Critical Success Factors.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

3.1 MARKET SHARE ANALYSIS AND COMPANY POSITIONING

In terms of the total local market of health and wellness equipment which is estimated to be worth more than RM300 million in 2006, the OWB Group is the market leader with about 44.8% market share. Osim Malaysia accounted for about 32.5% market share, while the remaining 22.7% is mainly attributed to three (3) other companies namely, Gintell (M) Sdn Bhd, OTO Bodycare Sdn Bhd and Panasonic Malaysia Sdn Bhd.

Figure 2: Estimated Market Share of OWB Group, 2006

Source: Companies Commission of Malaysia, D&B Malaysia

The OWB Group is currently the leading locally-established brand name in the Malaysian health and wellness equipment market. It has a wide product range comprising an array of innovative and modern design models which cater to the specific lifestyle and preferences of each individual consumer.

4 INDUSTRY OUTLOOK

4.1 MARKET GROWTH DRIVERS

A. INCREASED HEALTH CONSCIOUSNESS

Even in the current situation, exercise and fitness are expected to continue to be important to consumers, who are likely to demand new and more varied equipment and services in order to maintain a healthy lifestyle. The most sought-after products may include hand-held and “intelligent” devices that support customised massage options and portable diagnostic monitoring devices that enable data collection, analysis, and storage. These are expected to gain increasing popularity amongst the increasingly health-conscious society.

Chair massage, for example, is a new solution to the problem of stress and job related injury in the work place which is both preventative and corrective. With a minimal duration of between 15 minutes and 20 minutes, this type of massage, which originated in California, can be carried out in any public area where space is limited. It does not require oil and is done over the clothes. Chair massage is an effective and scientifically proven way to counteract physical tension and the negative effects of stress.

B. EMERGENCE OF NEW APPLICATION SEGMENTS

In the health and wellness market, there is also overlap with other segments, such as the medical spa market. Fitness, health, and wellness are being combined to vertically integrate physician practices with commercial and retail revenue generating potential. Even hospitals are incorporating fitness into programs for cardiac rehabilitation and physical therapy. In the long term, however, health and fitness clubs may be too difficult for physicians to operate profitably, since members tend to change venues over time.

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

For example, in an entirely different league where massage chairs are beginning to prove beneficial, specialists in psychiatry, occupational therapy, and clinical psychology found the massage chair to be appropriate for relaxing apprehensive patients, stress management, hypnosis, bio-feedback, and other treatments requiring a stress-free relaxed environment. While these results seem promising, a look at overall medical trends shows that the massage chair may be ideally positioned to take advantage of one (1) of the newer medical applications, the treatment of chronic pain. Still relatively new, the treatment of chronic pain takes a holistic approach to treating a combination of both physical and psychological causes of pain. Since today's carefully-designed massage chair puts the patient in a position which reduces external forces on the body, it would be ideal for helping doctors isolate the physical and non-physical sources of a patient's pain. Properly marketed, the chair could become the treatment chair of choice for this and other mental health related fields.

C. BOOST IN DOMESTIC DEMAND¹

The proliferation of malls and more mega sales coupled with easier access to credit has pushed Malaysians towards conspicuous consumption – a direction that has been beneficial to the country's economy so far. Higher disposable income, which arose from firm commodity prices, stronger export earnings, favourable demographic structure of the population, rising consumerism as well as high savings will provide the underlying support to private consumption, which is forecasted to moderately grow by 6.4% in 2007, as compared to 7.1% in 2006. Imports of consumption goods, including health and wellness equipment, as well as credit card spending also showed increases of 13.6% and 15.3% for the first six (6) months of 2006 (January to June 2005: 7.3%, 21.0%), respectively. Malaysians' per capita income has risen by 9.4% to RM19,739 in 2006 from RM18,039 in the previous year. This is expected to grow by 7.2% to RM21,168 in 2007.

¹ Source: *Economic Report 2006/2007*

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

As consumer sentiments remain positive and investor confidence gains momentum, domestic demand in real terms (excluding change in stocks) is estimated to increase by 7.8% and contribute 7.1 percentage points to overall gross domestic product ("GDP") growth (2005: 7.3%; 6.5 percentage points). Stable labour market conditions, a supportive credit environment and high commodity prices would continue to provide support favourable consumption expenditure. Private investment outlays are also envisaged to provide additional capacities in an environment of strong demand conditions. Given such positive income growth prospects, private consumption expenditure would remain a significant source of stimulus for GDP growth in 2007.

D. CREATING WINNING PRODUCTS AND BRAND PREMIUM

The successful development of brands in transitional economies lies in finding the right balance, blend and mix of product. The global image of world-class brands needs to be balanced with a keen sensitivity to local tastes. A careful blend of local and western cultures has to be fine-tuned. And finally the right mix between traditional and modern products needs to be nurtured.

Extreme price sensitivity at one end of the market, and a move towards upscale products at the other is leading to consumer dichotomy and market polarisation. Therefore, premium brands, private label and value, low-price labels are all being developed equally successfully. At the same time, with improved lifestyles and an increased knowledge of healthy diets and physical well-being, there is a nascent demand for health and wellness products and functional foods enriched with health supplements. Malaysians are becoming more affluent, sophisticated and cosmopolitan. They have moved on from the simple need for sustenance to key leisure themes such as health, beauty, lifestyle and fitness.

E. MORE SHOPPING MALLS

As at end 2005, there are about 220 shopping malls in Malaysia with a gross built-up area of about 122.5 million square feet ("sq. ft") worth RM40.4 billion. An additional 28 million sq. ft of shopping space is projected to be available by 2007. Furthermore, this number of shopping malls is expected to rise to 260 with a gross built-up area of 140 million sq. ft worth RM55 billion².

² Source: *Malaysian Association for Shopping and High Rise Complex Management (January 2006)*

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

The proliferation of shopping malls create opportunities for established retailers to expand their sales and distribution network, giving rise to increased market coverage which could translate into higher sales volume and revenues generated. In addition, tourism activities are expected to gain further momentum in line with promotional activities carried out by both public and private sectors in preparation for the Visit Malaysia Year 2007. The Government plans to achieve a target of 20.1 million tourist arrivals in 2007. With more shopping malls expected to open nationwide, higher tourists spending, coupled with positive domestic demand growth, would support the wholesale and retail trade, hotels and restaurants sub-sector, which is forecasted to expand at a sustainable rate of 7.3% in 2007³.

F. RISE IN WORLD AVERAGE LIFE EXPECTANCY

Demographic trends have important impact on the health and wellness equipment market. According to the World Health Report released by the World Health Organisation, the world average life expectancy will rise to 73 years by 2025, representing a 50% improvement on the 1955 average of only 48 years. The number of people aged 65 and over will increase from 390 million in 1997 to 800 million in 2025 from 6.6% to 10% of the total world population. These trends have resulted in an increasing demand for health and wellness products designed for the ageing population.

The increasing share of medical services or healthcare in household expenditures in some developing countries, such as China, Indonesia, Thailand and Vietnam, can be translated into more opportunities for Malaysian exporters of health and wellness products. Meanwhile, growth of public health expenditures in the more industrialised countries, such as Singapore and Australia, creates opportunities for health and wellness equipment targeting at patients undergoing recuperation and therapy processes.

³ Source: Department of Statistics, Malaysia

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

G. STRONG GOVERNMENT SUPPORT TO PROMOTE MALAYSIAN BRANDS

The level of a government's support to the domestic retail products sector will also significantly dictate the speed and direction of the health and wellness equipment market's growth. Government support can be in the form of subsidies, industrial support, taxes or sponsorship of research centres and etc, which will spur market growth, increasing the possibility of researching and developing new health and wellness products while improving the features and functions of such products to suit the local consumers' needs and demands. Incentives like double deduction for research and development, promotion of export and training expenses, promote the healthy growth in the industry. The strong promotion by the Malaysian Government for Malaysian brands since 1997/98 in an attempt to create an identity for Malaysian goods and services in the global marketplace has also positively influenced the market for home-grown brand names such as OGAWA.

4.2 CRITICAL SUCCESS FACTORS

While retail spending on household and personal goods is somewhat susceptible to economic cycles, people may not totally abstain from buying; rather, they may only become far more selective. They also do not necessarily buy on reduced price and may actually spend more on the contrary. However, consumers would expect the premium price to be reflected in value for money, longer-lasting, harder working products and services. History shows that during economic recessions, consumers are generally more sensitive to brands and their values, product design and features, as well as price and perceived value.

Some of the critical success factors include:

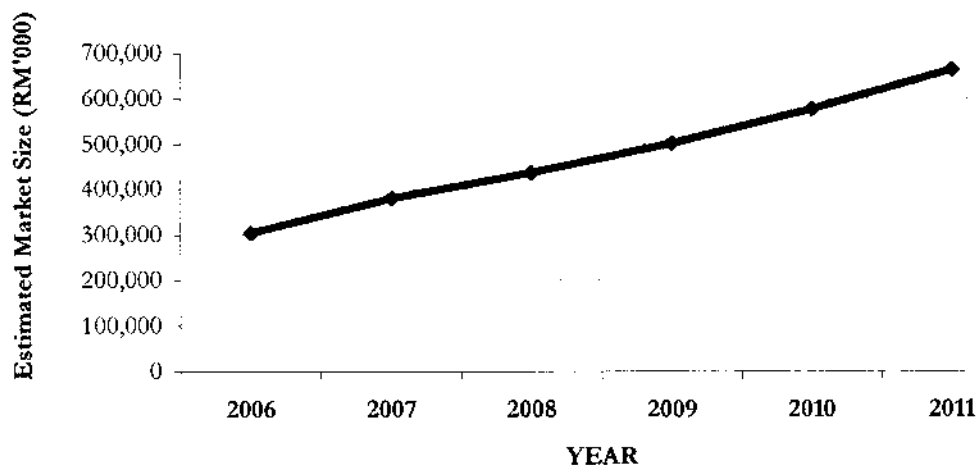
- Pricing
- Product design & features
- Branding
- After-sales service
- Tie-ups with banks for consumer financing
- Strategic locations of retail outlets

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT *(Cont'd)***4.3 CONCLUSION ON MARKET OUTLOOK**

Looking to the future, as the public interest in and acceptance of professional massage continue to grow, the accessibility of chair massage and other related health and wellness equipment assures that the market shall continue its growth momentum. With the burgeoning middle classes and strengthening of an accrued sense of home ownership in the Asian region, specialised outlets selling home appliances including health and wellness equipment, consumer electronics and do-it-yourself products will generally flourish.

The health and wellness equipment sector has largely been considered a market experiencing steady growth as the demand is always present and continuously growing, given the continued rise in disposable income and continuing favourable employment market. This is evidenced by the resilient growth trends shown by the health and wellness equipment market, whereby the market size for 2002 was estimated at RM130 million and has grown to more than RM300 million in 2006. As a whole, the local health and wellness equipment market is expected to achieve a CAGR of 16.9% for the next five (5) years reaching a market value of more than RM660 million in 2011.

Figure 3: Estimated Market Size for Health and Wellness Equipment Market in Malaysia, 2006 to 2011



Source: D&B Malaysia

13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT *(Cont'd)*

In this regard, the OWB Group as one (1) of Malaysia's leading players specialising in the design and development, marketing, retailing and distribution of quality health and wellness equipment is expected to benefit from the huge potential for development in the near future.

14. DIRECTORS' REPORT

OGAWA WORLD BERHAD (712499-V)
No. 22, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam,
Selangor Darul Ehsan, Malaysia.
Tel : 603-51214286 Fax : 603-51214386

Registered Office

Lot 4.81, 4th Floor
Wisma Central, Jalan Ampang
50450 Kuala Lumpur


22 March 2007

To : The Shareholders of Ogawa World Berhad ("OWB")

On behalf of the Board of Directors of OWB, I report after due enquiry, that during the period from 30 September 2006 (being the date to which the last audited financial statements of OWB and its subsidiaries ("Group") have been made up) to 22 March 2007 (being the date not earlier than fourteen (14) days before the date of issue of this Prospectus that:-

- (a) the business of the Group, in the opinion of the Directors, has been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the Group, which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in this Prospectus, there are no other contingent liabilities by reason of any guarantees or indemnities given by the Group;
- (e) since the last audited financial statements of the Group, there has been no default on any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowing in, which the Directors are aware of; and
- (f) Save as disclose in this Prospectus, there has been, since the last audited financial statements of the Group, no material changes in the published reserves nor any unusual factors affecting the profits of the Group.

Yours faithfully
for and on behalf of the Board of Directors of
OGAWA WORLD BERHAD


Wong Lee Keong
Executive Chairman

15. ADDITIONAL INFORMATION

15.1 Share Capital

- (i) No Shares will be allotted on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) There is no founder, management or deferred shares in our Company. We have only one class of shares, namely ordinary shares of RM0.50 each, all of which rank equally with one another.
- (iii) Save as disclosed in Sections 5.2 and 5.8 of this Prospectus, no shares and debentures of our Company or our subsidiary companies have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) preceding years from the date of this Prospectus.
- (iv) Other than the 6,000,000 Public Issue Shares reserved for our eligible Directors and employees, and other persons who have contributed to the success of our Group as disclosed in Section 3.5.1 of this Prospectus:
 - (a) no person including Directors or employees of our Group has been or is entitled to be given or has exercised any option to subscribe for any share or debenture of our Company or our subsidiary companies; and
 - (b) there is currently no other scheme involving our Directors and employees in the share capital of our Company or our subsidiary companies.
- (v) As at the date of this Prospectus, we do not have any convertible debt securities.

15.2 Articles of Association

The following provisions are reproduced from our Company's Articles of Association. Terms defined in our Articles of Association shall have the same meaning when used here unless they are otherwise defined here or the context otherwise requires.

The following clauses are extracted from our Company's Articles of Association: -

(a) Transfer of securities

The provision in OWB's Articles of Association in respect of the arrangements for transfer of securities and restrictions on their free transferability are as follows: -

Article 22 Subject to The Securities Industry (Central Depositories) Act 1991, or any statutory modification, amendment or re-enactment thereof for the time being in force ("Central Depositories Act") and the Rules of the Bursa Depository including any amendments that may be made from time to time ("Rules"), any Member (Unless otherwise expressed to the contrary, Member shall include a depositor who shall be treated as if he was a Member pursuant to Section 35 of Central Depositories Act but excludes the Bursa Depository in its capacity as a bare trustee) may transfer all or any of his shares (except those security in the Company standing to the credit of a Securities Account (as defined herein) of a Depositor (as defined herein) subject to the provisions of the Central Depositories Act and the Rules ("Deposited Securities") which are for the time being designated as securities in suspense) by instrument in writing in the form approved by the Rules.

15. ADDITIONAL INFORMATION (Cont'd)

The instrument of transfer of any share shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors (referred to a record provided by the Bursa Depository to the Company under Chapter 24 of the Rules) and/or the Register of Members as the case may be in respect thereof.

Depositor refers to a holder of a securities account as defined in the Central Depositories Act. Securities Account means an account established by the Bursa Depository for Depositor for the recording of deposit of securities and for dealings in such securities by the Depositor as permitted under the Central Depositories Act and/or the Rules.

- Article 23*
- (A) The transfer of any shares or class of shares of the Company which have been deposited with the Bursa Depository shall be by way of book entry by the Bursa Depository in accordance with the Rules. Notwithstanding Section 103 and 104 of the Act but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of shares.*
 - (B) There should be no restriction on the transfer of fully paid shares except where required by law and no share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.*
 - (C) The Bursa Depository may refuse to register any transfer of deposited security that does not comply with the Central Depositories Act and the Rules.*
- Article 24*
- (A) The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine, PROVIDED that it shall not be suspended for more than thirty (30) days in any year and at least twelve (12) market days' notice of books closure shall be given to the Securities Exchange and advertised in a daily newspaper circulating in Malaysia. The notice shall state the period for which the books will be closed and the purpose(s) for such closure. The Company shall give notice in accordance with the Rules to enable the Bursa Depository to prepare the appropriate Record of Depositors.*
 - (B) The transfer books and Record of Depositors may be closed for the purpose of determining persons entitled to dividends, interest or new securities or rights to a priority of application for issue of securities. The Company shall request the Bursa Depository in accordance with the Rules to issue a Record of Depositors as at a date not less than three (3) market days before the occurrence of the related event.*

15. ADDITIONAL INFORMATION (Cont'd)

Article 26 (A) Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon the production of such evidence as to his title as may from time to time be properly required by the Bursa Depository, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice signed by him stating that he so elects provided that where the share is a deposited security and the person becoming entitled elects to have the share transferred to him, the aforesaid notice must be served by him on the Bursa Depository. If he shall elect to have his nominee registered, he shall testify his election by executing a transfer of such share to his nominee. All the limitations, restrictions and provisions of these presents relating to the right to transfer shares and the registration of transfer thereof shall apply to any such notice as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by that Member PROVIDED ALWAYS that where the share is a deposited security, a transfer of the shares pursuant to this Article 26 shall be made by a person becoming so entitled in accordance with the Rules, the Central Depositories Act and the Bursa Securities LR.

(B) Where the registered holder of any share dies or becomes bankrupt his personal representative or the assignee of his estate, as the case may be, upon the production of such evidence as may from time to time be properly required by the Directors in that behalf shall be entitled to the same dividends and other advantages and to the same rights (whether in relation to meetings of the Company or to voting or otherwise) as the registered holder would have been entitled to if he had not died or become bankrupt.

Article 28 (1) Where:-

- (a) the Securities of the Company are listed on a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) exemption Order 1998 ("Approved Market Place"); and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories)(Amendment) Act, 1998, as the case may be, under the Rules in respect of such Securities (as defined in the Rules).

15. ADDITIONAL INFORMATION (Cont'd)

the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") subject to the following conditions:-

- (i) there shall be no change in the ownership of such Securities; and*
 - (ii) the transmission shall be executed by causing such Securities to be credited directly into the Securities account of such Securities holder.*
- (2) For the avoidance of doubt, where the Company fulfils the requirements of paragraphs (1)(a) and (b) of Article 28, the Company shall allow any transmission of Securities from the Malaysian Register into the Foreign Register.*

(b) Remuneration of Directors

The provisions in OWB's Articles of Association in respect of remuneration of the Directors are as follows: -

- Article 74*
- (A) The fees payable to non-executive Directors, shall be determined by the Company by ordinary resolution at a general meeting. If the fees of each such non-executive Director is not specifically fixed by the Company at the general meeting, such remuneration shall subject to the overall limits fixed by the Company in general meeting, be decided by resolution of the full Board. Failing which such remuneration, shall be divided equally amongst them. The sum paid to a non-executive Director holding office for part of a year shall be a proportionate to the term of his office. The non-executive Directors shall be paid by a fixed sum and not by a commission on or a percentage of profits or turnover.*
 - (B) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.*
 - (C) The remuneration of executive directors of the Company shall not include a commission on or a percentage of turnover.*

15. ADDITIONAL INFORMATION (Cont'd)

Article 75 Any Director who by request of the Board serves on any committee or performs special services for any purposes of the Company may be paid by the Company a fixed sum or otherwise (other than by a sum to include a commission on or a percentage of profits or turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his / their share in the remuneration from time to time provided for the Directors. All the Directors shall also be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the Board or of committees of the Board or general meetings or otherwise in or about the business of the Company.

Article 109 Any Director may at any time appoint any person approved by the majority of the Directors to be his alternate Director, and may at any time remove any alternate Director appointed by him from office. An alternate Director shall not be entitled to receive any remuneration from the Company for his services as an alternate Director, nor be required to hold any qualification. Any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and any fee paid by the Company to the alternate Director shall be deducted from that Director's remuneration.

Article 90 Subject to any other provisions of these Articles, the remuneration of any managing Director shall be determined by the Directors and may be of any description but shall not include a commission on or a percentage of turnover.

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15. ADDITIONAL INFORMATION (Cont'd)

(c) Voting and Borrowing Powers of Directors

The provisions in OWB's Articles of Association dealing with the powers of the Directors in proposals, arrangements or contracts in which they are interested in, the borrowing powers exercisable can be varied are as follows :-

- Article 78*
- (A) *Other than the office of Auditors, a Director may hold any other office or place of profit under the Company and he or any firm of which he is a Member may act in a professional capacity for the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine.*
- (B) *No Director or intending Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office, or of the fiduciary relation thereby established, but the nature of his interest must be declared by him at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration or, if the Director was not at the date of that meeting interested in the proposed contract or arrangement, then at the next meeting of the Directors held after he became so interested or, in a case where the Director becomes interested in a contract or arrangement after it is made, at the first meeting of the Directors held after he becomes so interested. Provided nevertheless, that subject to any other provisions of these Articles, a Director shall not as a Director vote in respect of any contract or arrangement or proposed contract or arrangement in which he is so interested and if he shall do so his vote shall not be counted, nor shall he be counted in the quorum present at a meeting upon the consideration of a motion concerning any such contract or arrangement, but neither of these prohibitions shall apply to any contract or arrangement for giving to a Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company.*
- (C) *A general notice in writing which complies with Section 131(4) of the Act, given to the Directors by any Director shall be deemed to be sufficient declaration of interest in relation to the subject matter of the notice.*

15. ADDITIONAL INFORMATION (Cont'd)

- Article 86 (A) *The Directors may borrow or raise money from time to time for the Company or its subsidiaries or secure the payment of such sums as they think fit and may secure the repayment or payment of such sums by mortgage or charge upon all or any of the property or assets of the Company (both present and future) including its uncalled capital or any part thereof or by the issuance of bonds, notes or debentures (whether at par or at a discount or premium) or other securities whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries or otherwise as they may think fit.*
- (B) *The Directors may exercise all the powers of the Company to guarantee the payment of money payable under contracts or obligations of any related company with or without securities.*
- (C) *The Directors shall not borrow any money or mortgage or charge any of the Company or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.*

Article 100 *The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes, the chairman shall not have a second or casting vote. Three (3) Directors may and the Secretary on the requisition of the three (3) Directors shall, at any time summon a meeting of the Directors.*

A Director shall be deemed to be present at a meeting of Directors if he participates by telephone, video-conferencing or other electronic means and all Directors participating in the meeting are able to hear each other and recognise each other's voice, and for this purpose, participation constitutes prima facie proof of recognition. For the purposes of recording attendance, the Chairman or Secretary shall mark on the attendance sheet that the Director was present and participating by telephone, video-conferencing or other electronic means.

15. ADDITIONAL INFORMATION (Cont'd)

(d) Changes in Capital or Variation of Class Rights

The provisions in OWB's Articles of Association as to the change in capital or variation of class rights, which are as stringent as these provided in the Act, are as follows : -

Article 4 (A) Without prejudice to any special rights previously conferred on the holders of any shares or class of shares already issued, any shares in the Company (whether forming part of the original capital or not) may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by special resolution determine provided that:

- (1) the holders of preference shares shall be entitled to the right to vote in each of the following circumstances:-*
 - (a) when the dividend or part of the dividend on the share is in arrears for more than 6 months;*
 - (b) on a proposal to reduce the Company's share capital;*
 - (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;*
 - (d) on a proposal that affects rights attached to the share;*
 - (e) on a proposal to wind up the Company; and*
 - (f) during the winding up of the Company;*
 - (2) the Company shall not without the consent of the existing preference shareholders at a class meeting or pursuant to Article 6 hereof issue further preference capital ranking in priority to preference shares already issued but may issue preference shares ranking equally therewith; and*
 - (3) the holders of preference shares and shall have the same rights as holders of ordinary shares in relation to receiving notices, reports and audited accounts, and attending meetings of the Company.*
- (B) Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed.*

15. ADDITIONAL INFORMATION (Cont'd)

- Article 6* (A) *Whenever the capital of the Company is divided into different classes of shares, the special rights attached to any class may, either with the consent in writing of the holders of three-fourths (3/4) of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise), be modified or abrogated, and be so modified or abrogated, either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate meeting all the provisions of these Articles relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those persons who are present shall be a quorum) and that the holders of shares of the class shall, on a poll, have one (1) vote for every share of the class held by them respectively.*
- (B) *The repayment of preference capital other than redeemable preference capital, or any other alteration of preference shareholder rights, may only be made pursuant to a special resolution of the preference shareholders concerned, PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths (3/4) of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.*
- Article 7* *The special rights conferred upon the holders of any shares or class of shares issued with preferred or other special rights shall not unless otherwise expressly provided by the terms of issue of such shares be deemed to be modified by the creation or issue of further shares ranking pari passu therewith.*
- Article 21* *The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the moneys whether on account of the nominal value of the shares or by way of premium uncalled and unpaid upon any shares held by him, and upon all or any part of the moneys so advanced may (until the same would but for such advance become presently payable) pay interest at such rate, not exceeding (unless the Company in general meeting shall otherwise direct) ten percent (10%) per annum, as may be agreed upon between the Directors and the Member paying the sum in advance, in addition to the dividend payable upon such part of the share in respect of which such advance has been made as is actually called up. Such capital paid on shares in advance shall not, whilst carrying interest, confer any right to participate in profits. Except in liquidation, sums paid in advance of calls shall not, until the same would but for such advance have become payable, be treated as paid-up on the shares in respect of which they have been paid.*

15. ADDITIONAL INFORMATION (Cont'd)

Article 39 The Company in general meeting may from time to time by ordinary resolution increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe.

Article 40 The Company may simultaneously with the resolution increasing the capital or at any time thereafter give any lawful directions as to the issue of the new shares. In the absence of any such direction, or in so far as the same shall not extend, the new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

Article 41 (A) The Company in general meeting may by ordinary resolution:-

(1) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(2) subdivide its shares or any of them into shares of smaller nominal amount than is specified by the Memorandum of Association (subject nevertheless to the provisions of Section 62(1)(d) of the Act) and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the other share or shares have any such preferred, deferred or other special rights or be subject to any such restrictions, as the Company has power to attach to unissued or new shares;

(3) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled;

(4) subject to the provisions of the Act, convert any class of shares into any other class of shares.

(B) The Company may also by special resolution reduce its share capital and any capital redemption reserve fund, share premium account or other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.

15. ADDITIONAL INFORMATION (Cont'd)

15.3 Directors and Substantial Shareholders

- (i) The names, addresses and occupations of our Directors are set out in Section 1 of this Prospectus.
- (ii) A Director is not required to hold any qualification share in our Company unless otherwise so fixed by our Company at a general meeting.
- (iii) Save as disclosed in Section 7.1.6 of this Prospectus, no amount or benefits have been paid or intended to be paid or given to any of our promoters, Directors or substantial shareholders within two (2) years preceding the date of this Prospectus.
- (iv) There are no existing or proposed service contracts between our Company or subsidiary companies, and our Directors or key management.
- (v) Save as disclosed in this Prospectus, none of the Directors is aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect our Group's profits.
- (vi) Save as disclosed in Section 9 of this Prospectus, none of our Directors have any interest in any contract or arrangement subsisting at the date of this Prospectus in which our Directors or substantial shareholders are interested and which is significant in relation to the business of our Group as a whole.

15.4 Material Litigation/Arbitration

Save as disclosed below, as at 22 February 2007, being the latest practicable date prior to the printing of this Prospectus, our Company and our subsidiary companies are not engaged in any litigation or arbitration, either as plaintiff or defendant, which have a material effect on our Company or subsidiary companies' financial position and our Directors have no knowledge of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our Company or subsidiary companies' financial position or business:

- (i) Healthy World has received a letter dated 15 September 2005 from solicitors acting for Beaumix Co Ltd ("Beaumix") alleging infringement of a product design allegedly owned by Beaumix, which is similar in design to Healthy World's OGAWA Tens foot massager.

The solicitors for Healthy World has sent a letter dated 21 October 2005 to Beaumix's solicitors denying the allegations of Beaumix and stated that the allegations of Beaumix are completely baseless.

The solicitors for Healthy World has assessed the alleged infringement and has issued a letter dated 21 November 2005, advising Healthy World that Beaumix "has less than an even chance of proving that Healthy World's product design, OGAWA Tens has infringed Beaumix."

Solicitors for Beaumix informed the solicitors for Healthy World that the former has not had any response from its client, Beaumix for confirmation that the matter has been resolved.

As 22 February 2007, being the latest practicable date prior to the printing of this Prospectus, there has been no further demand or correspondences from Beaumix.

15. ADDITIONAL INFORMATION (Cont'd)

15.5 Material Contracts

Save as disclosed below, we have not entered into any material contracts, which are not contracts entered into in the ordinary course of business during the two (2) years preceding the date of this Prospectus:

- (i) Share Sale Agreement dated 16 November 2005 and supplemental agreements dated 1 August 2006 and 28 December 2006 entered into between our Company and various vendors in relation to the following:
 - (a) Purchase by our Company of the entire issued and paid-up share capital of Healthy World, comprising 1,200,000 ordinary shares of RM1.00 each in Healthy World from Wong Lee Keong, Lim Poh Khian, Lim Mee Ling, Cheah Yew Kong, Chong Swee Main and Lim Wai Heng, for a total purchase consideration of RM28,403,000 to be satisfied by the issuance of 56,806,000 new Shares at par;
 - (b) Purchase by our Company of 22,500 ordinary shares of RM1.00 each, representing 15.00% of the issued and paid-up share capital in Fujiiryoki from Lee Kok Leong for a total purchase consideration of RM100,000 to be satisfied by the issuance of 200,000 new Shares at par;
 - (c) Purchase by our Company of 68,500 ordinary shares of RM1.00 each, representing 6.85% of the issued and paid-up share capital in Ogawa Health-Care from Chong Yunn Fan and Khor Khang Lee, for a total purchase consideration of RM223,000 to be satisfied by the issuance of 446,000 new Shares at par;
 - (d) Purchase by our Company of 116,750 ordinary shares of RM1.00 each, representing 11.68% of the issued and paid-up share capital in OHCKL from Lim Mee Fong, Lim Hor Guan, Yong Chien Hon, Chong Wei Seong, Chan Wen Ming, Phang Jia Wen and Koo Hau Boon, for a total purchase consideration of RM342,000 to be satisfied by the issuance of 684,000 new Shares at par;
 - (e) Purchase by our Company of 9,000 ordinary shares of RM1.00 each, representing 10.00% of the issued and paid-up share capital in Ogawa Care Services from Peh Koon Wooi and Wong Kuan Tak, for a total purchase consideration of RM102,000 to be satisfied by the issuance of 204,000 new Shares at par;
 - (f) Purchase by our Company of 13,680 ordinary shares of SGD1.00 each, representing 12.00% of the issued and paid-up share capital in OHCPL from Wong Mei Wan and Lim Mee Fong, for a total purchase consideration of RM139,000 to be satisfied by the issuance of 278,000 new Shares at par;
 - (g) Purchase by our Company of 107,000 ordinary shares of RM1.00 each, representing 10.70% of the issued and paid-up share capital in OHCEM from Tham Kok Hoong, Lai Khong Wei, Lee Tian An, Yek Tiew Chuang, and Cheah Yew Keng, for a total purchase consideration of RM224,000 to be satisfied by the issuance of 448,000 new Shares at par; and
 - (h) Purchase by our Company of 113,500 ordinary shares of RM1.00 each, representing 11.35% of the issued and paid-up share capital in OHCS from Chong Wei Kuen, Loke Foong Wah, Chew Tuck Wai, and Yong Suh Fen, for a total purchase consideration of RM268,000 to be satisfied by the issuance of 536,000 new Shares at par.

15. ADDITIONAL INFORMATION (Cont'd)

- (ii) Share Sale Agreement dated 16 November 2005 and supplemental agreements dated 1 August 2006 and 28 December 2006 entered into between our Company, Wong Lee Keong and Lim Poh Khian whereby our Company has agreed to purchase the entire issued and paid-up share capital of Morwell comprising 200,000 ordinary shares of RM1.00 each in Morwell for a purchase consideration of RM6,912,000 to be satisfied by the issuance of 13,824,000 new Shares at par.
- (iii) Sale and purchase agreement dated 1 July 2006 between VGO Corporation Limited ("VGO"), Healthy World and OHCPL whereby VGO has agreed to sell and OHCPL has agreed to purchase the furniture, fixtures and fittings, and stock for a purchase consideration of SGD2,072,904.45.
- (iv) Share Sale Agreement dated 1 August 2006 between OWB and Healthy World and a supplemental agreement dated 28 December 2006 in relation to the following:
 - (a) The acquisition of 105,000 ordinary shares of RM1.00 each in Fujiiryoki representing 70.00% of the issued and paid-up share capital of Fujiiryoki for a cash consideration of RM105,000;
 - (b) The acquisition of 863,000 ordinary shares of RM1.00 each in Ogawa Health-Care representing 86.30% of the issued and paid-up share capital of Ogawa Health-Care for a cash consideration of RM863,000;
 - (c) The acquisition of 766,500 ordinary shares of RM1.00 each in OHCKL representing 76.65% of the issued and paid-up share capital of OHCKL for a cash consideration of RM766,500;
 - (d) The acquisition of 100,000 ordinary shares of RM1.00 each in Buzzard Event representing 100.00% of the issued and paid-up share capital of Buzzard Event for a cash consideration of RM18,058;
 - (e) The acquisition of 72,000 ordinary shares of RM1.00 each in Ogawa Care Services representing 80.00% of the issued and paid-up share capital of Ogawa Care Services for a cash consideration of RM88,020;
 - (f) The acquisition of 86,640 ordinary shares of SGD1.00 each in OHCPL representing 76.00% of the issued and paid-up share capital of OHCPL for a cash consideration of RM177,612;
 - (g) The acquisition of 786,800 ordinary shares of RM1.00 each in OHCEM representing 78.68% of the issued and paid-up share capital of OHCEM for a cash consideration of RM786,800; and
 - (h) The acquisition of 774,200 ordinary shares of RM1.00 each in OHCS representing 77.42% of the issued and paid-up share capital of OHCS for a cash consideration of RM774,200.

15. ADDITIONAL INFORMATION (Cont'd)

- (v) Underwriting Agreement dated 5 February 2007 between our Company, PIVB and MIMB Investment Bank Berhad (*formerly known as Malaysian International Merchant Bankers Berhad*) for the underwriting of 12,000,000 Public Issue Shares at a management fee of 0.25% of 12,000,000 Public Issue Shares multiplied by the IPO Price payable to PIVB, and underwriting commission at a rate of 1.75% of the IPO Price for the 12,000,000 Public Issue Shares underwritten.

15.6 General Information

- (i) The nature of our business is described in Section 5 of this Prospectus. Other than mentioned in Section 5 of this Prospectus, there is no corporation which is deemed to be related to us by virtue of Section 6 of the Act.
- (ii) During the last financial year and the current financial year up to the date of this Prospectus:
 - (a) there were no public take-over offers by third parties in respect of our shares; and
 - (b) there were no public take-over offers by us in respect of other company's shares.
- (iii) Save for our business as disclosed in Section 5 of this Prospectus, our Company has not established a place of business outside Malaysia.
- (iv) The name and address of our Auditors and Reporting Accountants are set out in Section 1 of this Prospectus.
- (v) Other than remunerations paid in the normal course of employment, directorship fees and purchase consideration paid pursuant to the Acquisitions as disclosed in Section 5.3 of this Prospectus, no amount or benefit has been paid or given within the two (2) preceding years of the date hereof, nor is it intended to be so paid or given, to any promoter, Director and substantial shareholder.
- (vi) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 16 of this Prospectus.
- (vii) The date and time of the opening of the Application of the IPO is set out in Section 3.2 of this Prospectus.
- (viii) The amount payable in full on application in respect of IPO Share is RM1.00 per Share and is subject to the terms and conditions as set out in this Prospectus.
- (ix) Save as disclosed in Section 4.2 of this Prospectus, our Directors and substantial shareholders are not aware of any persons who are able, directly or indirectly, jointly or severally, to exercise control over our Company and our subsidiaries.

15. ADDITIONAL INFORMATION (Cont'd)

15.7 Consents

- (i) The written consents of the Adviser, Managing Underwriter, Underwriters and Placement Agent, Company Secretary, Principal Banker, Solicitors, Issuing House and Share Registrar to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of Deloitte KassimChan, the Auditors and Reporting Accountants to the inclusion in this Prospectus of its name, Accountants' Report and letters relating to our consolidated profit forecast for the financial year ending 30 June 2007, our proforma consolidated financial information and our proforma consolidated balance sheets in the manner and form in which they are contained in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.
- (iii) The written consent of Tan & Tan Associates to the inclusion in this Prospectus of its audit report to the members of Healthy World in relation to the consolidated financial statements of Healthy World for the financial year ended 30 June 2004 in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.
- (iv) The written consent of D&B Malaysia, the Independent Market Researcher to the inclusion in this Prospectus of its name, Executive Summary of the Independent Market Research ("IMR") Report dated 1 March 2007 and extracts of the said Executive Summary of the IMR Report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

15.8 Responsibility Statements

- (i) Our Directors and Promoters, and the Offerors have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which, would make any statement in this Prospectus false or misleading. Our Directors accept full responsibility for the consolidated profit forecast in this Prospectus and confirm that it has been prepared based on the assumptions made.
- (ii) PIVB, being the Adviser, Managing Underwriter, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO, and are satisfied that our consolidated profit forecast (for which our Directors are solely responsible), prepared for inclusion in this Prospectus has been stated by the Directors after due and careful inquiry and has been duly reviewed by our Reporting Accountants.

15. ADDITIONAL INFORMATION (Cont'd)

15.9 Documents Available for Inspection

Copies of the following documents may be inspected at our Registered Office during office hours for a period of twelve (12) months from the date of this Prospectus:

- (i) Our Memorandum and Articles of Association;
- (ii) The Accountants' Report and Directors' Report as set out in Section 12 and Section 14 of this Prospectus respectively;
- (iii) The Reporting Accountants' Letters relating to our proforma consolidated financial information, proforma consolidated balance sheets and consolidated profit forecast for the financial year ending 30 June 2007 as set out in Section 11 of this Prospectus respectively;
- (iv) The Independent Market Research Report together with the executive summary of the Independent Market Research Report as set out in Section 13 of this Prospectus;
- (v) The material contracts and agreements as set out in Section 15 and Section 5 of this Prospectus;
- (vi) The letters of consent referred to in Section 15 of this Prospectus;
- (vii) Audited financial statements of OWB for financial period from 10 October 2005 (being the date of incorporation of OWB) to 30 June 2006 and three (3) months FPE 30 September 2006;
- (viii) Audited financial statements of Healthy World for the past three (3) FYE 30 June 2006 and three (3) months FPE 30 September 2006;
- (ix) Audited financial statements of Morwell for the past two (2) FYE 31 December 2004, the six (6) months FPE 30 June 2005, FYE 30 June 2006 and three (3) months FPE 30 September 2006;
- (x) Audited financial statements of Fujiiryoki for the past three (3) FYE 30 June 2006 and three (3) months FPE 30 September 2006;
- (xi) Audited financial statements of Ogawa Health-Care for the past two (2) FYE 31 December 2004, the six (6) months FPE 30 June 2005, FYE 30 June 2006 and three (3) months FPE 30 September 2006;
- (xii) Audited financial statements of OHCKL for the financial period from 26 March 2003 (being the date of incorporation of OHCKL) to 31 December 2003, the FYE 31 December 2004, the six (6) months FPE 30 June 2005, FYE 30 June 2006 and three (3) months FPE 30 September 2006;
- (xiii) Audited financial statements of Buzzard Event for the financial period from 12 March 2003 (being the date of incorporation of Buzzard Events) to 29 February 2004, the sixteen months FPE 30 June 2005, FYE 30 June 2006 and three (3) months FPE 30 September 2006;
- (xiv) Audited financial statements of Ogawa Care Services for the financial period from 20 January 2005 (being the date of incorporation of Ogawa Care Services) to 30 June 2005, FYE 30 June 2006 and three (3) months FPE 30 September 2006;

15. ADDITIONAL INFORMATION (Cont'd)

- (xv) Audited financial statements of OHCPL for the FYE 31 December 2003, the eighteen-months FPE ended 30 June 2005, FYE 30 June 2006 and three (3) months FPE 30 September 2006;
- (xvi) Audited financial statements of OHCEM for the financial period from 3 June 2005 (being the date of incorporation of OHCEM) to 30 June 2006 and three (3) months FPE 30 September 2006;
- (xvii) Audited financial statements of OHCS for the financial period from 3 June 2005 (being the date of incorporation of OHCS) to 30 June 2006 and three (3) months FPE 30 September 2006;
- (xviii) Audited financial statements of OSHCE for the financial period from 14 September 2005 (being the date of commencement of operations of OSHCE) to 30 June 2006 and three (3) months FPE 30 September 2006; and
- (xix) Audited financial statements of OHCIHK for the financial period from 12 December 2005 (being the date of incorporation of OHCIHK) to 30 June 2006 and three (3) months FPE 30 September 2006.

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