ESTHETICS

annual report 2012

GROUP FINANCIAL HIGHLIGHTS
& Five-Year Financial Summary

FINANCIAL STATEMENTS

PROPOSED AMENDMENTS
TO ARTICLES OF ASSOCIATION

CHAIRMAN REPORT
& MANAGEMENT DISCUSSION & ANALYSIS

EIG
esthetics international group

10 regional countries in Asia

68 corporate outlets

750 employees regionally

Over 2,500 active distribution points

132,000,000 myr in sales in FY1112

distributor for the

No.1

professional skincare
brand worldwide

vision

We aspire to be the leading skincare and wellness company in Asia.

mission

- Product and service innovation
- People oriented
- Performance driven and profit sustainability

core values

Passion
Entrepreneurship
Result focused
Fulfillment for our people
Excellence in all we do
Collaborative genius
Trust

CONTENTS

EIG Annual Report 2012

ASTER SPRING

we are committed to your skin health

our people

... experience our personalized touch therapy

we have more than 500 professional skin therapists regionally. Highly trained with more than 28 years of industry know-how to provide reliable consultation to customers' skin concern

our product

"Dermalogica is the no. 1 professional skin care choice of consumers worldwide"

all Dermalogica products are researched and developed by The International Dermal Institute, USA and manufactured in USA

our presence

the largest network among the professional skin care centres with more than 60 centres regionally in Malaysia, Hong Kong, Singapore and Thailand


ASTER SPRING
dermalogica skin bar

clinelle®

happy skin, happy face

ingenius. The Revolutionary Intelligent Solution for Aging Skin.

www.clinelle.com

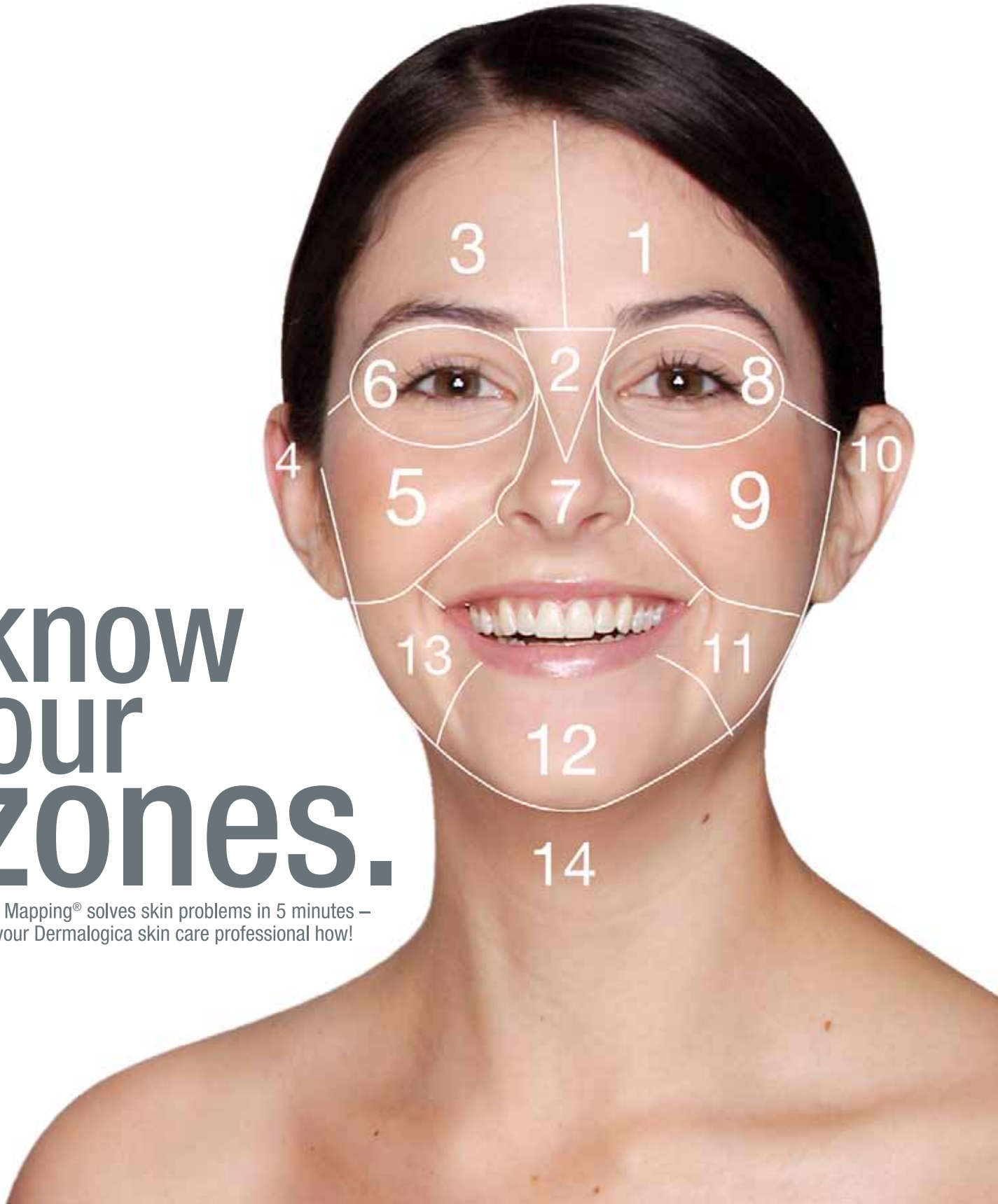
Clinelle's Consumer Promotion Event

Clinelle held a consumer promotion event at 1Utama Shopping Centre, Centre Court, Old Wing on 19 May 2012 with an appearance by Clinelle's new brand ambassador, Penny Tai where she performed and interacted with her fans. The roadshow was filled with lots of exciting promotions, freebies, fun games & fabulous prizes and attracted over 8,000 fans over a 5 days period.

Clinelle Ingenius Optimizer Daily Booster Press Launch

Clinelle announced its latest addition to its revolutionary anti-aging products line with the launch of Ingenius Optimizer Daily Booster on 18 May 2012 at One World Hotel, Petaling Jaya. Graced by the presence of Ms Penny Tai, Clinelle's new celebrity ambassador, the launching received overwhelming response with the presence of more than 90 media representatives who participated in the product presentation and product testing conducted by Clinelle's Regional Training Manager. The press also had a one-to-one interview session with Ms Penny Tai.

dermalogica®
face mapping®



know your zones.

Face Mapping® solves skin problems in 5 minutes – ask your Dermalogica skin care professional how!


dermalogica skin bar


dermalogica

ESTHETICS INTERNATIONAL GROUP BERHAD

(Company No. 408061-P, Incorporated in Malaysia)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the Company will be held at the Auditorium, Lot 11, Jalan Astaka U8/88, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia on Tuesday, 28 August 2012 at 9.30 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To **receive the Audited Financial Statements** for the financial year ended 31 March 2012 together with the Directors' and Auditors' Reports thereon. *(Please refer to Explanatory Note A)*

2. To **re-elect the following Directors** who are retiring by rotation **pursuant to Article 87** of the Company's Articles of Association:
   a) Mr Chieng Ing Huong *(Resolution 1)*
   b) Ms Lim Chang Ching *(Resolution 2)*

3. To **re-elect the following Director** who is retiring **pursuant to Article 94** of the Company's Articles of Association:
   a) Mr Brian Chieng Ngee Wen *(Resolution 3)*

4. To **approve the payment** of Directors' fees of RM95,000 for the financial year ended 31 March 2012. *(Resolution 4)*

5. To **re-appoint Messrs Crowe Horwath as Auditors** of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *(Resolution 5)*

6. To consider any **other ordinary business** of the Company of which due notice shall have been received.

As Special Business

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

Ordinary Resolution

7. Authority under Section 132D of the Companies Act, 1965 for **the Directors to issue shares** *(Resolution 6)*

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

Special Resolution

8. Proposed amendments to the Articles of Association *(Special Resolution 1)*

"THAT, the proposed deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in pages 49 to 51 of this Annual Report be and are hereby approved and adopted AND THAT the Board of Directors be and is hereby authorised to give effect to the said amendments to the Articles of Association accordingly." *(Please refer to Explanatory Notes to the Special Business)*

BY ORDER OF THE BOARD

LEE WAI NGAN (LS 00184)
Secretary

Shah Alam, Malaysia
3 August 2012

Notes

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149 (1) (b) of the Companies Act, 1965 shall not apply.

2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of the attorney.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 11, Jalan Astaka U8/88, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

EXPLANATORY NOTE A

5. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the audited financial statements. As such, this item is not put forward for voting.

EXPLANATORY NOTES TO THE SPECIAL BUSINESS

6. Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

Ordinary Resolution 6, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten percentum (10%) of the issued Share Capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

The mandate sought is a renewal of the mandate given by the Shareholders of the Company at the Fourteenth Annual General Meeting held on 10 August 2010. As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors and accordingly, no proceeds were raised.

The purpose for the renewal of the general mandate is to avoid any delay and additional costs in convening a general meeting to specifically approve such an issue of shares in the event of any possible fund raising activities for the purpose of funding future investments, expansion, additional working capital, etc. which may require the allotment and issuance of new shares.

EXPLANATORY NOTES TO THE SPECIAL RESOLUTION

7. Proposed amendments to the Articles of Association of the Company

The Articles of Association of the Company are proposed to be amended in the manner set out in pages 49 to 51 of this Annual Report to incorporate relevant provisions of the Main Market Listing Requirements (MMLR) arising from the amendments to the MMLR in relation to appointment of multiple proxies by an Exempt Authorised Nominee.


EIG

MALAYSIA (HEADQUARTERS)

ESTHETICS INTERNATIONAL GROUP BERHAD
Lot 11, Jalan Astaka U8/88, Bukit Jelutong,
Seksyen U8, 40150 Shah Alam,
Selangor Darul Ehsan, Malaysia
Tel : +603 7809 6688 Fax : +603 7809 6699

ASTERSPRING OUTLET LOCATION

Kuala Lumpur | Bangsar Shopping Centre • Pavilion Kuala Lumpur • Suria KLCC • Mid Valley Kuala Lumpur • Sri Hartamas Shopping Centre • Cheras Leisure Mall • Metro Prima, Kepong • Ampang Point, Ampang • Bangi • Metro Point Kajang • Jaya Jusco Taman Maluri • Pavilion Kuala Lumpur* • Suria KLCC*

Selangor | 1- Utama Shopping Centre • Subang Parade Shopping Centre • Sunway Pyramid Shopping Centre • Jaya 1 Shopping Centre • Damansara Jaya • IOI Mall, Puchong • SACC Mall, Shah Alam • Bukit Raia Shopping Centre, Klang • Bukit Tinggi, Klang • Setia City Mall • Paradigm Mall, Kelana Jaya • Aeon Bukit Tinggi Shopping Centre, Klang*

Penang | Greenlane • Gurney Plaza • Queensbay Mall • Bayan Bay • Seberang Jaya, Bukit Mertajam • Sunway Carnival*

Kota Baru | KB Mall

Johor | Tebrau, Johor Baru • Jusco Tebrau City Shopping Centre*

Melaka | Dataran Pahlawan Shopping Centre*

SINGAPORE

EIG GLOBAL PTE LTD
70 Bendemeer Road, # 02-08 Luzerne,
Singapore 339940
Tel : +65 6271 4733 Fax : +65 6227 6112

ASTERSPRING OUTLET LOCATION

Centrepoint, Orchard Road • Century Square, Tampines • Compass Point, Seng Kang Square • Harbour Front Centre • Parkway Parade, Marine Parade • Plaza Singapura, Orchard Road • White Sands, Pasir Ris • AMK Hub, Ang Mo Kio • West Coast Plaza • NEX @ Serangoon Central • Sembawang Shopping Centre • Clementi Mall

CHINA

EIG GLOBAL (CHINA) CO LTD
Room Unit 04, 15 Floor Teem Tower,
No 208, Tian He Road, Tian He District,
GuangZhou, China
Tel : +86 20 3810 3628
Fax : +86 20 3810 3698

HONG KONG

EIG DERMAL WELLNESS (HK) LTD
Unit 3505-09, 35th Floor
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong
Tel : +852 2881 6169
Fax : +852 2881 7612

ASTERSPRING OUTLET LOCATION

Henry House, Causeway Bay • Hong Kong Pacific Centre, Tsim Sha Tsui • Central Shop, Century Square • One Grand Tower, Mong Kok • Harbour City, Tsim Sha Tsui* • Tuen Mun Plaza*

THAILAND

EIG (THAILAND) CO LTD
217/2, Asoke Tower,
Sukhumvit 21 Road (Soi Asoke),
North Klongtoey, Wattana,
Bangkok 10110, Thailand
Tel : +662 2600 140 Fax : +662 2600 141

ASTERSPRING OUTLET LOCATION

Siam Discovery Centre, Bangkok • Life Centre, Sathorn • Esplanade Ratchada, Bangkok • Fashion Island • Future Park Rangsit • All Seasons Place • Terminal 21 • Siam Paragon* • Central World* • Central Ladprao* • Central Chaengwattana* • Central Rama 3* • The Mall Bangkae* • The Mall Bangkapi* • Emporium*

** Dermalogica Consultation Pod*

Eddy Chieng Ing Huong

Executive Chairman

Eddy Chieng Ing Huong, aged 54, was redesignated as the Executive Chairman on 28 February 2012. Prior to his redesignation, he was Executive Chairman and Group Chief Executive Officer since 3 September 2010. Prior to that, he was the Executive Chairman (redesignated on 2 September 2009), Non Independent Non-Executive Chairman (redesignated on 21 November 2006). He was appointed to the Board of the Company on 4 February 2004. He is also the Chairman of the Remuneration Committee.

Mr Eddy Chieng graduated in 1980 from the University of New South Wales, Australia with a Bachelor of Commerce Degree with Merit in Accounting, Finance and Information Systems. He qualified as a Chartered Accountant in 1981 and is a member of the Institute of Chartered Accountants, Australia. He has also been a Chartered Accountant registered with the Malaysian Institute of Accountants since 1983.

Mr Eddy Chieng has extensive senior management experience having been involved in a number of successful entrepreneurial businesses in Malaysia and overseas. Other than being on the Board of Directors of the public companies mentioned below, he is an adviser to a number of other public companies' boards and also that of some large family-run private companies.

Mr Eddy Chieng is the Chairman of Selangor Dredging Berhad and Senior Independent Non-Executive Director of QL Resourses Berhad and Director of OrotonGroup Limited (a company listed on the Australian Stock Exchange). He was previously a Director of Nationwide Express Courier Services Berhad, Ancom Berhad, Nylex (Malaysia) Berhad and the Chairman of Asia Poly Holdings Berhad. In addition to these notable achievements, he was instrumental in bringing Fedex to Malaysia and was a Director of Federal Express Malaysia for a number of years.

Roderick Chieng Ngee Kai

Group Managing Director
And Chief Executive Officer

Roderick Chieng Ngee Kai, aged 28, was redesignated as the Group Managing Director and Chief Executive Officer on 28 February 2012. Prior to the redesignation, he was the Executive Director since 3 September 2010. Mr Roderick Chieng was awarded a scholarship from the University of Technology Sydney, Australia and graduated with distinction in Bachelor of Accounting, majoring in Accounting and Finance. He is a qualified member of the Institute of Chartered Accountants, Australia.

Prior to joining EIG, Mr Roderick Chieng has over 6 years' experience in investment banking, property finance and accounting with Macquarie Group Limited in Sydney, Australia where the last position held was Manager in Macquarie Capital Advisers and advised on significant property and corporate finance transactions with total value close to A$700 million / RM2 billion.

Dato' Mohd Ismail Bin Che Rus

Senior Independent Non-Executive Director

Dato' Mohd Ismail Bin Che Rus, aged 69, is the Senior Independent Non-Executive Director. He is also the Chairman of the Audit Committee and Chairman of the Nomination Committee and a member of the Remuneration Committee. He was appointed to the Board of the Company on 2 September 2009.

Dato' Mohd Ismail studied Training Management at Royal Institute of Public Administration, London, United Kingdom and Post Graduate Senior Management at the University of Manchester, United Kingdom and Crisis Management at Louisiana State University, United States of America.

Dato' Mohd Ismail started his career with the Royal Malaysia Police as an Inspector in 1962 and was promoted to numerous positions before appointment as Chief Police Officer for three states in Malaysia and the Metropolitan Police of Kuala Lumpur. Prior to his retirement, he held the rank of Commissioner of Police with the appointment as Director of Criminal Investigation Department. Currently, he is a Senior Independent Non-Executive Director of Selangor Dredging Berhad.

Dr Chu Siew Mun

Independent Non-Executive Director

Dr. Chu Siew Mun, aged 69, is the Independent Non-Executive Director of the Company. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee. He was appointed to the Board of the Company on 22 February 2008.

Dr. Chu graduated from University of Malaya with Bachelor of Medicine and Bachelor of Surgery degrees in 1969. In 1974, he became a member of the Royal College of Physicians of London and obtained a Diploma in Dermatology from the University of London. He has been a fellow of the Royal College of Physicians of London since 1991 and a fellow of the Academy of Medicine of Malaysia since 2002.

He lectured in Medicine and Dermatology at University of Malaya from 1973 to 1977 and was a Consultant Dermatologist at Assunta Hospital till 1987. He was the pioneer group of doctors and consultants dermatologists at Sime Darby Medical Centre Subang (since 1985) and also at Sime Darby Specialist Centre Megah since 1997, of which he was a past member of the Board of Directors. He has written papers and presentations in Dermatology conferences and was the President of Dermatological Society of Malaysia from 1988 to 1989.

Dr. Chu is currently in private practice as a consultant dermatologist.

Felicia Lim Chang Ching

Non Independent Non-Executive Director

Felicia Lim Chang Ching, aged 37, is the Non Independent Non-Executive Director. She was appointed to the Board of the Company on 18 July 2007. She is also member of the Audit Committee and Nomination Committee. She graduated from Sheffield University in the United Kingdom in 1996 with a Bachelor of Arts in Business Studies. She is currently the Executive Chairman of Paos Holdings Berhad, a public listed company involved in the production of value-added products from oil palm, such as finished soap and animal feed.

Prior to joining Paos, Ms Felicia Lim was the Chief Operating Officer of Hospital Pantai Indah from September 2005 to August 2006. Before her involvement in Pantai, she was the Director of Business Development, for the Asia Poly Group from 1998 to 2005; where she managed all the sales cum marketing, customer service, trading and logistics aspects of the entire Group. Before joining Asia Poly in 1998, she was attached to Intercontinental Specialty Fats Sdn. Bhd. as Commercial Executive from 1996 to 1998.

Brian Chieng Ngee Wen

Non Independent Non-Executive Director

Brian Chieng Ngee Wen, aged 26, was appointed as a Non Independent Non-Executive Director of the Company on 28 February 2012. Mr Brian Chieng is a qualified member of the Institute of Chartered Accountants, Australia (ICAA) and graduated with a Bachelor of Commerce with Merit in Finance and Accounting from the University of New South Wales in Sydney, Australia and holds a Diploma in Financial Services from the Securities Institute of Australia (FINSIA).

Mr Brian Chieng has over 6 years' experience in the finance industry, including over 4 years' experience in investment banking and corporate finance with Macquarie Group Limited in Sydney, Australia with involvement in acquisitions, capital raisings and divestments in Australia, the United States and Asia. He was also involved in managing a portfolio of media businesses with experience in corporate strategy, investor relations, financial and treasury management and performance management. Prior to this, he was also previously with KPMG Australia with experience in board advisory services and tax advisory services. He is currently Vice President, Business Development at HwangDBS Investment Bank Berhad and an Independent Non-Executive Director of Asia Poly Holdings Berhad.

Notes

1. Family Relationship with Director and/or Major Shareholder

Save as disclosed below, none of the Directors has any family relationship with any Director and/or major shareholder of the Company:

- Mr Eddy Chieng, is the father of Mr Roderick Chieng and Mr Brian Chieng;
- Mr Roderick Chieng and Mr Brian Chieng are brothers; and
- Ms Felicia Lim is the daughter of Tan Sri Dato' Lim Tong Yong @ Lim Tong Yaim, who is a deemed major shareholder of the Company, vide his interest in Gambir Capital Sdn Bhd.

2. Conflict of Interest

None of the Directors has any conflict of interest with the Company.

3. Conviction of Offences

None of the Directors has been convicted of any offences in the past ten (10) years other than traffic offences.

PRINCIPAL BUSINESS

REGISTERED OFFICE

Lot 11, Jalan Astaka U8/88
Bukit Jelutong, Seksyen U8
40150 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel : +603-7809 6688
Fax : +603-7809 6699

AUDITORS

Crowe Horwath
Chartered Accountants
Level 16, Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel : +603-2166 0000
Fax : +603-2166 1000

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7849 0777 (Helpdesk)
Fax : +603-7841 8151
: +603-7841 8152

COMPANY SECRETARY

Lee Wai Ngan (LS 00184)

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board, Trading/Services Sector
Date of Listing: 11 March 2004
Stock Code: 5081

PRINCIPAL PLACE OF BUSINESS

Lot 11, Jalan Astaka U8/88
Bukit Jelutong, Seksyen U8
40150 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel : +603-7809 6688
Fax : +603-7809 6699
Website: www.estheticsgroup.com

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
RHB Bank Berhad
OCBC Bank Malaysia Berhad
Malayan Banking Berhad

EIG Group is an established group with close to 28 years of experience in the skincare and beauty industry and we are the market leader in the Far East, with strong focus in the following business lines:

(a) Product Distribution

EIG is the exclusive distributor of the Dermalogica professional skin care products in Malaysia, Singapore, Hong Kong, Indonesia, Brunei, Phillippines, Thailand and South China and the nominated distributor for Vietnam and Cambodia. The Dermalogica product lines researched and developed by the International Dermal Institute based in Los Angeles, USA since its establishment in 1986, and manufactured in USA. It is the number one professional skin care brand in the world. Dermalogica is sold through our extensive network of more than 750 salon operators. We also produce and distribute Averine cosmetics and Bioxil Innertreats dietary supplement, both of which are our home brands, through this channel.

EIG Group also develops and distributes our own mid-market brand – Clinelle. Clinelle made its first appearance in 2004. Since then, we have expanded our brand distribution network through chain pharmacies, independent pharmacies, beauty specialty stores, high traffic retail outlets and departmental stores in Malaysia, Singapore, Hong Kong and South China. Clinelle products are mainly developed and manufactured in France and USA.

(b) Corporate Salon Operations

EIG Group owns and operates a chain of 68 skin care salons in Malaysia, Singapore, Hong Kong and Thailand under the trade name AsterSpring. We started off as Leonard Drake Skin Care Health Spa – a renowned as a skin care salon that focused on treatments of problem skin and since evolved into AsterSpring to better meet our client's needs for total wellness.

BOARD OF DIRECTORS

Executive Chairman:
Eddy Chieng Ing Huong

Group Managing Director and Chief Executive Officer:
Roderick Chieng Ngee Kai

Senior Independent Non-Executive Director:
Dato' Mohd Ismail Bin Che Rus

Independent Non-Executive Director:
Dr Chu Siew Mun

Non Independent Non-Executive Director:
Felicia Lim Chang Ching
Brian Chieng Ngee Wen

AUDIT COMMITTEE

Chairman:
Dato' Mohd Ismail Bin Che Rus

Members:
Felicia Lim Chang Ching
Dr Chu Siew Mun

NOMINATION COMMITTEE

Chairman:
Dato' Mohd Ismail Bin Che Rus

Members:
Felicia Lim Chang Ching
Dr Chu Siew Mun

REMUNERATION COMMITTEE

Chairman:
Eddy Chieng Ing Huong

Members:
Dato' Mohd Ismail Bin Che Rus
Dr Chu Siew Mun

MALAYSIA

- 100% AsterSpring International Sdn Bhd
- 100% EIG Dermal Wellness (M) Sdn *Bhd (formerly known as Dermal Esthetica Sdn Bhd)*
- 100% EIG Pharma Asia Sdn Bhd
- 100% Esthetics and Wellness International Sdn Bhd
- 100% Beuxtar Sdn Bhd
- 100% Klientec International Sdn Bhd
  - 80% Klientec Biz-Solution Sdn Bhd
- 100% EIG Management Services Sdn Bhd
- 100% Lexwel International Sdn Bhd (In liquidation)
- 100% Leonard Drake (M) Sdn Bhd
- 100% Esthetics Concept Sdn Bhd
- 100% Clinelle (M) Sdn Bhd
- 100% Averine (Malaysia) Sdn Bhd
- 100% Head To Toe Skin Care Centre (KL) Sdn Bhd
- 100% Airellis International Sdn Bhd

SINGAPORE

- 100% EIG Global Pte Ltd
  - 100% AsterSpring International (S) Pte Ltd
  - 100% EIG Dermal Wellness (S) Pte Ltd *(formerly known as Ina Gail Pte Ltd)*
- 100% Lexwel International (S) Pte Ltd

HONG KONG

- 100% AsterSpring International (HK) Limited *(formerly known as Leonard Drake (HK) Limited)*
- 100% EIG Dermal Wellness (HK) Limited *(formerly known as EIG Global (HK) Limited)*
- 100% Lexwel International Pte Limited

CHINA

- 100% EIG Global (China) Co Ltd

INDONESIA

- 99%
- 1%

PT EIG Lexwel

OTHERS

- 100% EIG Global Australia Pty Ltd
- 100% EIG Global (US) Inc

THAILAND

- 100% EIG (Thailand) Co Ltd
  - 49% Wellnax (Thai) Co Ltd
  - 49.9% Dermal Wellness International Co Ltd
    - 100% AsterSpring International (Thai) Co Ltd *(formerly known as Leonard Drake (Thai) Co Ltd)*
    - 100% EIG Dermal Wellness (Thai) Co Ltd *(formerly known as Dermal Concept Co Ltd)*

LEGEND

- Investment Holding
- Product Distribution
- Professional Services & Sales
- Other Services
- Dormant

Note - The following companies ceased to be subsidiaries of EIG as at 30 June 2011: EIG Medklinn Sdn. Bhd., Medklinn International Sdn. Bhd, Medklinn Manufacturing Sdn Bhd, Medklinn International Pte Ltd, Oxion Pte. Ltd.

STATEMENT ON CORPORATE GOVERNANCE

(for the Financial Year Ended 31 March 2012)

The Board of Directors ("Board") of Esthetics International Group Berhad ("EIG" or "the Company") is committed to the principles and best practices of corporate governance in the Malaysian Code on Corporate Governance ("Code") and ensures that standards of corporate governance are being observed to realise the objective of increasing shareholders' value.

This section of the Annual Report details the measures implemented by EIG Group to strengthen its compliance with the Principles and Best Practices of Corporate Governance as set out in Parts 1 and 2 of the Code, respectively.

BOARD OF DIRECTORS

BOARD STRUCTURE

EIG is led and managed by an experienced Board with a wide and varied range of expertise to address and manage the scale of EIG Group's operations. This broad spectrum of skills and experience ensures the EIG Group is under the guidance of an accountable and competent Board. The Directors recognise the key role they play in charting the strategic direction, development and control of EIG Group.

The Directors are from diverse professional and business backgrounds with a wide range of academic and professional qualifications and business and financial experience relevant to lead the Group's business activities and as such are able to effectively discharge their duties and responsibilities on issues of strategic planning, performance evaluation, resource allocation, setting of standards of conduct, identifying principal risks and reviewing internal control systems.

The Board has a well-balanced composition, with an effective mix of Executive Directors and Non-Executive Directors (including Independent Directors) such that no individual or group of individuals can dominate the Board's decision-making powers and processes and that the number of Directors fairly reflects the investments in the Company.

The Board as at the date of this Statement comprise of six (6) members:

- One (1) Executive Chairman
- One (1) Managing Director and Group Chief Executive Officer
- Two (2) Non Independent and Non-Executive Directors
- Two (2) Independent and Non-Executive Directors

The Independent Non-Executive Directors make up 1/3 of the board membership. The Company has thus complied with Paragraph 15.02 of the Listing Requirements of Bursa Securities which requires that at least two (2) Directors or one third (1/3) of the Board of Directors, whichever is higher to be independent. The Independent Non-Executive Directors play a strong and vital role on the Board, entrenching good governance practices in the affairs of the Group by fulfilling an independent, pivotal role in corporate accountability, hence their membership within the Audit, Remuneration and Nomination Committees.

The Executive Directors are generally responsible for making and implementing operational decisions while the Independent Directors and Non-Executive Directors complement their expertise and experience towards the formulation of policies and decision-making process with effective check and balance. The Executive Directors bring to the Group a wealth of entrepreneurial experiences and business acumen given his track record is various business ventures, in Malaysia and overseas. The Executive Directors are primarily responsible for overall group strategy and ensuring that the preservation of shareholders value.

The Executive Directors, supported by the Management are responsible for the day-to-day management of the Group's businesses, which include implementing the policies and decisions of the Board, overseeing the operations to ensure organisational effectiveness, and managing the development and implementation of the Company's business and corporate strategies. The Group Executive Directors report to the members of the Board with respect to matters concerning the Board members and are obliged to report and discuss at board meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory developments.

> "... led by an experienced Board with a wide and varied range of expertise to address and manage the scale of EIG Group's operations."

The presence of Independent Non-Executive Directors provides an effective Board with a mix of industry specific knowledge and broad business and commercial experience. The balance enables the Board to provide fair and independent views, advice and judgment to the Company and to bring informed and

independent judgment to many aspects of the Company's strategy and performance so as to ensure that the highest standard of conducts and integrity are maintained by the Company, as well as to safeguard the interest of other stakeholders.

The Company recognises the contribution of Independent Non-Executive Directors as equal Board members to the development of the Company's strategies, the importance of representing the interests of public shareholders and providing a balanced and independent view of the Board. All Independent Non-Executive Directors are independent of management and free from any relationship which could interfere with the exercise of their independent judgment.

The Board has delegated certain responsibilities to the Board Committees with clearly defined terms of reference to assist in discharging their duties. The Board Committees include the Audit Committee, Nomination Committee and Remuneration Committee. The Chairman of the Committee will report and table to the Board their respective recommendations for consideration and adoption.

BOARD COMMITTEES

(i) The Audit Committee

Full details of the composition, complete terms of reference and a summary of the activities of the Audit Committee during the financial year are set out in the Audit Committee Report in this Annual Report.

(ii) The Remuneration Committee

The Company's Remuneration Committee comprises the Executive Chairman and two Independent Non-Executive Directors:

- Eddy Chieng Ing Huong - Chairman
- Dato' Mohd Ismail Bin Che Rus – Member
- Dr Chu Siew Mun - Member

The objective of the Committee is to assist the Board of Directors in their responsibilities in assessing the remuneration policies of the Directors to ensure that the same remains in support of its corporate objectives and shareholder value and is in tandem with its culture and strategies. The Director concerned will not be present when matters affecting his/her own remuneration arrangement are considered.

Meetings of the Remuneration Committee are held as and when required, and at least once a year. During the financial year ended 31 March 2012, the Remuneration Committee held one (1) meeting on 30 May 2011 which was attended by all members, to deliberate and consider the remuneration of the Directors for the financial year ended 31 March 2012.

(iii) The Nomination Committee

The Company's Nomination Committee which comprises three Non-Executive Directors:

- Dato' Mohd Ismail Bin Che Rus - Chairman
- Felicia Lim Chang Ching - Member
- Dr. Chu Siew Mun - Member

The Committee is empowered to bring to the Board recommendations as to the appointment/re-appointment/re-election of any Executive or Non-Executive Director, provided that the Chairman of the Nomination Committee, in developing such recommendations, consults all Directors and reflects that consultation in any recommendation of the Nomination Committee brought forward to the Board.

The Nomination Committee also ensures that the Board has an appropriate balance mix of skills, expertise, experience, ability and other core competencies and oversees the overall composition of the Board in terms of the appropriate size and skills and the balance between Executive Directors, Non-Executive Directors and Independent Directors. For this purpose, the Committee assesses the effectiveness of the Board as a whole and performance of the Directors of the Company on an on-going basis. Terms of reference of the Committee are clearly defined.

Meetings of the Nomination Committee are held as and when required, and at least once a year. During the financial year ended 31 March 2012, the Nomination Committee held two (2) meetings on 30 May 2011 and 28 February 2012, which was attended by all members, to deliberate and consider the reappointment of Directors pursuant to Articles 87 and 94 of the Company's Articles of Association and the appointment of Mr Brian Chieng Ngee Wen as Non Independent Non-Executive Director of EIG respectively.

INDEPENDENCE AND CONFLICT OF INTEREST

The relationship between a Director and the Company is based on fiduciaries, whereby each Director is required to act bona fide in the best interests of the Company, as a whole. In this respect, the Directors are required to declare their respective shareholdings in the Company and related companies. It is also the Directors' responsibility to declare to the Board whether they have any potential or actual conflict of interest in any transactions or in any contract or proposed contract with the Company or any of its related companies. Where issues involve conflict of interest, the Directors will abstain from discussion and voting on the matters as well as abstain from any other decision making process in relation to these transactions.

BOARD MEETINGS

Board meetings are scheduled with due notice in advance at least four (4) times in a year in order to review and approve the annual and interim financial results and to deliberate and assess business issues that require decision from the Board. The Board also reviews the Group's business plan on an annual basis so as to align the business directions and goals with the prevailing economic and market conditions. The Board approves the Group's annual budget and carries out periodic review of the progress made by the various business units. Additional meetings may also be convened on an ad-hoc basis when significant issues arise relating to EIG Group and when necessary to review the progress of its operating subsidiaries in achieving their strategic goals.

Prior to each Board meeting, all Directors will receive an agenda and a full set of Board papers for each agenda item to be discussed. Minutes for every Board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meeting. Relevant Executive Directors and Management will provide explanation of pertinent issues. All proceedings from the Board meetings are minuted by the Company Secretary, who attends all board meetings and ensures that accurate and proper records of the proceedings of Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of EIG.

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board decisions are obtained via circular resolutions which are supported with board papers, where necessary, providing information necessary for Board's deliberation. In addition, Management would personally explain such matters to the Directors on individual basis where necessary to ensure the Directors are able to make informed decisions. In this regards, the Board is constantly kept updated on the Company's financial performance, activities and its operations.

> "There were a total of four (4) Board meetings held during the financial year ended 31 March 2012."

There were a total of four (4) Board meetings held during the financial year ended 31 March 2012 and the attendance was as follows:

	30.05.2011	26.08.2011	24.11.2011	28.2.2012
Eddy Chieng Ing Huong	•	•	•	•
Roderick Chieng Ngee Kai	•	•	•	•
Dato' Mohd Ismail bin Che Rus	•	•	•	•
Felicia Lim Chang Ching	•	•	•	•
Dr Chu Siew Mun	•	•	•	•
Brian Chieng Ngee Wen [1]	n/a	n/a	n/a	•
Lim Yee Soon [2]	•	n/a	n/a	n/a

Notes

1. Appointed on 28 February 2012
2. Resolution for the re-election was not carried at the Company's AGM held on 10 August 2011

Directors' commitment, resources and time allocated to the Company are evident from the attendance record, where no Directors were absent for more than 50% of the total Board Meetings held during the financial year ended 31 March 2012, hence complying with Paragraph 15.05 of Listing Requirements of Bursa Securities.

ACCESS TO INFORMATION AND ACCESS TO ADVICE

All Directors have full and unrestricted access to timely information, necessary in the furtherance of their duties.

All Directors have full access to the advice and services of the Company Secretary who consistently ensures that Board procedures are adhered to at all times during meetings and advises the Board on matters including corporate governance issues and the Directors' responsibilities in complying with relevant legislation and regulations.

In addition, the Directors are also empowered to seek independent external professional advice at the expense of the Company, should they consider it necessary in the course of their duties.

APPOINTMENT AND RE-ELECTION TO THE BOARD

The appointment of Directors is undertaken by the Board as a whole. The Executive Director(s) recommends candidates suitable for appointment to the Board, and the final endorsement lies with the entire Board to ensure that the required mix of skills, experience and expertise of members of the Board is sufficient to address the issues affecting EIG Group. In its deliberations, the Board is required to take into account the integrity, professionalism, skill, knowledge, expertise and experience of the proposed candidate. In accordance with the Board's procedures, deliberations and conclusions in this process reached are recorded by the Company Secretary. During the financial year under review, Mr Brian Chieng Ngee Wen was appointed to the Board and Mr Lim Yee Soon was not re-elected by the shareholders at the Company's Annual General Meeting ("AGM").

The Articles of Association of the Company provides that at least one-third of the Board is subject to retirement by rotation at every AGM. Further, all the Directors of the Company shall retire at least once every three (3) years. A retiring Director is eligible for re-election. This provides an opportunity for shareholders to renew their mandate. The election of every Director is voted on separately. Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the next AGM held following their appointments. Directors who are over seventy years of age are required to submit themselves for reappointment by shareholders annually in accordance with Section 129 of the Companies Act 1965. None of the Directors of the Company has attained the age of seventy (70) years for the financial year under review.

The names and details of Directors seeking re-election at the forthcoming AGM are disclosed in the Notice of AGM and the Profile of the Board of Directors, respectively, in this Annual Report. In accordance with the Listing Requirements, each member of the Board holds not more than ten directorships in public listed companies and not more than fifteen directorships in non-public listed companies. This ensures that their commitment, resources and time are focused on the affairs of EIG Group thereby enabling them to discharge their duties effectively.

CONTINUING EDUCATION OF THE DIRECTORS

The Directors are fully cognisant of the importance and value of attending seminars, training programmes and conferences in order to update themselves on developments and changes in the industries in which EIG Group operates, as well as wider economic, financial and governance issues to enhance their skills, knowledge and expertise in their respective fields. All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis. Throughout the financial year under review, the Directors attended various briefings, conferences, seminar programmes and speaking engagements covering areas that included corporate governance, leadership, relevant industry updates and global business developments which they have collectively or individually considered as useful in discharging their stewardship responsibilities.

DIRECTORS' REMUNERATION

THE LEVEL AND MAKE-UP OF REMUNERATION

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for Directors so as to attract, retain, motivate and incentivise Directors of the necessary calibre needed to lead EIG Group successfully. The remuneration of Directors is undertaken by the Board as a whole. The Executive Director(s) recommends the remuneration package

to the Remuneration Committee for deliberation, and the final endorsement lies with the entire Board to ensure that the above objective is met.

The Executive Directors' remuneration consists of basic salary, other emoluments and other customary benefits as appropriate to a senior management member. The component parts of remuneration are structured so as to link rewards to performance. Directors do not participate in decisions regarding their own remuneration packages and Directors' fees must be approved by shareholders at the AGM.

PROCEDURE FOR DETERMINING DIRECTORS' REMUNERATION

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for Directors so as to attract, retain, motivate and incentivise Directors of the necessary calibre needed to lead EIG Group successfully.

In general, the remuneration of the directors is reviewed against the performance of the individual and EIG Group. The Executive Directors' remuneration consists of basic salary, other emoluments and other customary benefits as appropriate to a senior management member. The component parts of remuneration are structured so as to link rewards to performance. Directors do not participate in decisions regarding their own remuneration packages and Directors' fees must be approved by shareholders at the AGM.

DISCLOSURE OF REMUNERATION

The aggregate remuneration of Directors of the Company for the financial year are as follows:

RM'000	Salaries & Other Emoluments[2]	Benefits In Kind[3]	Fees	
Executive Directors	1,300	60	-	1,360
Non-Executive Directors[1]	-	15	60	75

Notes

1. Included in the remuneration of Non-Executive Directors is the remuneration paid to Mr Lim Yee Soon from 1 April 2011 up to the date he ceases to be a Director on 10 August 2011.
2. Other emoluments include bonuses, employer contribution to the Employees' Provident Fund and consultancy fee paid to a Company in which the Executive Chairman has interest.
3. Benefits in-kind are in respect of motor vehicles, product allowances and leave passages provided for Executive Directors and gift certificates for treatment services for Non-Executive Directors.
4. Fees include directors fees and meeting allowances paid to Non-Executive Directors.

The numbers of Directors whose remuneration for the financial year falling into the following bands are as follows:

Range of remuneration per annum	No. of Directors	
	Executive Directors	Non-Executive Directors[1]
Below RM50,000	-	5
RM400,000 to RM450,000	1	-
RM900,00 to RM950,000	1	-

Notes

1. Included in the remuneration of Non-Executive Directors is the remuneration paid to Mr Lim Yee Soon from 1 April 2011 up to the date he ceases to be a director on 10 August 2011.

DIALOGUE WITH SHAREHOLDERS AND INVESTORS

General Meetings is the principal forum for dialogue with shareholders. The Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, corporate developments in EIG Group, the resolutions being proposed and the business of EIG Group in general at every General Meetings of the Company. The notice of the General Meetings, when such meetings are called, and Circular to Shareholders are sent to shareholders in accordance with the stipulated period set out in the Listing Requirements and Companies Act 1965. Annual General Meetings and Annual Report are sent to shareholders at least 21 days prior to the AGM in accordance with the Listing Requirements and the Companies Act 1965 in order to enable shareholders to review EIG Group's financial and operational performance for the financial year and to fully evaluate new resolutions being proposed.

The Group Executive Chairman and/or the Group Managing Director and Chief Executive Officer take the opportunity to present a comprehensive review of the progress and performance of EIG Group, and provide appropriate answers in response to shareholders' questions during the meeting, thereby ensuring a high level of accountability, transparency and identification with EIG Group's business operations, strategy and goals. Each item of special business included in the notice of the meeting is accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

Other Directors and representatives of the Management are also present at the AGM and EGM to assist the Chairman, where required, to respond to shareholders' queries during the meeting. The External Auditors and advisers of corporate exercises, where applicable, attend general meetings upon invitation and are available to answer questions or clarify queries from shareholders relating to the subject matter.

During the course of each financial year, the Company ensures prompt and timely release and dissemination of quarterly results, announcements, circulars and notices to enable shareholders to keep abreast of EIG Group's financial and operational performance and to make informed decisions with regards to significant corporate developments.

The Company also maintains a website (www.estheticsgroup.com) through which shareholders and members of the public in general can gain access to information about the Group.

Details of the Senior Independent Non-Executive Director to whom concerns regarding the Group may be conveyed are as follows:

Post :
Dato' Mohd Ismail bin Che Rus
c/o Ms Lee Wai Ngan

Systems & Securities Sdn Bhd
Plaza 138, Suite 18.03, 18th Floor
138 Jalan Ampang
50450 Kuala Lumpur
Tel : 603 2161 5466
Fax : 603-2163 6968

CORPORATE SOCIAL RESPONSIBILITY

The Company treats corporate social responsibility as a critical management initiative and will continually strive to improve the corporate value by engaging in conscientious activities, especially in consideration of the Group's presence and ties with the environment. The Company supports a precautionary approach to environmental challenges. Initiatives to promote greater environmental responsibility and to encourage the development of environmentally friendly technology play an important role in the daily activities of the Group. Together with our strategic partners, we have undertaken active efforts to minimise the negative impact on environment throughout the entire production chain. We have also raised the awareness of each employee with regard to corporate social responsibility.

ACCOUNTABILITY AND AUDIT

THE AUDIT COMMITTEE

The Company's Audit Committee comprises three (3) Non-Executive Directors in compliance with the Code and the Listing Requirements which require all the members of the Audit Committee to be Non-Executive Directors.

The members of the Audit Committee are as follows:

- Dato' Mohd Ismail Bin Che Rus - Chairman
- Felicia Lim Chang Ching - Member
- Dr Chu Siew Mun - Member

FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and meaningful assessment of the Group's operations, financial position and prospects whenever it releases its quarterly report and annual financial statements to shareholders. The Audit Committee has assisted the Board

in overseeing the financial reporting processes and the quality of financial reporting by scrutinizing information for disclosure to ensure accuracy, adequacy and completeness. A Statement of Directors' Responsibilities in respect of the preparation of the audited financial statements is presented in this Annual Report.

> "A Statement of Directors' Responsibilities in respect of the preparation of the audited financial statements is presented in this Annual Report."

INTERNAL CONTROL

The Board acknowledged its responsibility for the Group's system of internal control that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as internal procedures and guidelines, and the need to review its effectiveness regularly. In doing so, the Board has the right to seek information and clarification from the Management, seeks input from the Audit Committee, the internal and External Auditors and other experts at the expense of the Company.

In addition to that, the Board recognises that risks cannot be eliminated completely, therefore, the systems and processes put in place would have to be aimed at minimising and managing the risks of material errors, fraud or losses occurring. The Audit Committee has been empowered to assist the Board in fulfilling the above roles via functions laid down in its terms of reference. The Audit Committee also acts as a forum for discussion on internal control and risk management issues. The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board where appropriate.

The Group's Statement of Internal Control which provides an overview of the state of internal control is set out in this Annual Report.

RELATIONSHIP WITH EXTERNAL AUDITORS

Through the Audit Committee, the Company has always maintained a close and transparent relationship with its External Auditors in seeking professional advice and ensuring compliance with Financial Reporting Standards and Companies Act, 1965 in Malaysia. The interactions between the parties include the discussion of audit plan, audit findings, corrective actions, where appropriate and the conclusion of the financial statements.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

The Board has to the best of its ability and knowledge complied with the Best Practices in Corporate Governance set out in Part II of the Code.

OTHER INFORMATION IN COMPLIANCE WITH THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(A) SHARE BUY BACK

There were no share buy back by the Company during the financial year.

(B) OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 March 2012, the Company issued 52,800,000 free detatachable warrants in conjunction with the rights issue of 52,800,000 new ordinary shares of RM0.50 each at an issue price of RM0.50 per share ("Rights Issue"). The Rights Issue was completed on 10 July 2011 with the listing of the new shares and warrants on Bursa Malaysia Securities Berhad. During the financial year ended 31 March 2012, none of the said warrants has been exercised.

(C) AMERICAN DEPOSITORY RECEIPT (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR)

There were no ADR or GDR programmes sponsored by the Company during the financial year.

(D) SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory authorities during the financial year.

(E) VARIATION IN RESULTS

The Company has not made any profit estimate/forecast/projection/unaudited results announcement that differ by more than ten percent (10%) margin.

(F) PROFIT GUARANTEE

No profit guarantee was given to or by the Company or its subsidiaries during the financial year.

(G) MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries which involve Directors' and substantial shareholders' interests either still subsisting at the end of the financial year ended 31 March 2012 or entered into since the end of the previous financial year.

(H) UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

The Company raised a total of RM26,400,000 from its renounceable rights issue of 52,800,000 new EIG shares together with 52,800,000 free detachable warrants at an issue price of RM0.50 per share ("Rights Issue"). The Rights Issue was completed on 10 January 2012. The status of utilisation is as set out below:

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Timeframe for utilisation of proceeds
Capital expenditure [1]	15,000	6,174	8,826	Within two (2) years
Working capital [2]	10,800	10,758	42	Within one (1) year
Right Issue Expenses [3]	600	642	(42)	Within one (1) month
Total	26,400	17,574	8,826	-

Notes

1. The amount allocated for capital expenditure shall be utilised for the opening of new Corporate Salons and DCPs locally and/or overseas as well as potential acquisition of office space in countries such as Singapore and Hong Kong where our Group is currently operating at prices deemed appropriate by our Group.

   As at 30 June 2012, a total of RM6.17 million were spent on the renovation of 3 new outlets, namely Paradigm Mall, Setia Alam Mall and Dataran Palawan Melaka Megamall, refurbishment of aged salons and payment of first 20% of the purchase consideration, together with GST and stamping fees, in respect of the acquisition of new office units in Singapore.

2. The amount allocated for working capital has been used to for payment to suppliers, payment of salaries and operating expenses and production of skin care products.

3. The expenses relating to the Rights Issue comprise of, amongst others, the professional fees and fees payable to the relevant authorities, expenses to convene the EGM, printing, despatch and advertising expenses as well as other miscellaneous cost.

4. The balance of unutilised proceeds has been placed in the short term money market deposit with an investment management company.

(I) REVALUATION POLICY ON LANDED PROPERTIES

No revaluation was carried out on the landed properties of the Group. Significant Accounting Policies of Notes to the Financial Statement on Note 2 of this Annual Report.

(J) NON-AUDIT FEES

During the financial year ended 31 March 2012, the External Auditors acted as Reporting Accountant in relation to the Rights Issue and as scrutineers at the Company's Annual General Meeting and Extraordinary General Meeting held on 10 August 2011. In addition, the Company also incurred expenses in relation to review of the Statement of Internal Controls included in the Annual Report. The total fees paid to the External Auditors amounted to RM60,000, excluding service taxes.

Apart from the above, there were no non-audit fees paid to the External Auditors for the financial year ended 31 March 2012.

(K) RELATED PARTY TRANSACTIONS

There were no material related party transactions (not being transactions in the ordinary course of business) during the financial year.

A list of significant related party transactions is set out in Note 25 to the Financial Statements section of this Annual Report.

This Statement is made in accordance with a resolution of the Board of Directors dated 22 May 2012.

STATEMENT OF INTERNAL CONTROLS

(for the Financial Year Ended 31 March 2012)

BOARD'S RESPONSIBILITIES AND COMMITMENT

The Board of Directors ("the Board") of Esthetics International Group Berhad ("EIG" or "the Company") acknowledges its overall responsibility for the Group's system of internal control and its effectiveness and for reviewing its adequacy and integrity. The system of internal control is designed to safeguard shareholders' investment and the Group's assets. By its nature, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records, loss and fraud. It is designed to manage the Group's risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group.

The Board believes that the Group's system of internal control, financial or otherwise should provide reasonable assurance regarding the achievement of the Group's objectives in:

- effectiveness and efficiency of operations;
- reliability and transparency of financial information;
- compliance with laws and regulations; and
- safeguarding of the Group's assets.

It is the Board's view that in order to achieve a sound system of internal control, it is important to provide a conducive environment to attain this objective and having in place an on-going process of identifying, evaluating and managing significant risks faced by the Group.

RISK MANAGEMENT

The Malaysian Code on Corporate Governance has made risk management a responsibility of the Board of Directors. Part II of the Best Practices in Corporate Governance states, in relation to risk management, that "the Board should identify principal risks and ensure the implementation of appropriate systems to manage these risks".

In discharging its stewardship responsibilities, the Board recognises that risk management:

- is a logical and systematic method of identifying, analysing, assessing, treating and monitoring of the Group's risks;
- is a continuous and an on-going process;
- is an integral part of the Group's management practices; and
- enables the Group to not only minimise losses but also to maximise opportunities.

The Board regards risk management as an integral part of business operations. The Board undertakes to identify potential risks faced by the Group taking into consideration the following factors:

- the nature and extent of risks facing the Group;
- the extent and categories of risk which it regards as acceptable for the Group to bear;
- the likelihood of the risks concerned materialising;
- the Group's ability to reduce the risks that may materialize and their impact on the business; and
- the cost of operating particular controls relative to the benefit thereby obtained in managing and the related risks.

The Board's primary objective and direction in managing the Group's principal risks are to enhance the Group's ability to achieve its business objectives. In order to measure the achievement of the business objectives, the Board monitors the Group's performance and profitability at its Board meetings.

SYSTEM OF INTERNAL CONTROL

The current system of internal control in the Group has the following key elements:

Clear Group vision, mission and strategic direction – The Executive Directors and the Management at the Headquarters undertake regular site visits to local and regional operation units and communicate with various levels of staff to gauge first-hand the effectiveness of strategies discussed and implemented. This is to ensure that the Management and the Executive Directors maintain a transparent and open channel of communication for effective operation. As part of the Group's communication and information channel, EIG had, during the financial year, released internal communiqués to staff and conducted Town Hall meetings led by the Executive Directors to provide a two-way communication with staff for better understanding of the Group's performance and direction.

Board participation – The Board is the pinnacle of the corporate governance structure of the Group. The Board is

assisted not only by the Executive Directors and the Management, but also by delegation of authority to the independent board committees such as the Audit, Nomination and Remuneration Committees in specific areas for enhanced internal control and corporate governance. EIG Board retains control over the Group and monitors the Management to ensure that the Group's operations are in accordance with the corporate objectives and strategies through its regular or ad-hoc board meetings. Board meetings are held at least four (4) times a year to discuss operations and any major issues affecting the Group thus ensuring that it maintains full and effective supervision over appropriate controls. The authority of the Directors is required for decisions on key treasury matters including financing of corporate and investment funding requirements, major capital raising exercise, significant investments, insurance and designation of authorized bank signatories.

Regular Management Meetings – Through EIG's monthly management meeting, the Executive Directors and the Management together with the respective Country Heads of the local and regional business units review monthly financial and operating reports, monitors the approved annual budget against actual with variance analysis and review matters such as operations, business strategies and human resource development.

- The Executive Directors and the Management team are responsible to review and manage the business operations of the Group. In addition, they are also responsible in implementing and overseeing the conduct of the strategic and operations plans which fall within their authority.

These meetings and reports coupled with the 'close to operation' policies employed by the Executive Directors and the Management present a platform for identification of the Group's risks and systems to manage those risks on an informal basis. The Executive Directors update the Board of any significant matters, which require the latter's attention.

Centralised core support functions – Key support functions, such as inventory management, inventory procurement, production planning, treasury functions, brand management, systems development are centralised at the Head Office in Malaysia.

Organisation Structure – EIG has a clearly defined organisation structure, with clear reporting lines and responsibilities, clear segregation of duties and delegated authority to achieve Group's objectives. The organisation structure is reviewed periodically to ensure it remains aligned to the business objectives and ensure relevance and efficiency in EIG's operational requirements. Competent and responsible personnel are engaged to oversee the various departments within the Group for proper accountability and transparency.

Financial Authority Limits - The Group's Limit of Authority assigns authority to the Board and to the appropriate level of the Management to exercise control on the Group's commitment of both capital and operational expenditures. It provides limits to enable decisions to be taken timely and at the same time provide check and balance on the amounts and types of commitments that the Management can undertake on behalf of the Group.

Insurance and Physical Safeguards. Adequate insurance provision and security measures on major assets of the Group are provided to ensure that it sufficiently safeguards against any mishap that will result in material losses to the Group.


dermalogica
antioxidant
hydramist
AGE smart™
5.1 FL OZ / 150 ml
dermalogica
antioxidant
hydramist
AGE smart™
5.1 FL OZ / 150 ml
dermalogica
dynamic
skin
recovery
spf 30
AGE smart™
dermalogica
MAP-15
regenerator™
AGE smart™

INTERNAL AUDIT AND ASSURANCE

The Board has assigned the Audit Committee with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control.

The scope of work of internal audit encompasses the examination and evaluation of the adequacy, existence and effectiveness of the system of internal control, risk management framework and corporate governance of the Group, which include, inter alia, the following:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information
- evaluating the systems established to ensure compliance with policies, plans, procedures, laws and regulations which could have a significant impact on operations
- examining the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- assessing the economy and efficiency with which resources are employed
- appraising operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

The internal audit function adopts a risk-based approach and prepares its audit plan based on the risk assessment and evaluation framework of the Group. The internal audit plan is reviewed and approved by the Audit Committee.

Any areas for improvement identified during the course of the internal audit review will be brought to the attention of the Audit Committee. The internal auditors are to report to the Audit Committee through their quarterly internal audit reports. Four (4) internal audit reports have been tabled at the Audit Committee meetings held during the financial year. The internal audit reports were also forwarded to the Management concerned for attention and necessary actions. The Management is responsible for ensuring that a written reply on action plan is sent to the Internal Auditors and corrective actions are taken.

WEAKNESS IN INTERNAL CONTROLS

The Board identified minor internal control weaknesses during the year, all of which are being addressed. No major internal control weaknesses were identified nor did any of the reported weaknesses result in material losses or contingencies requiring disclosure in the Group Annual Report. The Board continues to take measures to strengthen the control environment.

REVIEW BY EXTERNAL AUDITORS

The external auditors, Messrs Crowe Horwath, have reviewed this Statement on Internal Control for inclusion in the Annual Report for the financial year ended 31 March 2012, in compliance with Paragraph 15.23 of the Listing Requirements, and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

CONCLUSION

The Board is of the view that the system of internal controls being instituted throughout the EIG Group is sound and effective. The monitoring, review and reporting arrangements in place give reasonable assurance that the structure and operation of controls are appropriate for EIG Group's operations and that risks are at an acceptable level throughout the EIG Group's businesses.

Nevertheless, reviews of all the control procedures will be continuously carried out to ensure the ongoing effectiveness and adequacy of the systems of internal control, so as to safeguard shareholders' investments and EIG Group's assets.

This Statement is made in accordance with a resolution of the Board of Directors dated 22 May 2012.

REPORT OF THE AUDIT COMMITTEE

(for the Financial Year Ended 31 March 2012)

The Board of Directors of Esthetics International Group Berhad ("EIG") is pleased to present the Audit Committee Report for the financial year ended 31 March 2012. This Audit Committee Report is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and which is in compliance with the Malaysian Code of Corporate Governance ("Code").

MEMBERS

- Dato' Mohd Ismail Bin Che Rus (Chairman), Senior Independent Non-Executive Director
- Ms Felicia Lim Chang Ching, Non Independent Non-Executive Director
- Dr Chu Siew Mun, Independent Non-Executive Director

TERMS OF REFERENCE

Objectives

The principal objectives of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to internal controls, accounting and reporting practices of the Group.

Composition

The Audit Committee shall be appointed by the Board from amongst their numbers and shall:

- consist of no less than three (3) members;
- consist of exclusively Non-Executive Directors with majority of them being Independent Directors; and
- have at least one (1) member who is a member of the Malaysian Institute of Accountants or who fulfils such other requirements as prescribed in the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements.

The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an Independent Director.

In the event of vacancy in the Audit Committee resulting in the non compliance of the above, the Company shall fill the vacancy within three (3) months.

The terms of office and performance of the Audit Committee and its members shall be reviewed by the Board no less than every three (3) years. The terms of office and performance of the Audit Committee and its members have last been reviewed and renewed by the Board on 30 May 2011.

Duties

The Audit Committee shall discharge the following functions:

- to review, with the External Auditors, the audit plan, audit report and the assistance given by the Company's officers to the Auditors;
- to review, with the External Auditors, the adequacy of system of internal control;
- to review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board, focusing particularly on:
  - o any change in accounting policies and practices;
  - o significant adjustments arising from the audit; and
  - o compliance with accounting standards and other legal and statutory requirements;
- to discuss problems and reservations arising from the interim and final audits, and any matter the Auditor may wish to discuss (in the absence of the Management where necessary);
- to review the External Auditors' management letter and the Management's response;
- to do the following, in relation to the Internal Audit functions:
  - o review the adequacy of the scope, functions, competency and resources of the Internal Audit Department and the system of internal controls within the Group and that it has the necessary authority to carry out its work;
  - o review the Internal Audit programmes, processes, results of the Internal Audit programmes, processes or investigation undertaken and whether or not appropriate actions are taken on the recommendations of the Internal Audit Department;
  - o review any appraisal or assessment of the performance of members of the Internal Audit Department;

- o approve any appointment or termination of senior staff members of the Internal Audit Department; and

- o take cognisance of resignations of Internal Audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

- to review the resignation, dismissal, appointment or reappointment of Internal Auditors and External Auditors of the Group and to consider the nomination of a person or person(s) as Auditors and the related fees;

- to review any related party transactions and conflict of interest that may arise within the Company or Group;

- to consider the major findings of internal investigations and the Management's response; and

- to consider other topics as defined by the Board from time to time.

Authorities

The Audit Committee shall:

- have authority to investigate any matter within its terms of reference;

- have the resources which are required to perform its duties;

- have full and unrestricted access to any information pertaining to the Group;

- have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit functions or activities;

- have the right to obtain independent professional or other advice at the Company's expense;

- have the right to convene meetings with the External Auditors and/or Internal Auditors or both, excluding the attendance of the other Directors and the Management, whenever deemed necessary; and

- promptly report to Bursa Malaysia matters which have not been satisfactorily resolved by the Board resulting in the breach of the Listing Requirements.

Meetings

The Audit Committee shall meet at least once every quarter in each financial year and at such additional meetings as decided by the Chairman of the Audit Committee. The Company Secretary or any person appointed by the Audit Committee shall act as the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and other explanatory documentation for circulation to members of the Audit Committee prior to each meeting. The Secretary shall be responsible for keeping the minutes of the meeting of the Audit Committee, and circulating them to the Audit Committee members and to other members of the Board. The Audit Committee shall convene meeting with the External Auditors to consider any matter that the Auditors believe should be brought to the attention of the Directors or shareholders. The attendance of other Directors and the Management at the Audit Committee meeting shall be at the Audit Committee's invitation, specific to the relevant meeting.

A quorum shall consist of a majority of members present who must be Independent Directors.

INTERNAL AUDIT FUNCTION

The Internal Audit Department was set up as an in-house Internal Audit function in accordance with the resolution of the Board of Directors' meeting held on 30 May 2011 with the purpose to serve and support the Audit Committee.

The main roles of the Internal Audit Department encompass the examination and evaluation of the adequacy, existence and effectiveness of the system of internal control, risk management framework and corporate governance of the Group, which include, inter alia, the following:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;

- evaluating the systems established to ensure compliance with policies, plans, procedures, laws and regulations which could have a significant impact on operations;

- examining the means of safeguarding assets and, as appropriate, verifying the existence of such assets;

- assessing the economy and efficiency with which resources are employed; and

- appraising operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

The Internal Audit function adopts a risk-based approach and prepares its audit plan based on the risk assessment and evaluation framework of the Group. The Internal Audit plan is reviewed and approved by the Audit Committee.

The Internal Audit Charter of Internal Audit Department that has been approved by the Board, empowers it with unrestricted access to all records of the Group and full cooperation from all staff of the Group.

The Charter governs the Internal Audit Department to be independent by not involving in any activities that it audits and that all its audit findings are directly forwarded to the Audit Committee.

During the financial year ended 31 March 2012, the activities of the Internal Audit Department focused on inventory management and planning, which included:

- developed the annual Internal Audit plan and proposing this plan to the Audit Committee for review and approval;
- conducted scheduled Internal Audit assignments with focus on effectiveness of risk management, internal control and corporate governance and recommending improvements where necessary;
- conducted follow-up reviews to assess if appropriate action has been taken to address issues highlighted in previous audit reports;
- presented audit findings including recommendations to the Audit Committee for consideration; and
- developed the Group's Risk Management Framework.

In addition, Internal Audit Department also carries out follow-up reviews to ensure the previously reported issues have been adequately addressed by the Management and the results of such reviews are also periodically reported to the Audit Committee.

All the Internal Audit activities were performed in-house and no activities were outsourced. RM73,500 was incurred in managing the Internal Audit Department for the financial year ended 31 March 2012.

MEETINGS AND ATTENDANCE

During the financial year ended 31 March 2012, there were four (4) Audit Committee meetings held and members of the Audit Committee attended all the Audit Committee meetings held with 100% attendance.

The Company Secretary as Secretary to the Audit Committee was present by invitation together with representatives of the External Auditors, the Head of Internal Audit, the Head of Finance and certain members of the Management. Out of the four meetings held, the Audit Committee held two (2) meetings with the External Auditors without the presence of any Management including the Executive Directors.

ACTIVITIES OF THE AUDIT COMMITTEE

The principal activities undertaken by the Audit Committee during the financial year were summarised as follows:

- reviewed the quarterly financial results and annual audited financial statements of the Group before recommending them for approval to the Board, focusing on:
    - o any change in accounting policies and practices;
    - o significant adjustments arising from the audit; and
    - o compliance with accounting standards and other legal and statutory requirements;
- reviewed the Audit Committee Report and Statement of Internal Control for inclusion in the Annual Report;
- reviewed the reappointment of External Auditors and their remuneration;
- reviewed the audit plan and scope of the External Auditors for the audit for the financial year ended 31 March 2012;
- reviewed the External Auditors' management letter and the Management's response following the conclusion of audit for the financial year ended 31 March 2012;
- discussed problems and reservations arising from the audit and other matters with the External Auditors in the absence of the Management;
- reviewed the Internal Audit reports tabled, audit recommendations made and the Management's response to the recommendations, and where necessary, ensure that appropriate and prompt actions are taken on the recommendations of the Internal Audit Department; and
- reviewed and approved the Risk Management Framework and the formation of Risk Management Committee.

This report is made in accordance with the resolution of the Board of Directors' meeting held on 22 May 2012.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

(In respect of the Audited Financial Statements for the Financial Year Ended 31 March 2012)

The Directors are legally required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of their financial position and cash flows for the financial year then ended.

In preparing those financial statements, the Directors of the Company have:

- adopted suitable accounting policies and then applied them consistently;
- made judgement and estimates that are prudent and reasonable;
- ensured applicable Financial Reporting Standards have been applied, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the Companies Act, 1965, applicable approved Financial Reporting Standards and the Listing Requirements of Bursa Malaysia Securities Berhad. The Directors are also responsible for the assets of the Group and of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 22 May 2012.

GROUP FINANCIAL HIGHLIGHTS AND FIVE-YEAR FINANCIAL SUMMARY

		31.03.2008	31.03.2009	31.03.2010	31.03.2011	31.03.2012
Revenue	(RM'000)	167,152	183,330	169,991	141,090	132,340
EBITDA	(RM'000)	28,331	23,038	12,547	(30,839)	11,925
Profit Before Tax	(RM'000)	21,175	14,823	3,805	(42,002)	5,231
Profit After Tax	(RM'000)	15,773	10,644	(152)	(41,149)	1,549
Net Profit Attributable To Equity Holders	(RM'000)	15,773	10,644	(656)	(40,492)	1,751
Total Assets	(RM'000)	161,436	161,163	159,851	125,441	143,754
Total Liabilities	(RM'000)	37,566	29,770	31,144	38,563	33,320
Shareholders' Equity	(RM'000)	123,870	131,393	124,143	82,971	110,391
Cash And Cash Equivalent	(RM'000)	12,948	12,175	11,262	11,380	49,140
Number Of Shares*	('000)	132,000	132,000	132,000	132,000	184,800
Earnings Per Share	(Sen)	12.2**	8.1	(0.5)	(30.7)	1.2***
Net Asset Per Share	(RM)	0.9	1.0	0.9	0.6	0.6
Return On Equity	(%)	12.7%	8.1%	-0.5%	-48.8%	1.6%
Return On Total Assets	(%)	9.8%	6.6%	-0.4%	-32.3%	1.2%
Gearing Ratio	(times)	0.0	0.0	0.0	0.1	-
Interest Cover	(times)	883	144	273	(119)	41
Gross Dividend Per Share	(Sen)	6.0	3.0	1.5	-	-
Gross Dividend Yield Per Share	(%)	8.3%	6.0%	2.5%	-	-
Share Price As At Financial Year End	(RM)	0.72	0.50	0.60	0.48	0.38

Notes

* Ordinary shares of RM0.50 each.

** Based on weighted average number of ordinary shares of 129,115,000.

*** Based on weighted average number of ordinary shares of 143,685,000.

CHAIRMAN REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Valued Shareholders,

TURNING THE CORNER

You may recall from my Report last year that during the Financial Year Ended 31 March 2011 (FY 2011), we undertook a strategic consolidation exercise to turn around our business. In addition to the change in leadership at Board level and management team, we undertook a strategic review of the profitability and cash generation ability of the wide product portfolio and business lines, following which we discontinued a number of loss-making home and third party brands. We discontinued the Lexwel multi-level marketing operations and ceased the distribution of brands such as Skin Vital, Bioxil skin care, TDF, Eve Taylor, certain beauty equipment and Medklinn, since the on-going commitment to too many home and third party brands meant that management time, focus and resources had been diverted from growing our core businesses.

Following the completion of this consolidation exercise, we have been able to refocus our resources on our core brands and business units, namely AsterSpring – our chain of skin care salons, Dermalogica, Clinelle, Averine and Bioxil Innertreats. Also, we have invested a significant amount of effort to improve our systems infrastructure and internal controls, introduced a risk management framework and further developed the skills of our therapists. More recently, we also approved the investment of approximately RM5 million to build our brands which we believe will enable us to expand our customer base and ultimately improve our profitability in the future.

On hindsight, we are thankful that we were able to quickly identify the key reasons for the earlier years' losses and take corrective measures. I could not have carried out such plan without the full support from our Board of Directors and our team for displaying determination, agility and professionalism in executing the plan.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Year Ended 31 March 2012 (FY 2012) was a year of turnaround for EIG Group. While we acknowledge that the measures taken to improve our financial position will require some time before having their full intended impact, our financial position improved significantly in FY 2012.

We operated in a challenging macroeconomic environment where our markets continued to be impacted by the ongoing economic crisis in the Eurozone, weak consumer sentiment and natural disaster, specifically one of the worst floods in Thailand.

Notwithstanding the above, on a consolidated basis, the Group recorded revenue of RM132.3 million for FY 2012, a decrease of RM8.8 million or 6.2% from RM141.1 million in FY 2011. This lower revenue performance was due to the fact that for the first half of FY 2011, the Group was still involved in the businesses which were subsequently discontinued as detailed above. These discontinued businesses contributed about RM9.1 million to the Group's revenue in FY 2011 as compared to FY 2012, whereby the Group's source of revenue were mainly from the sale and distribution of Dermalogica products, operations of AsterSpring salons and sale of Clinelle products.

Revenue (RM'mil)	FY 2011	FY 2012
Core business *	131.9 m	130.4 m
Discontinued businesses and third party brands	9.1 m	1.9 m**
Total	141.0 m	132.3 m

* Comprising revenue contribution from product distribution of Dermalogica, Averine, Bioxil Innertreats and Clinelle and salon operations.
** Comprising mainly revenue generated from clearance of discontinued brands and SKUs.

We continued to improve the quality of our balance sheet in FY 2012. Following an extensive SKU reorganisation exercise, we adopted a prudent approach and wrote-off RM5.0 million of discontinued and slow moving SKUs, including SKUs where reformulation was imminent and the remaining stocks of Medklinn iOsis. In addition, we also made further provisions for doubtful debts amounting to RM1.5 million for certain long outstanding claims where we believe the chances of recovery are limited.

Notwithstanding the above, we reported a profit after tax of RM1.5 million in FY 2012, compared to losses after tax of RM41.1 million in FY 2011. This improved result was achieved from right-sizing our staff costs, increasing staff productivity, improving the effectiveness of advertising and promotion expenditure as well as the absence of certain one-off costs incurred in FY 2011 such as stock write-offs (RM10.5 million lower in FY 2012) resulting from the closure of the non-core and loss-making brands, as well as one-off adjustments arising in FY 2011 and from prudent changes to our accounting treatment for deferred revenue and depreciation of salon renovation costs.

Most notably, EIG Group generated RM38.5 million of net cash flow in FY 2012, even after investing RM4.4 million for the refurbishments, relocation and opening of new outlets regionally. Including the RM26.4 million proceeds raised from the Rights Issue exercise which was completed on 10 January 2012, EIG closed FY 2012 with RM49.1 million cash and cash equivalents and no borrowings. These funds will be carefully invested in growing our core brands, new production of Clinelle, Averine and Bioxil Innertreats SKUs which were held back in FY 2012 whilst we cleared the high stock levels, opening new salons and investing in our own regional offices. In February 2012, we announced the acquisition of office units in Singapore, for which we expect to receive vacant possession in 2014.

Towards the end of FY 2012, we also saw some changes in the board room. As part of the Group's succession planning exercise, Roderick Chieng was appointed as Group Managing Director and Chief Executive Officer on 28 February 2012. With this re-designation, Roderick will be primarily responsible for all day-to-day operational and financial matters of the Group's existing business. Meanwhile, I have been re-designated as Group Executive Chairman and will take on a strategic mentoring and business development role, working alongside the respective business unit heads across the region to drive business growth for the Group. The Board also approved the appointment of Brian Chieng as Director of EIG.

DIVISIONAL PERFORMANCE

a) Product Distribution

i) Professional Distribution

Our Professional Distribution Unit is the exclusive distributor of Dermalogica skin care products for eight (8) countries, namely Malaysia, Indonesia, Hong Kong, Singapore, Thailand, Brunei, Philippines and southern China covering eight (8) provinces including Guangdong, Fujian, Guangxi, Hainan, Hunan, Jiangxi, Yunnan and Guizhou. Our Group is also the authorised and designated supplier of Dermalogica Products to Vietnam and Cambodia. The unit also distributes Averine cosmetics and Bioxil Innertreats supplements regionally. This Business Unit accounted for 35% of the Group's revenue in FY 2012.

The business unit's revenue was 17% lower compared to FY 2011 (FY 2012 : RM45.7 million; FY 2011 : RM55.3 million). Following the painful but necessary measures taken in FY 2011 to terminate dealers involved in unauthorised sub-distribution of Dermalogica products, most of FY 2012 was spent rebuilding our network of dealers in order to deliver a sustainable income stream for this business unit. Whilst we are cognisant of the challenges in rebuilding the business, we believe that we are heading toward building a sustainable business for the business unit.

Despite the reduction in revenue, the business unit reported a profit before tax of RM9.8 million for FY2012 compared to a loss of RM2.5 million in FY 2011, largely due to a reduction in stock written off of RM4.3 million, and a reduction in staff costs from the improvement in staff productivity.

In addition, we also adopted careful cost management and margin protection measures. We reduced our warehousing costs through logistics planning, focused on inventory planning and management to minimise instances of stock write-off, and aligned our dealers' incentive in the regional countries with the local practice to ensure a successful business for both EIG and our dealers.

ii) Consumer Care Products Division

The Consumer Care Products Division, which now focuses solely on the production and distribution of Clinelle range of skin care products to pharmacies and high traffic outlets throughout Malaysia, Singapore, Hong Kong and Southern China such as Guardian, Watsons, Caring, SaSa, Robinsons, NTUC Fair Price and independently owned pharmacies, accounted for approximately 10% of the Group's revenue.

The business unit, which is still in the process of clearing inventory over-ordered by the previous management team, recorded revenue of RM13.3 million in FY 2012, which was the same as compared to FY 2011. Clinelle revenue increased by RM1.9 million following the various tactical promotions launched to drive sales. However, this was offset by the reduction in revenue contribution of discontinued third party brands.

The business unit reported a loss of RM7.1 million in FY 2012, as compared to a loss of RM20.2 million in FY 2011. Stock written off was lower by RM6.1 million as the stock write off in FY 2011 related to the discontinuation of non-core and third party brands and Clinelle old packaging.

b) Professional Services and Sales

As at 30 June 2012, the Group owns and manages 68 AsterSpring corporate salons and Dermalogica Consultation Pods in Malaysia, Singapore, Hong Kong and Thailand, contributing to approximately 54% of the Group's revenue in FY 2012.

The business unit reported 2% improvement in revenue compared to FY 2011 (FY 2012: RM71.7 million; FY 2011: RM70.3 million), mainly due to the improvement in the Group's salon operations in Singapore.

The business unit also reported an improvement in profit before tax with a profit of RM1.69 million in FY 2012 compared to a loss of RM10.0 million in FY 2011 as a result of a reduction in staff costs and the absence of certain non-recurring expenses incurred in FY 2011, such as writing off fixed assets of RM1.7 million and bad debts of RM1.4 million owing from the multi-level marketing subsidiary that was brought into liquidation in FY 2011.

Also, I am pleased to report that during the financial year, the Group completed the rebranding of all "Leonard Drake" outlets to "AsterSpring" and opened 6 new

outlets – 4 in Malaysia and 2 in Thailand. Furthermore, the Group also opened 3 new outlets in Malaysia between the end of FY 2011 and 30 June 2012.

REFRESHED VISION, MISSION AND CORE VALUES

This year, we adopted new Vision, Mission and Values statements. We reinforced our commitment to bring product and service innovation to our customers, to empower our people towards excellence and develop their career with us and to create a culture that is performance driven and focused on building sustainable profits.

Underpinning our mission is also our commitment to these core values:

- Passion
- Entrepreneurship
- Result focused
- Fulfillment for our people
- Excellence in all we do
- Collaborative genius
- Trust

These statements bring a new perspective and focus to the way EIG Group will operate in the future. Having these securely in place, we have taken a bold step forward to position ourselves towards achieving our vision to be the leading skincare and wellness company in Asia.

AN EXCITING YEAR AHEAD

Now that our financial standing has improved, our focus going forward will be on selectively and strategically expanding our footprint in the region and building our brands with appropriate prudence, given the ongoing crisis in Europe. We intend to do this via several approaches.

a) *Expansion of Dermalogica dealer network*

One of the Group's main growth strategies is the continuous expansion of professional distribution channel by opening more quality dealer accounts in areas where Dermalogica is scarcely represented. We will do this by engaging with the network, providing more product education and sharing best-practices in salon management. Together with Dermalogica Inc., the brand principal for Dermalogica, we are committed to bringing Dermalogica to a new level of growth in our markets over the coming years.

b) *Selective expansion of Corporate Salons*

Having recently completed the rebranding of all our salons to "AsterSpring", we are excited to increase the numbers corporate owned salons and Dermalogica Consultation Pods in the countries in which we presently operate, namely Malaysia, Singapore, Hong Kong, Southern China and Thailand. We will do this selectively, taking into consideration the consumer base and cost structures in the locations we intend to plant our footprint. At the same time, the management is constantly reviewing the performance of each of our salons to ensure a reasonable return is earned on our investment.

c) Geographical expansion

We continue to grow our presence in Guangzhou, China by building our dealers network. As we only recently started operations in South China, the business model may still be subject to review. Further, we believe that there is significant market potential in Indonesia and Philippines, which both remain relatively untapped by EIG, given the increasing numbers of affluent population and economic growth. For the reminder of the FY 2012, barring any unforeseen circumstances and adverse change in market conditions, we intend to commence building the Group's presence in Indonesia and Philippines.

d) Brand building

We remain committed to building our core brands and will allocate a portion of our free cash flow for branding exercises. We have recently launched some exciting campaigns to draw new customers, including the appointment of renowned artist Penny Tai as the brand ambassador of Clinelle. Ultimately, we are confident that these brand campaigns will play an integral role in bringing in new customers and improving our profitability.

e) SKU growth

We will accelerate our investment in product development. Plans are already underway to introduce our re-engineered Averine cosmetic range to our dealers and customers.

Our Consumer Care Products Division has recently launched the Clinelle Ingenius range to the market. The response has been encouraging and we will continue our product development effort to increase our product lines.

> "... there is significant market potential in Indonesia and Philippines, which both remain relatively untapped by EIG, given the increasing numbers of affluent population and economic growth."

DIVIDEND

The Board of Directors has not recommended any dividend payment for FY 2012 to prioritise cash for the Group's operations and growth.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to our customers, shareholders, principals, suppliers, business associates and bankers for their continued confidence and support in the Group.

To the management team and our employees, my utmost consideration for their untiring efforts in supporting and implementing our strategies that has enabled us be in the healthier financial position we are in now. With the same high levels of professionalism and enthusiasm in their work, together we can help create a Group that we can all identify with and be proud of.

I would also like to acknowledge our valued shareholders who have been with us through the trying times. We hope for your continued confidence and support throughout the years ahead.

Last but not least, on behalf of the management team, I would like to express my appreciation to my fellow Directors for their support throughout the year under review.

Yours truly,

Eddy Chieng Ing Huong
Executive Chairman

PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION

(A) Background and rationale for the Proposed Amendments

On 22 September 2011, Bursa Malaysia Securities Berhad ("Bursa Securities") had introduced certain amendments in Chapter 7 of the Listing Requirements which took effect from 3 January 2012 and to which listed issuers must seek shareholders' approval for the amendments at a general meeting by 31 December 2013. A listed issuer is required to amend its Articles of Association to:

(i) allow a member who is an exempt authorised nominee to appoint multiple proxies for each omnibus account it holds [Paragraph 7.21 of the Listing Requirements];

(ii) expressly disallow any restriction on a proxy's qualification [Paragraph 7.21A(1) of the Listing Requirements]; and

(iii) accord proxies the same rights as members to speak at the general meeting [Paragraph 7.21A(2) of the Listing Requirements].

Accordingly, the Board proposes to seek your approval for the proposed amendments to streamline the Articles of Association of the Company to be aligned with the recent amendments in Chapter 7 of the Listing Requirements ("Proposed Amendments"):

(1) Article No.	2) Existing Provisions	(3) Amended Provisions
3.4.	3.4 - 3.7	to be renumbered 3.5 - 3.8 accordingly.
3.4.	New	No director shall participate in a Share Issuance Scheme unless shareholders in general meeting have approved the specific allotment to be made to such director.
56.	In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote at the same meeting instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy shall be entitled to vote on a show of hands on any questions at any general meetings. On a show of hands on any question at any general meeting, a member present by proxy shall only have one vote notwithstanding that such member	In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote at the same meeting instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy shall be entitled to vote on a show of hands on any questions at any general meetings. On a show of hands on any question at any general meeting, a member present by proxy shall only have one vote notwithstanding that

(1) Article No.	2) Existing Provisions	(3) Amended Provisions
56.	may have appointed two proxies. If there shall be two proxies appointed, the proxy specified by the member or if there is no specification, the proxy first named in the proxy form shall be entitled to vote on a show of hands. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A proxy may, but need not, be a member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company.	such member may have appointed two proxies. If there shall be two proxies appointed, the proxy specified by the member or if there is no specification, the proxy first named in the proxy form shall be entitled to vote on a show of hands. **A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting. There shall be no restriction as to the qualification of the proxy.** ~~Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A proxy may, but need not, be a member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company.~~
80.	Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.	80.1 Where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. 80.2 An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

(B) Interests of the Directors, Substantial Shareholders and/or Person(s) Connected to them

None of the Directors, substantial shareholders and/or person(s) connected to them has any interests, direct or indirect, in the Proposed Amendments.

(C) Directors' Recommendation

The Directors after having considered all aspects of the Proposed Amendments, is of the opinion that the Proposed Amendments are in the best interests of the Company, and accordingly recommend that you vote in favour of the ordinary resolution in relation to the Proposed Amendments to be tabled at the forthcoming AGM.

(D) Annual General Meeting

The Special Resolution to vote on the Proposed Amendments is set out in the Notice of Meeting in the 2012 Annual Report for the Fifteenth Annual General Meeting of the Company to be held at the Auditorium, Lot 11, Jalan Astaka U8/88, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia on Tuesday, 28 August 2012 at 9.30 a.m.

If you are unable to attend and vote in person at the AGM, you are requested to complete, sign and return the Form of Proxy enclosed in the 2012 Annual Report in accordance with the instructions printed therein as soon as possible and in any event so as to arrive at the Registered Address of the Company at Lot 11, Jalan Astaka U8/88, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia, not later than 48 hours before the time stipulated for convening the AGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

dermalogica®
2reward

we love what we do, and we love it when other people do too!

here is a short round-up of what some of our dermalogica fans had to say:

"I can't live without Power Rich as it gives me an instant smoothing effect and reduces fine lines and wrinkles."
Tan Hui Mean

"I love the Skin Prep Scrub most as it exfoliates my skin brilliantly and gives me an instant confidence boost!"
Cocinia Anak Kerine

"MultiVitamin Thermafoliant - it improves my skin, removes my dead skin cells and my skin feels clean and brighter."
Tan Poh Hui

"Daily Microfoliant is my best choice. It helps to dissolve my dead skin cells without scratching my skin."
Lim Whee @ Lim Siew Whee

"Thumbs up for Essential Cleansing Solution. My skin feels clean and smooth to touch after cleansing."
Abtar Kaur A/P Darshan Singh

FINANCIAL STATEMENTS

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2012.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the year.

Results

	Group	Company
	RM'000	RM'000
Profit for the year	1,549	2,999
Attributable to:-		
Owners of the Company	1,751	2,999
Non-controlling interests	(202)	-
	1,549	2,999

Reserves and provisions

All material transfers to or from reserves and provisions during the year under review are disclosed in the financial statements.

Dividends

No dividend was paid since the end of the previous financial year and the Board of Directors do not recommend the payment of any dividend for the current year.

Directors of the Company

The directors who served since the date of the last report are:

Chieng Ing Huong
Roderick Chieng Ngee Kai
Lim Chang Ching
Dr. Chu Siew Mun
Dato' Mohd Ismail bin Che Rus
Brian Chieng Ngee Wen (Appointed on 28.2.2012)
Lim Yee Soon (Retired on 10.8.2011)

Directors' interests

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

	Number of ordinary shares of RM0.50 each			
	At 1.4.2011	Bought	Sold	At 31.3.2012
Direct Interest				
Lim Chang Ching	-	1,000	-	1,000
Indirect/Deemed interests:				
Chieng Ing Huong *	42,198,500	24,271,298	-	66,469,798
Lim Chang Ching**	23,340,200	20,448,098	-	43,788,298
Roderick Chieng Ngee Kai ***	42,198,500	24,271,298	-	66,469,798
Brian Chieng Ngee Wen ***	42,198,500	24,271,298	-	66,469,798

	Number of warrants 2012/2017			
	At date of issue on 10.1.2012	Bought	Sold	At 31.3.2012
Direct Interest				
Lim Chang Ching	1,000	-	-	1,000
Indirect/Deemed interests:				
Chieng Ing Huong *	24,271,298	-	-	24,271,298
Lim Chang Ching**	20,448,098	-	-	20,448,098
Roderick Chieng Ngee Kai ***	24,271,298	-	-	24,271,298
Brian Chieng Ngee Wen ***	24,271,298	-	-	24,271,298

* Deemed interest by virtue of deemed interests of his sons through their shareholdings in Providence Capital Sdn. Bhd. pursuant to Section 6A(4)(a) of the Companies Act, 1965

** Deemed interest by virtue of her interest in Gambir Capital Sdn. Bhd. pursuant to Section 6A(4)(c) of the Companies Act, 1965

*** Deemed interest by virtue of his interest in Providence Capital Sdn. Bhd. pursuant to Section 6A(4)(c) of the Companies Act, 1965

By virtue of their deemed interests in the shares of the Company, Chieng Ing Huong, Roderick Chieng Ngee Kai, Brian Chieng Ngee Wen and Lim Chang Ching are also deemed interested in the shares of the subsidiaries during the year to the extent that the Company has an interest.

The other Directors holding office at 31 March 2012 do not have any interest in the ordinary shares of the Company and of its related corporations during the year.

Since the end of the previous year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Group, the Company and of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest as disclosed in Note 25 to the financial statements.

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

Issue of shares and debentures

During the financial year:

a) the Company increased its authorised share capital from RM100,000,000 to RM250,000,000 by the creation of 300,000,000 new ordinary shares of RM0.50 each;

b) the Company increased its issued and paid-up share capital from RM66,000,000 to RM92,400,000 by the issuance of 52,800,000 new ordinary shares of RM0.50 each at an issue price of RM0.50 per share by way of Rights Issue on the basis of two (2) for every five (5) existing ordinary shares held. The new shares issued rank pari passu in all respects with the existing shares of the Company; and

c) there were no issues of debentures by the Company.

Warrants

The Company had on 4 January 2012, issued 52,800,000 2012/2017 free Warrants to all subscribers of the Rights Issue on the basis of one (1) free Warrant for each Rights Share subscribed. The Warrants were listed on the Main Market of Bursa Malaysia Securities Berhad on 10 January 2012. The Warrants are constituted under a Deed Poll executed on 21 November 2011, and each Warrant entitles the registered holder the right at any time during the exercise period from 4 January 2012 to 3 January 2017 to subscribe in cash for one new ordinary share of RM0.50 each of the Company at an exercise price of RM0.50 each.

As at 31 March 2012, the entire 52,800,000 Warrants remained unexercised.

Further details on the Warrants are detailed in Note 13.2 to the financial statements.

The ordinary shares issued from the exercise of Warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions, rights, allotments and/or any other forms of distribution where the entitlement date of which precedes the relevant date of the allotment and issuance of the new shares arising from the exercise of Warrants.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year other than the warrants issued on 4 January 2012 as explained in the foregoing paragraph.

Other statutory information

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

i) all known bad debts had been written off and adequate allowance for impairment losses on receivables had been made, and

ii) all current assets have been stated at the lower of cost and net realisable value.

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

i) that would render it necessary to further write off any bad debts, or increase the allowance for impairment losses on receivables, or

ii) that would render the value attributed to the current assets in the Group and in the Company's financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

The contingent liability is disclosed in Note 24 to the financial statements. At the date of this report, there does not exist:

i) any charge on the assets of the Group and of the Company that has arisen since the end of the year which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the year ended 31 March 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that year and the date of this report other than the effects arising from the change in accounting policies as disclosed in Note 1(a) and significant amount of inventories written off due to discontinued products as disclosed in Note 17 to the financial statements.

Significant events

The significant events during the year are disclosed in Note 28 to the financial statements.

Subsequent event

The subsequent event during the year is disclosed in Note 29 to the financial statements.

Auditors

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

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

.....

Chieng Ing Huong

.....

Roderick Chieng Ngee Kai

Shah Alam,

Date: 13 July 2012

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

In the opinion of the Directors, the financial statements set out on pages 63 to 135 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2012 and of the results of their operations and cash flows for the year ended on that date.

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

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

.....

Chieng Ing Huong

.....

Roderick Chieng Ngee Kai

Shah Alam,

Date: 13 July 2012

STATUTORY DECLARATION

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

I, Roderick Chieng Ngee Kai, being the Director primarily responsible for the financial management of Esthetics International Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 63 to 135 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named in Petaling Jaya on 13 July 2012.

.....

Roderick Chieng Ngee Kai

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ESTHETICS INTERNATIONAL GROUP BERHAD

Report on the Financial Statements

We have audited the financial statements of Esthetics International Group Berhad, which comprise the statements of financial position at 31 March 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 63 to 135.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2012 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

The supplementary information set out in Note 30 on page 136 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No: 1772/11/12 (J/PH)
Chartered Accountant

13 July 2012
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	38,804	41,238	-	-
Intangible assets	4	3,992	7,883	-	-
Investment properties	5	1,705	1,705	-	-
Investments in subsidiaries	6	-	-	102,097	77,445
Investments in associates	7	3,445	1,360	2,000	-
Deferred tax assets	8	691	1,718	-	-
Total non-current assets		48,637	53,904	104,097	77,445
Inventories	9	20,226	28,097	-	-
Receivables, deposits and prepayments	10	23,675	28,698	22	22
Tax recoverable		2,076	3,362	2,060	2,055
Cash and cash equivalents	11	49,140	11,380	217	115
Total current assets		95,117	71,537	2,299	2,192
Total assets		143,754	125,441	106,396	79,637

STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2012 (cont'd)

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	12	92,400	66,000	92,400	66,000
Reserves	13	9,965	5,944	10,207	6,097
Retained earnings	13	8,026	11,027	3,689	5,442
Total equity attributable to owners of the Company		110,391	82,971	106,296	77,539
Non-controlling interests		43	3,907	-	-
Total equity		110,434	86,878	106,296	77,539
Liabilities					
Deferred tax liabilities	8	342	572	-	-
Total non-current liabilities		342	572	-	-
Deferred revenue		17,853	15,770	-	-
Payables and accruals	14	14,696	16,341	100	2,098
Borrowings	15	-	5,841	-	-
Taxation		429	39	-	-
Total current liabilities		32,978	37,991	100	2,098
Total liabilities		33,320	38,563	100	2,098
Total equity and liabilities		143,754	125,441	106,396	79,637

The notes on pages 73 to 135 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	16	132,340	141,090	3,050	8,200
Cost of sales/services		(54,566)	(67,064)	-	-
Gross profit		77,774	74,026	3,050	8,200
Other income		2,277	839	-	-
Distribution expenses		(16,668)	(26,600)	-	-
Administrative expenses		(48,789)	(58,680)	(263)	(988)
Other expenses		(9,730)	(30,315)	-	(2,501)
Results from operating activities		4,864	(40,730)	2,787	4,711
Interest income		444	220	212	148
Finance costs		(130)	(351)	-	-
Operating profit/(loss)	17	5,178	(40,861)	2,999	4,859
Share of profit/(loss) after tax of equity accounted associates		53	(1,141)	-	-
Profit/(Loss) before tax		5,231	(42,002)	2,999	4,859
Tax expense	18	(3,682)	853	-	-
Profit/(Loss) for the year		1,549	(41,149)	2,999	4,859
Other comprehensive expenses, net of tax					
Foreign currency translation		(89)	(185)	-	-
Total comprehensive income/(expenses)		**1,460**	**(41,334)**	**2,999**	**4,859**

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (cont'd)

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the year attributable to:					
Owners of the Company		1,751	(40,492)	2,999	4,859
Non-controlling interests		(202)	(657)	-	-
		1,549	(41,149)	2,999	4,859
Total comprehensive income/(expenses) attributable to:					
Owners of the Company		1,662	(40,677)	2,999	4,859
Non-controlling interests		(202)	(657)	-	-
		1,460	(41,334)	2,999	4,859
Earnings per ordinary share (sen):					
- basic	19	1.22	(30.68)		
- diluted	19	N/A	N/A		

The notes on pages 73 to 135 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2012

Group	Note	Share Capital RM'000	Share Premium RM'000	Non-distributable Warrant Reserve RM'000	Translation Reserve RM'000	Distributable Retained Earnings RM'000	Attributable To Owners Of The Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 31 March/1 April 2010		66,000	6,097	-	32	52,014	124,143	4,564	128,707
Net loss for the year		-	-	-	-	(40,492)	(40,492)	(657)	(41,149)
Other comprehensive expenses, net of tax									
- Exchange differences on translation of the financial statements of foreign entities		-	-	-	(185)	-	(185)	-	(185)
Total comprehensive expenses for the year		-	-	-	(185)	(40,492)	(40,677)	(657)	(41,334)
Distribution to owners of the Company									
- Dividend	20	-	-	-	-	(495)	(495)	-	(495)
At 31 March/1 April 2011		66,000	6,097	-	(153)	11,027	82,971	3,907	86,878

STATEMENTS OF CHANGES IN EQUITY
(cont'd)

Statements of changes in equity for the year ended 31 March 2012 (cont'd)

Group	Note	Share Capital RM'000	Share Premium RM'000	Non-distributable: Warrant Reserve RM'000	Non-distributable: Translation Reserve RM'000	Distributable Retained Earnings RM'000	Attributable To Owners Of The Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 31 March/1 April 2011		66,000	6,097	-	(153)	11,027	82,971	3,907	86,878
Net profit for the year		-	-	-	-	1,751	1,751	(202)	1,549
Other comprehensive expenses, net of tax									
- Exchange differences on translation of the financial statements of foreign entities		-	-	-	(89)	-	(89)	-	(89)
Total comprehensive income for the year		-	-	-	(89)	1,751	1,662	(202)	1,460
Contributions by and distributions to owners of the Company									
- Rights issue		26,400	(526)	4,636	-	(4,752)	25,758	-	25,758
- Disposal of subsidiaries		-	-	-	-	-	-	(3,662)	(3,662)
At 31 March 2012		92,400	5,571	4,636	(242)	8,026	110,391	43	110,434

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2012 (cont'd)

			Non-distributable		*Distributable*	
Company	Note	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 April 2010		66,000	6,097	-	1,078	73,175
Net profit for the year/ Total comprehensive income for the year		-	-	-	4,859	4,859
Distribution to owners of the Company						
- Dividend	20	-	-	-	(495)	(495)
At 31 March/1 April 2011		66,000	6,097	-	5,442	77,539
Net profit for the year/ Total comprehensive income for the year		-	-	-	2,999	2,999
Contribution by and distribution to owners of the Company						
- Rights issue		26,400	(526)	4,636	(4,752)	25,758
At 31 March 2012		92,400	5,571	4,636	3,689	106,296

The notes on pages 73 to 135 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows generated from operating activities				
Profit/(Loss) before tax	5,231	(42,002)	2,999	4,859
Adjustments for:				
Amortisation of development cost	25	25	-	-
Bad debts written off	1,465	1,336	-	-
Impairment loss on receivables	-	921	-	-
Depreciation of property, plant and equipment	6,539	10,787	-	-
Finance costs	130	351	-	-
Inventories written off	5,009	15,555	-	-
Impairment loss on investment in a subsidiary	-	-	-	2,501
Property, plant and equipment written off	66	4,382	-	-
Dividend income	-	-	(3,050)	(8,200)
Gain on disposal of property, plant and equipment	(87)	(452)	-	-
Gain on disposal of subsidiaries	(159)	-	-	-
Gain on liquidation of a subsidiary	-	(302)	-	-
Interest income	(444)	(220)	(212)	(148)
Share of (profit)/loss of equity accounted associates	(53)	1,141	-	-
Unrealised foreign exchange (gain)/loss	(1,764)	1,114	-	-
Operating profit/(loss) before working capital changes	15,958	(7,364)	(263)	(988)
Changes in working capital				
Inventories	2,487	(3,745)	-	-
Receivables	2,144	9,954	(5,332)	1,081
Payables	1,884	(433)	(1,998)	9
Deferred revenue	2,083	7,410	-	-
Cash generated from/(used in) operation	24,556	5,822	(7,593)	102
Balance carried forward	24,556	5,822	(7,593)	102

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012 (cont'd)

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Cash flow generated from/(used in) operating activities					
Balance brought forward		24,556	5,822	(7,593)	102
Interest received		444	220	212	148
Tax paid		(1,209)	(4,577)	(5)	(2,060)
Net cash generated from/(used in) operating activities		23,791	1,465	(7,386)	(1,810)
Cash flows (used in)/generated from investing activities					
Acquisition of property, plant and equipment		(5,561)	(5,766)	-	-
Disposal of subsidiaries, net of cash	26	(362)	-	-	-
Liquidation of a subsidiary, net of cash	26	-	(96)	-	-
Dividend received		-	-	3,050	8,200
Net increase in investments in subsidiaries		-	-	(21,320)	(4,900)
Proceeds from disposal of property, plant and equipment		289	624	-	-
Net cash (used in)/generated from investing activities		(5,634)	(5,238)	(18,270)	3,300

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012 (cont'd)

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows generated from/(used in) financing activities					
Rights issues		26,400	-	26,400	-
Rights issues expenses		(642)	-	(642)	-
Drawdown of revolving credits		-	5,300	-	-
Dividends paid to shareholders of the Company		-	(1,485)	-	(1,485)
Repayment of borrowings		(5,300)	(58)	-	-
Interest paid		(130)	(351)	-	-
Net cash generated from/(used in) financing activities		20,328	3,406	25,758	(1,485)
Net increase/(decrease) in cash and cash equivalents		38,485	(367)	102	5
Effect of exchange rate fluctuations on cash held		(184)	(56)	-	-
Cash and cash equivalents at beginning of the year		10,839	11,262	115	110
Cash and cash equivalents at end of the year	11	49,140	10,839	217	115

NOTES TO THE FINANCIAL STATEMENTS

Esthetics International Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Registered office/Principal place of business

Lot 11, Jalan Astaka U8/88
Bukit Jelutong, Seksyen U8
40150 Shah Alam
Selangor Darul Ehsan
Malaysia

The consolidated financial statements as at and for the year ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 March 2012 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

The financial statements were approved by the Board of Directors on 13 July 2012.

1. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 1 (Revised) First-time Adoption of Financial Reporting Standards

FRS 3 (Revised) Business Combinations

FRS 127 (Revised) Consolidated and Separate Financial Statements

Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1 (Revised): Additional Exemptions for First-time Adopters

Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)

Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions

Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary

Amendments to FRS 7: Improving Disclosures about Financial Instruments

Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17 Distributions of Non-cash Assets to Owners

IC Interpretation 18 Transfers of Assets from Customers

Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)

Annual Improvement to FRSs (2010)

1. BASIS OF PREPARATION (cont'd)

(a) The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-

(i) FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred.

The Group has applied FRS 3 (Revised) prospectively. Accordingly, business combinations entered into prior 1 April 2011 have not been adjusted to comply with this revised standard.

(ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, whilst maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interests to be absorbed by the non-controlling interests instead of by the parent.

The Group has applied FRS 127 (Revised) prospectively.

(iii) Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy, as shown in Note 27(e) to the financial statements. Comparatives are not pre sented by virtue of the exemption given in the amendments.

(iv) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes.

The amendments to FRS 101 (Revised) clarify that an entity may choose to present the analysis of the items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present the items of other comprehensive income in the statement of changes in equity.

1. BASIS OF PREPARATION (cont'd)

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012

1. BASIS OF PREPARATION (cont'd)

(b) **FRSs and IC Interpretations (including the Consequential Amendments)**

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 15 Agreements for the Construction of Real Estate	Withdrawn on 19 November 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011

The Group's next set of financial statements for the annual period beginning on 1 April 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB that will also comply with International Financial Reporting Standards ("IFRSs"). As a result, the Group will not be adopting the above accounting standards and interpretations (including the consequential amendments) that are effective for annual periods beginning on or after 1 January 2012.

(c) Following the issuance of MFRSs (equivalent to IFRSs) by the MASB on 19 November 2011, the Group will be adopting the new accounting standards in the next financial year. The Group is currently in the process of assessing the impact of the adoption of these new accounting standards and the Directors do not expect any significant impact on the financial statements arising from the adoption.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iii) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Amortisation of Development Costs

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

(v) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Critical Accounting Estimates And Judgements (cont'd)

(vi) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(viii) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires man agement to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(ix) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(x) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2012.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 127.

Business combinations from 1 April 2011 onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

The Group has applied the FRS 3 (Revised) in accounting for business combinations from 1 April 2011 onwards. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard.

Business combinations before 1 April 2011

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

(c) Investments

(i) Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(ii) Associates

An associate is an entity in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for under the equity method, based on the financial statements of the associate made up to 31 March 2012. The Group's share of the post acquisition profits of the associate is included in the consolidated statement of comprehensive income and the Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

On the disposal of the investments in associates, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

The principal exchange rates for every unit of foreign currency ruling at the end of the reporting period used were as follows:

	2012 RM	2011 RM
Australian Dollar	3.1900	3.1200
Chinese Renminbi	0.4870	0.4617
Hong Kong Dollar	0.3951	0.3890
Indonesian Rupiah	0.0003	0.0003
Singapore Dollar	2.4400	2.4000
Thai Baht	0.0994	0.0999
United States Dollar	3.0600	3.0260

(iii) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Instruments (cont'd)

(i) Financial Assets (cont'd)

- Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on the fair value at the acquisition date. The fair value of the property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in a mutually agreed terms after proper marketing where in the parties had each acted knowledgeably, prudently and without compulsion.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the statements of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognised in the statements of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Motor vehicles	5 years
Office equipment and fittings	5 - 10 years
Tools and equipment	6 - 7 years
Renovation	Over the initial lease term of 3 or 5 years

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount of these assets.

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance expense and reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

For property interest held under operating lease, the leased assets are not recognised in the Group's statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in the statements of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(h) Intangible assets

(i) Goodwill

Goodwill arises from business combinations and is measured at cost less any accumulated impairment losses.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the statements of comprehensive income.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of the equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

Goodwill is tested for impairment annually and whenever there is an indication that they may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Intangible assets (cont'd)

(ii) Development costs

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

(i) its ability to measure reliably the expenditure attributable to the asset under development;

(ii) the product or process is technically and commercially feasible;

(iii) its future economic benefits are profitable;

(iv) its ability to use or sell the developed asset; and

(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

Development costs are amortised from the date that they are available for use. Amortisation of development costs is recognised in profit or loss on a straight-line basis over their estimated useful lives.

The estimated useful life is as follows:

- capitalised development costs 10 years

(iii) Trademark

Trademark costs are stated at cost less amortisation and impairment losses, if any. Amortisation of trademark costs are computed on a straight line basis over a period of 50 years.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the statements of comprehensive income.

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without involvement of independent valuers. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in a mutually agreed terms after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 5 to the financial statements.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Raw materials and consumables are stated at the lower of cost and net realisable value determined on the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(k) Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statements of comprehensive income over the period of the loans and borrowings using the effective interest method.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses and paid annual leave are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined Contribution Plans

The Group's contributions to the statutory pension funds are recognised in profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services rendered

Revenue from services rendered is recognised in the statements of comprehensive income in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

(iii) Rental income

Rental income from the rental of investment properties is recognised in the statements of comprehensive income on a straight-line basis over the terms of the lease.

(iv) Dividend income

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

(r) Deferred revenue

Deferred revenue represents cash received from customers for services not yet rendered as at the end of the reporting period.

(s) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the profit or loss using the effective interest method, in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the statements of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the statements of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(u) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(w) Related parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. PROPERTY, PLANT AND EQUIPMENT

Group *Cost*	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office equipment and fittings RM'000	Tools and equipment RM'000	Renovation RM'000	Total RM'000
At 1 April 2010	11,053	19,114	5,165	17,232	20,296	19,286	92,146
Additions	-	6	6	850	976	3,928	5,766
Disposals	-	-	(2,403)	(657)	(14)	(682)	(3,756)
Write-offs	-	-	(352)	(1,058)	(1,788)	(4,544)	(7,742)
Transfers	-	-	-	-	(164)	-	(164)
Effect of movements in exchange rates	-	-	6	(417)	48	(81)	(444)
At 31 March/ 1 April 2011	11,053	19,120	2,422	15,950	19,354	17,907	85,806
Additions	-	179	145	572	757	3,908	5,561
Disposals	-	-	(332)	(11)	(3)	(277)	(623)
Disposals of subsidiaries	-	-	-	(45)	(1,018)	-	(1,063)
Write-offs	-	-	-	(147)	(54)	(1,902)	(2,103)
Transfers	-	(254)	-	(7)	-	(311)	(572)
Effect of movements in exchange rates	-	-	-	63	88	159	310
At 31 March 2012	11,053	19,045	2,235	16,375	19,124	19,484	87,316

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group Accumulated depreciation	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office equipment and fittings RM'000	Tools and equipment RM'000	Renovation RM'000	Total RM'000
At 1 April 2010	-	1,300	4,494	12,287	12,340	10,759	41,180
Charge for the year	-	382	342	2,447	2,436	5,180	10,787
Disposals	-	-	(2,389)	(544)	(3)	(648)	(3,584)
Write-offs	-	-	(238)	(688)	(692)	(1,742)	(3,360)
Transfer	-	-	-	-	(44)	-	(44)
Effect of movements in exchange rates	-	-	5	(396)	16	(36)	(411)
At 31 March/1 April 2011	-	1,682	2,214	13,106	14,053	13,513	44,568
Charge for the year	-	374	251	1,281	1,962	2,671	6,539
Disposals	-	-	(316)	(3)	-	(102)	(421)
Disposals of subsidiaries	-	-	-	(62)	(290)	-	(352)
Write-offs	-	-	-	(131)	(35)	(1,871)	(2,037)
Transfer	-	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	45	62	108	215
At 31 March 2012	-	2,056	2,149	14,236	15,752	14,319	48,512
Carrying amounts							
At 1 April 2010	11,053	17,814	671	4,945	7,956	8,527	50,966
At 31 March/ 1 April 2011	11,053	17,438	208	2,844	5,301	4,394	41,238
At 31 March 2012	11,053	16,989	86	2,139	3,372	5,165	38,804

4. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development cost RM'000	Trademark RM'000	Total RM'000
Cost				
At 1 April 2010/31 March 2011	7,424	548	10	7,982
Disposal of subsidiaries	(3,856)	-	(10)	(3,866)
At 31 March 2012	3,568	548	-	4,116
Amortisation				
At 1 April 2010	-	74	*	74
Amortisation for the year	-	25	*	25
At 31 March/1 April 2011	-	99	*	99
Amortisation for the year	-	25	*	25
At 31 March 2012	-	124	*	124
Carrying amounts				
At 1 April 2010	7,424	474	10	7,908
At 31 March/1 April 2011	7,424	449	10	7,883
At 31 March 2012	3,568	424	-	3,992

Note:
* - Amount below RM1,000

Goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indicators of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount. Impairment loss is recognised in the statements of comprehensive income and subsequent reversal is not allowed.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating units ("the Units") at which the goodwill is monitored for internal management purposes.

4. INTANGIBLE ASSETS (cont'd)

The aggregate carrying amounts of goodwill allocated to each cash generating unit are as follows:

	RM'000
Singapore product distribution	1,632
Singapore professional services and sales	1,455
Hong Kong professional services and sales	390
Information communication technology	91
	3,568

The recoverable amount for the goodwill is based on value in use calculations using cash flow projections based on financial budgets approved by the Board of Directors covering a three-year period.

Value in use was determined by discounting the future cash flows to be generated from the operations of the cash generating units and was based on the following key assumptions.

- There will be no material changes in the structure and principal activities of the respective subsidiaries.
- There will not be any significant increase in labour costs, adverse changes in economic conditions or other abnormal factors, which will adversely affect the operations of the respective companies.
- Statutory income tax rates - the rate for Singapore and Hong Kong are 17% and 16.5% respectively. There will be no material changes in the present legislation or regulations, rates of duties, levies and taxes affecting the Units' activities.
- Discount rate of 8% was applied on the projected cash flows in determining the recoverable amounts of the Units.

5. INVESTMENT PROPERTIES

	Group	
	2012	2011
	RM'000	RM'000
Fair value:		
At 31 March	1,705	1,705

The Directors estimated the fair values of the Group's investment properties.

The estimated fair values of the investment properties are arrived at based on the Directors' estimation of the fair values of the investment properties. Such fair values are arrived at based on comparisons with prices of similar properties in the same location or adjacent locations. Location differences may significantly affect the estimates of the fair values.

6. INVESTMENTS IN SUBSIDIARIES

		Company	
		2012	2011
	Note	RM'000	RM'000
At cost:			
Unquoted shares		35,623	30,723
Add: Increase in investments		23,320	4,900
Less: Disposal		(4,000)	-
		54,943	35,623
Less: Accumulated impairment losses			
At 1 April		(16,405)	(13,904)
Addition during the year		-	(2,501)
At 31 March		(16,405)	(16,405)
Quasi loan	a	63,559	58,227
		102,097	77,445

Note a

Quasi loans represent advances and payments made on behalf of which the settlement is neither planned nor likely to occur in the foreseeable future. These amounts are, in substance, a part of the Company's net investment in the subsidiaries. The quasi loans are stated at cost less accumulated impairment losses, if any.

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2012 %	Effective ownership interest 2011 %
EIG Dermal Wellness (M) Sdn. Bhd. (Formerly known as Dermal Esthetica Sdn. Bhd.)	Malaysia	Importing and distribution of skin care products and beauty equipment	100	100
Leonard Drake (M) Sdn. Bhd	Malaysia	Dormant	100	100
AsterSpring International Sdn. Bhd	Malaysia	Operating of skin care centers, providing skin care services and retailing of skin care products	100	100
EIG Pharma Asia Sdn. Bhd.	Malaysia	Trading of fast moving consumer goods	100	100
Esthetics Concept Sdn. Bhd.	Malaysia	Retailing of skincare and wellness products	100	100
Clinelle (M) Sdn. Bhd.	Malaysia	Dormant	100	100
Beuxstar Sdn. Bhd.	Malaysia	Agent for trade marks and patents application	100	100
Esthetics and Wellness International Sdn. Bhd.	Malaysia	Offering education and training in beauty and wellness	100	100
Klientec International Sdn. Bhd.	Malaysia	Information communication technology	100	100
Klientec Biz-Solution Sdn. Bhd.	Malaysia	Information technology consultancy and software development	80	80
Averine (Malaysia) Sdn. Bhd.	Malaysia	Dormant	100	100
Head To Toe Skin Care Centre (KL) Sdn. Bhd.	Malaysia	Dormant	100	100
EIG Management Services Sdn. Bhd. (Formerly known as Leonard Drake Fitness (M) Sdn. Bhd.)	Malaysia	Management service	100	100
Airellis International Sdn. Bhd.	Malaysia	Dormant	100	100
EIG (Thailand) Co. Ltd*	Thailand	Investment holding	100	100
EIG Dermal Wellness (HK) Ltd.* (Formerly known as EIG Global (HK) Ltd.)	Hong Kong	Distribution of skin care and wellness products	100	100
EIG Global (China) Co. Ltd.*	China	Distribution of skin care and wellness products	100	100

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2012 %	Effective ownership interest 2011 %
EIG Medklinn Sdn. Bhd. ("EMSB")*	Malaysia	Investment holding	-	50
EIG Medklinn Manufacturing Sdn. Bhd.*# ^	Malaysia	Manufacturing and trading of health, wellness products	-	50
Medklinn International Sdn. Bhd.* # ^	Malaysia	Development and distribution of air and water related products	-	50
Oxion Pte. Ltd.* # ^	Singapore	Development and distribution of air and water related products	-	50
Medklinn International Pte. Ltd.* # ^	Singapore	Manufacturing and trading of health, wellness products	-	50
AsterSpring International (HK) Ltd.* (Formerly known as Leonard Drake (HK) Ltd.)	Hong Kong	Operating of skin care centers, providing skin care services and retailing of skin care products	100	100
Lexwel International Pte. Limited*	Hong Kong	Dormant	100	100
EIG Global Pte. Ltd. *	Singapore	Investment holding	100	100
Lexwel International (S) Pte. Ltd.*	Singapore	Direct selling of personal health care and skin care products	100	100
AsterSpring International (S) Pte. Ltd.* (Formerly known as Leonard Drake (S) Pte. Ltd.)	Singapore	Operating of skin care centers, providing skin care services and retailing of skin care products	100	100
EIG Dermal Wellness (S) Pte. Ltd.* (Formerly known as Ina Gail Pte. Ltd.)	Singapore	Distribution of skin care and wellness products	100	100
EIG Global Australia Pty. Ltd.*	Australia	Dormant	100	100
PT EIG Lexwel*	Indonesia	Distribution of skin care and wellness products	100	100
EIG Global (US) Inc.*	United States of America	Investment holding	100	100

* Not audited by Messrs. Crowe Horwath

\# The Group has significant influence over the financial and operating policies of these entities

^ Wholly-owned subsidiaries of EMSB

7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At cost:				
Unquoted shares	4,286	4,286	-	-
Increase in investments	2,000	-	2,000	-
	6,286	4,286	2,000	-
Share of results in associates	(2,841)	(2,926)	-	-
	3,445	1,360	2,000	-
Represented by:				
Group's share of net assets	3,445	1,360	2,000	-

Summary financial information on associates:

	Effective ownership interest %	Revenue (100%) RM'000	Profit/ (Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2012					
Wellnax (Thailand) Co. Ltd.	49.0	-	220	1,863	2,515
Dermal Wellness International Co. Ltd. and its subsidiaries	49.9	1,301	855	12,159	8,399
EIG Medklinn Sdn. Bhd. and its subsidiaries	25.0	2,967	(1,158)	5,670	1,386
2011					
Wellnax (Thailand) Co. Ltd.	49.0	-	(823)	1,473	2,345
Dermal Wellness International Co. Ltd. and its subsidiaries	49.9	10,682	(1,479)	10,699	7,803

7. INVESTMENTS IN ASSOCIATES (cont'd)

Details of the associates are as follows:

Name of associate	Country of incorporation	Principal activities	Effective ownership interest 2012 %	Effective ownership interest 2011 %
Wellnax (Thailand) Co. Ltd.	Thailand	Investment holding	49.0	49.0
Dermal Wellness International Co. Ltd.	Thailand	Investment holding	49.9	49.9
EIG Dermal Wellness (Thai) Co. Ltd. Dermal Concept Co. Ltd. and its subsidiary (Formerly known as Dermal Concept Co. Ltd.)	Thailand	Distribution of skin care and wellness products	49.9	49.9
AsterSpring International (Thai) Co. Ltd. (Formerly known as Leonard Drake (Thai) Co. Ltd.)	Thailand	Operating of skin care centers, providing skin care services and retailing of skin care products	49.9	49.9
EIG Medklinn Sdn. Bhd. ("EMSB")	Malaysia	Investment holding	25.0	-
EIG Medklinn Manufacturing Sdn. Bhd. ^	Malaysia	Manufacturing and trading of health, wellness products	25.0	-
Medklinn International Sdn. Bhd. ^	Malaysia	Development and distribution of air and water related products	25.0	-
Oxion Pte. Ltd. ^	Singapore	Development and distribution of air and water related products	25.0	-
Medklinn International Pte. Ltd. ^	Singapore	Manufacturing and trading of health, wellness products	25.0	-

^ Wholly-owned subsidiaries of EMSB

8. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	(338)	(572)	(338)	(572)
Unutilised tax losses	691	970	-	-	691	970
Unrealised foreign exchange loss/(gain)	-	205	(4)	-	(4)	205
Others	-	543	-	-	-	543
Net tax assets/ (liabilities)	691	1,718	(342)	(572)	349	1,146

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2012	2011
	RM'000	RM'000
Deductible temporary differences	149	-
Unabsorbed capital allowances	637	483
Unutilised tax losses	12,310	13,055
	13,096	13,538

Deferred tax assets of RM3,274,000 (2011: RM3,385,000) were not recognised in respect of these items because it was not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

8. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Movements in temporary differences during the year

Group	At 1.4.2010 RM'000	Recognised in the statements of comprehensive income RM'000	At 31.3.2011/ 1.4.2011 RM'000	Recognised in the statements of comprehensive income RM'000	At 31.3.2012 RM'000
Property, plant and equipment	(746)	174	(572)	234	(338)
Unutilised tax losses	1,036	(66)	970	(279)	691
Unrealised foreign exchange gain	494	(289)	205	(209)	(4)
Others	346	197	543	(543)	-
	1,130	16	1,146	(797)	349
		Note 18		Note 18	

9. INVENTORIES

	Group	
	2012 RM'000	2011 RM'000
At cost:		
Raw materials and consumables	342	2,813
Goods in transit	1,977	2,836
Finished goods	17,907	22,448
	20,226	28,097

None of the inventories is carried at net realisable value.

Inventories recognised as cost of sales amounted to RM31,494,000 (2011: RM40,101,000).

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Current					
Trade					
Trade receivables	a	9,176	14,751	-	-
Amount due from associates	b	2,272	1,385	-	-
Non-trade					
Amount due from associates	b	2,791	2,856	-	-
Other receivables		1,756	2,628	-	-
Deposits		6,103	5,962	2	2
Prepayments		1,577	1,116	20	20
		23,675	28,698	22	22

Note a

The normal trade credit terms granted are as follows:-
Skin care products - 30 to 90 days
Beauty equipment - case-by-case basis

Note b

The normal trade credit term granted to the associates is 60 days.

The non-trade amount due from the associates of the Group is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term money market deposit with an investment management company	30,110	-	-	-
Cash and bank balances	19,030	11,380	217	115
	49,140	11,380	217	115
Bank overdraft (Note 15)	-	(541)	-	-
	49,140	10,839	217	115

12. SHARE CAPITAL

Share capital

	Company			
	2012 RM'000	Number of shares 2012 '000	2011 RM'000	Number of shares 2011 '000
Authorised				
Ordinary shares of RM0.50 each				
At 1 April 2011/2010	100,000	200,000	100,000	200,000
Increase during the year	150,000	300,000	-	-
At 31 March	250,000	500,000	100,000	200,000
Issued and fully paid-up				
At 1 April 2011/2010	66,000	132,000	66,000	132,000
Rights issue	26,400	52,800	-	-
At 31 March	92,400	184,800	66,000	132,000

During the financial year, the Company issued 52,800,000 new ordinary shares of RM0.50 each pursuant to the Rights Issue as disclosed in Note 28 (ii) to the financial statements. The exercise price of the Rights Issue was RM0.50 each.

13. RESERVES

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Non-distributable					
Share premium	13.1	5,571	6,097	5,571	6,097
Warrant reserve	13.2	4,636	-	4,636	-
Translation reserve	13.3	(242)	(153)	-	-
		9,965	5,944	10,207	6,097

13.1 Share Premium

The share premium of the Company arose from the allotment of ordinary shares at a premium over its par value.

The share premium has been applied for the expenses incurred for the issuance of the new shares. The movement of the share premium is as follows:

	Company	
	2012	2011
	RM'000	RM'000
At 1 April 2011/2010	6,097	6,097
Applied for share issue expenses pursuant to the Rights Issue	(526)	-
At 31 March	5,571	6,097

13.2 Warrant reserve

The movements in the warrant reserve of the Company are as follows :-

	Company	
	2012	2011
	RM'000	RM'000
At 1 April 2011/2010	-	-
- Arising from Rights Issue with Warrants	4,752	-
- Applied for warrant issue expenses	(116)	-
At 31 March	4,636	-

During the financial year, the Company allotted a Rights Issue of 52,800,000 new ordinary shares at the par value of RM0.50, together with 52,800,000 free detachable warrants ("Warrants") to the holders on the basis of two (2) for every five (5) existing ordinary shares.

13. RESERVES (cont'd)

13.2 Warrant reserve (cont'd)

Each Warrant entitles the registered holder to subscribe for one new ordinary share in the Company at any time on or after 4 January 2012 up to the date of expiry on 3 January 2017 at an exercise price of RM0.50 per share or such adjusted price in accordance with the provisions in the Deed Poll. The Warrants were listed on the Main Market of Bursa Malaysia Securities Berhad on 10 January 2012.

No Warrants were exercised during the financial year ended 31 March 2012. As at the end of the reporting date, 52,800,000 Warrants remain unexercised.

The fair value of the Warrants is RM0.09 each estimated using the Black Scholes option model, taking into account the terms and conditions upon which the Warrants are issued. The fair value of the Warrants measured at issuance date and the assumptions are as follows:

Valuation model	Black Scholes
Exercise type	American
Tenure	5 years
5-day volume weighted average price of the Company's shares at 31 March 2012	RM0.40
Conversion price	RM0.50
Volatility rate	38.11%
Period of volatility assessment	Past 12 months up to and including 10 January 2012

13.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of each entity in the Group with functional currencies other than Ringgit Malaysia.

13.4 Retained earnings

Subject to the agreement of the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all its distributable retained earnings at 31 March 2012 if paid out as dividends.

At the end of the reporting period, the Company has not elected for the single tier tax system. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, the Company will automatically move to the single tier tax system. Under the single tier tax system, tax on the Company's profits is a final tax, and dividends distributed to the shareholders will be exempted from tax.

14. PAYABLES AND ACCRUALS

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables	a	5,277	4,106	-	-
Non-trade					
Other payables		3,851	4,879	-	2,000
Accrued expenses		5,568	7,356	100	98
		9,419	12,235	100	2,098
		14,696	16,341	100	2,098

Note a

The normal trade credit terms granted to the Group range from 30 to 90 days.

15. BORROWINGS

	Group	
	2012	2011
	RM'000	RM'000
Current		
Bank overdraft (Note 11)	-	541
Revolving credit	-	5,300
	-	5,841

The bank overdraft and revolving credit in the previous financial year were secured by:-

i. a corporate guarantee of the Company; and

ii. a negative pledge over fixed and floating assets of the subsidiaries.

16. REVENUE

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Product distribution	60,375	69,584	-	-
Professional services and sales	71,594	71,506	-	-
Others	371	-	-	-
Dividends	-	-	3,050	8,200
	132,340	141,090	3,050	8,200

17. OPERATING PROFIT/(LOSS)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) is arrived at after charging:				
Auditors' remuneration:				
Auditors of the Company:				
- for the current year	139	110	48	38
- underprovision for the previous financial year	25	-	10	-
Other auditors:				
- for the current year	176	218	-	-
Amortisation of development cost	25	25	-	-
Bad debts written off	1,465	1,336	-	-
Impairment loss on receivables	-	921	-	-
Depreciation of property, plant and equipment	6,539	10,787	-	-
Directors of the Company (key management personnel)				
- Fees	45	45	45	45
- Remuneration	1,256	1,939	-	-
- Defined contribution plan	45	198	-	-
Finance costs on:			-	-
- borrowings	130	351	-	-
Inventories written off	5,009	15,555	-	-
Impairment loss on investment in a subsidiary	-	-	-	2,501
Personnel expenses				
- Wages, salaries and others	39,314	51,736	-	-
- Contribution to defined contribution plans	3,827	3,076	-	-
Property, plant and equipment written off	66	4,382	-	-
Realised foreign exchange loss	988	380	-	-
Rental of premises	18,326	17,688	-	-
Unrealised foreign exchange loss	-	1,114	-	-

17. OPERATING PROFIT/(LOSS) (cont'd)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
and after crediting:				
Dividend income from:				
- subsidiaries (unquoted)	-	-	3,050	8,200
Gain on disposal of property, plant and equipment	87	452	-	-
Interest income	444	220	212	148
Unrealised foreign exchange gain	1,764	-	-	-
Rental income from investment properties	85	85	-	-
Gain on disposal/liquidation of subsidiaries	159	302	-	-

The estimated monetary value of Directors' benefits-in-kind is RM75,000 (2011: RM167,000).

18. TAX EXPENSE

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- for the year	3,107	(817)	-	-
- overprovision in prior years	(222)	(20)	-	-
	2,885	(837)	-	-
Deferred tax (Note 8):				
Reversal of temporary differences	797	(16)	-	-
	3,682	(853)	-	-

Reconciliation of effective tax expense

Profit/(Loss) before tax	5,231	(42,002)	2,999	4,859
Tax at the statutory tax rate of 25%	1,308	(10,501)	750	1,215
Effect of different tax rates in foreign jurisdictions	724	1,965	-	-
Non-deductible expenses	546	1,596	13	-
Tax-exempt (income)/ expense	(186)	(138)	(763)	625
Deferred tax assets not recognised	1,512	6,245	-	-
Group relief	-	-	-	(1,840)
	3,904	(833)	-	-
Overprovision of current tax in prior years	(222)	(20)	-	-
	3,682	(853)	-	-

19. EARNING PER SHARE

Basic earnings per share

The calculation of basic earnings per share was based on the profit/(loss) attributable to ordinary shareholders of RM1,751,000 (2011:(RM40,492,000)) and the weighted average number of ordinary shares outstanding during the year of 143,685,000 (2011: 132,000,000).

The diluted earnings per ordinary share is not presented as there is no dilutive effect noted during the year. The issue of warrants does not have a dilutive effect to the earnings per ordinary share as the average market price of ordinary shares as at the end of the reporting period was below the exercise price of the warrants.

20. DIVIDEND

Dividend recognised in the previous year by the Company was:

	Sen per share (net of tax)	RM'000	Date of payment
2011			
Final 2010 ordinary	0.375	495	15 October 2010

21. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly related loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters), head office expenses, tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Business segments

The Group comprises the following main segments:

Professional services and sales	The professional services rendered in respect of skincare and wellness programs and sales of related products.
Product distribution	The distribution of skincare and wellness products and beauty equipment.
Others	Investment holding, investment in properties, education and training and information communication technology.

Geographical segments

The professional services and sales segment and the product distribution segment of the Group are operated in Singapore, Hong Kong and China apart from its home country, Malaysia.

The other business segments are operated in Malaysia, Singapore, Hong Kong, Thailand, Indonesia and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

21. OPERATING SEGMENTS (cont'd)

	Professional services and sales		Product distribution		Others		Eliminations		Consolidated	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Business segments										
Revenue from external customers	71,594	71,506	60,375	69,584	371	-	-	-	132,340	141,090
Inter-segment revenue	246	285	7,412	8,705	8,387	8,200	(16,045)	(17,190)	-	-
Total revenue	71,840	71,791	67,787	78,289	8,758	8,200	(16,045)	(17,190)	132,340	141,090
Segment result	1,295	(9,792)	3,038	(23,881)	3,161	7,212	(635)	(10,844)	6,859	(37,305)
Unallocated expenses									(1,995)	(3,425)
Operating profit/(loss)									4,864	(40,730)
Interest income									444	220
Finance costs									(130)	(351)
Share of profit/(loss) in associates									53	(1,141)
Profit/(loss) before tax									5,231	(42,002)
Tax expense									(3,682)	853
Profit/(Loss) for the year									1,549	(41,149)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

21. OPERATING SEGMENTS (cont'd)

	Professional services and sales		Product distribution		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	45,508	55,303	133,758	139,278	72,274	58,364	(113,998)	(133,925)	137,542	119,020
Investments in associates									3,445	1,360
Unallocated assets									2,767	5,061
Total assets									143,754	125,441
Segment liabilities	42,638	48,944	90,158	112,178	13,014	2,098	(113,261)	(131,109)	32,549	32,111
Unallocated liabilities									771	6,452
Total liabilities									33,320	38,563

21. OPERATING SEGMENTS (cont'd)

	Professional services and sales		Product distribution		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amortisation of development cost	-	-	25	25	-	-	-	-	25	25
Bad debts written off	34	1,046	1,431	1,115	-	-	-	(825)	1,465	1,336
Impairment loss on receivables	-	-	-	921	-	-	-	-	-	921
Capital expenditure	4,461	4,467	1,089	1,281	11	-	-	18	5,561	5,766
Depreciation	4,822	7,396	1,727	3,464	62	-	(72)	(73)	6,539	10,787
Inventories written off	109	19	4,900	15,536	-	-	-	-	5,009	15,555
(Gain)/loss on disposal of property, plant and equipment	47	(63)	(134)	(389)	-	-	-	-	(87)	(452)
Property, plant and equipment written off	9	1,867	56	2,515	1	-	-	-	66	4,382
Unrealised foreign exchange (gain)/loss	-	-	(1,764)	1,114	-	-	-	-	(1,764)	(1,114)

21. OPERATING SEGMENTS (cont'd)

Geographical segments	Malaysia RM'000	Overseas* RM'000	Consolidated RM'000
2012			
Revenue from external customers by location of customers	72,748	59,592	132,340
Segment assets by location of assets	96,792	40,750	137,542
Capital expenditure by location of assets	4,157	1,404	5,561
2011			
Revenue from external customers by location of customers	79,885	61,205	141,090
Segment assets by location of assets	70,986	48,034	119,020
Capital expenditure by location of assets	2,039	3,727	5,766

* Included in the overseas segment are Singapore, Hong Kong, Thailand, Vietnam, Indonesia, Philippines and China.

22. OPERATING LEASES

Leases as lessee

The Group had commitments under non-cancellable operating leases in respect of certain rented premises by subsidiaries as follows:

	Group	
	2012 RM'000	2011 RM'000
Less than one year	9,425	7,114
Between one and five years	8,491	3,513
At 31 March	17,916	10,627

The Group leases a number of premises under operating leases. These leases typically run for an initial period of one to three years, with an option to renew the leases.

23. CAPITAL COMMITMENTS

	Group	
	2012	2011
	RM'000	RM'000
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for and payable:		
Within one year	23,677	645
Approved but not contracted for:		
Within one year	1,193	-
	24,870	645

24. CONTINGENT LIABILITY

The Directors are of the opinion that provisions are not required in respect of these as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Company	
	2012	2011
	RM'000	RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	28,500	31,100

The amount of facilities utilised by the subsidiaries at the end of the year were RM11,889,000 (2011: RM17,111,000).

25. RELATED PARTIES

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company.

Controlling related party relationships are as follows:

(a) its subsidiaries and associates as disclosed in Notes 6 and 7;

(b) company in which certain Directors have financial interests; and

(c) the Directors of the Company.

Transactions with subsidiaries

Significant transactions with the subsidiaries other than those disclosed elsewhere in the financial statements are as follows:-

	Company	
	2012	2011
	RM'000	RM'000
EIG Dermal Wellness (M) Sdn. Bhd. (Formerly known as Dermal Esthetica Sdn. Bhd.)		
Dividend received	-	5,800
Leonard Drake (M) Sdn. Bhd. Dividend received	1,100	2,400
AsterSpring International Sdn. Bhd Dividend received	1,950	-
	3,050	8,200

25. RELATED PARTIES (cont'd)

Transactions with associates

Significant transactions with the associates other than those disclosed elsewhere in the financial statements are as follows:

	Group	
	2012	2011
	RM'000	RM'000
Sales to		
EIG Dermal Wellness (Thai) Co. Ltd.		
(Formerly known as Dermal Concept Co. Ltd.)	3,002	2,626
Medklinn International Sdn. Bhd.	271	-

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

Transactions with a company in which certain Directors have financial interests

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Consultancy fee paid to Providence Business Advisory Services Sdn. Bhd., a company in which Chieng Ing Huong, Roderick Chieng Ngee Kai and Brian Chieng Ngee Wen have interests	881	691	-	691

The Directors of the Company are of the opinion that all the above transactions have been entered into in the ordinary course of business and have been established under commercial terms.

26. DISPOSAL/LIQUIDATION OF SUBSIDIARIES

During the current financial year, the Group's interest in EIG Medklinn Sdn. Bhd. ("EMSB") was diluted from 50% to 25% pursuant to a restructuring exercise undertaken between the Company and Sassicaia Strategic Holdings Sdn. Bhd. ("SSH"). Under the restructuring exercise, the Company transferred its 4,000,000 partly paid up shares in EMSB to SSH, in exchange for 2,000,000 fully paid up shares in EMSB. EMSB, which was previously accounted for as a subsidiary, became an associate company upon completion of the restructuring exercise. The dilution is accounted for as a deemed disposal and the effects are shown below:-

	RM'000
Property, plant and equipment	711
Intangible assets	3,866
Inventories	184
Receivables, deposits and prepayments	3,178
Cash and cash equivalents	362
Payables and accruals	(2,957)
Non-controlling interests	(3,662)
Fair value of net assets	1,682
Share of net assets retained in investments in associates	(1,841)
Gain on disposal of subsidiaries	159
Consideration	-
Cash and cash equivalents of subsidiaries disposed of	(362)
Net cash outflow for disposal of subsidiaries	(362)

26. DISPOSAL/LIQUIDATION OF SUBSIDIARIES (cont'd)

In the previous financial year, a subsidiary, Lexwel International Sdn. Bhd. (In Creditors' Voluntary Liquidation) was liquidated. The carrying value of the assets and liabilities liquidated were as follows:-

	RM'000
Current assets	1,948
Current liabilities	(2,250)
Fair value of net assets liquidated	(302)
Gain on liquidation of a subsidiary	302
Cash and cash equivalents of a subsidiary liquidated	(96)
Net cash outflow on liquidation of a subsidiary	(96)

27. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group has subsidiaries operating in foreign countries whose revenue and expenses are denominated in their respective functional currencies. The Group is also exposed to foreign currency risk on purchases that are denominated in foreign currencies. The currency giving rise to this risk is primarily United States Dollar. Foreign currency risk is monitored closely and managed to an acceptable level.

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

The Group's exposure to foreign currency is as follows:-

The Group 2012	United States Dollar RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	Chinese Renminbi RM'000	Indonesian Rupiah RM'000	Australian Dollar RM'000	Ringgit Malaysia RM'000	Thai Baht RM'000	Total RM'000
Financial Assets									
Trade receivables	478	1,558	1,276	377	-	-	5,487	-	9,176
Amount due from associates	2,446	-	-	-	-	-	120	2,497	5,063
Other receivables	59	1,234	128	-	-	-	325	10	1,756
Deposits	-	2,226	914	60	-	-	2,903	-	6,103
Cash and cash equivalent	1,166	5,417	1,599	27	17	106	40,763	45	49,140
Total	4,149	10,435	3,917	464	17	106	49,598	2,552	71,238

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

The Group 2012	United States Dollar RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	Chinese Renminbi RM'000	Indonesian Rupiah RM'000	Australian Dollar RM'000	Ringgit Malaysia RM'000	Thai Baht RM'000	Total RM'000
Financial Liabilities									
Trade payables	5,220	-	-	-	-	-	57	-	5,277
Other payables	-	2,156	281	128	445	-	841	-	3,851
Accrued expenses	-	925	454	14	-	2	4,170	3	5,568
Total	5,220	3,081	735	142	445	2	5,068	3	14,696
Net financial (liabilities)/assets	(1,071)	7,354	3,182	322	(428)	104	44,530	2,549	56,542
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	-	(7,354)	(3,182)	(322)	428	(104)	(44,530)	(2,549)	(57,613)
Currency exposure	(1,071)	-	-	-	-	-	-	-	(1,071)

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

The Group 2011	United States Dollar RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	Chinese Renminbi RM'000	Indonesian Rupiah RM'000	Australian Dollar RM'000	Ringgit Malaysia RM'000	Thai Baht RM'000	Total RM'000
Financial Assets									
Trade receivables	538	5,114	3,012	100	-	-	5,987	-	14,751
Amount due from associates	1,901	-	-	-	-	-	-	2,340	4,241
Other receivables	59	51	1,344	-	-	-	1,174	-	2,628
Deposits	-	2,370	930	56	-	-	2,606	-	5,962
Cash and cash equivalents	617	3,617	927	390	17	121	5,646	45	11,380
Total	3,115	11,152	6,213	546	17	121	15,413	2,385	38,962

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

The Group 2011	United States Dollar RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	Chinese Renminbi RM'000	Indonesian Rupiah RM'000	Australian Dollar RM'000	Ringgit Malaysia RM'000	Thai Baht RM'000	Total RM'000
Financial Liabilities									
Trade payables	3,772	-	-	-	-	-	334	-	4,106
Other payable	833	3,087	277	-	-	-	682	-	4,879
Accrued expenses	-	1,757	856	133	445	4	4,156	5	7,356
Short-term borrowings	-	-	-	-	-	-	5,300	-	5,300
Bank overdraft	-	-	-	-	-	-	541	-	541
Total	4,605	4,844	1,133	133	445	4	11,013	5	22,182
Net financial (liabilities)/assets	(1,490)	6,308	5,080	413	(428)	117	4,400	2,380	16,780
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	-	(6,308)	(5,080)	(413)	428	(117)	(4,400)	(2,380)	(18,270)
Currency exposure	(1,490)	-	-	-	-	-	-	-	(1,490)

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currency as at the end of the reporting period, with all other variables held constant:-

	Group	
	2012	2011
	RM'000	RM'000
Effects on profit/loss for the year/equity		
United States Dollar:		
- strengthened by 5%	(40)	(56)
- weakened by 5%	40	56

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Exposure to interest rate risk

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 27(a)(iii) to the financial statements.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:-

	Group	
	2012	2011
	RM'000	RM'000
Floating rate instruments		
Bank overdraft	-	541
Revolving credit	-	5,300
	-	5,841

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(ii) Interest Rate Risk (cont'd)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

	Group	
	2012	2011
	RM'000	RM'000
Effects on profit/loss for the year/equity		
Increase of 100 basis points	-	(58)
Decrease of 100 basis points	-	58

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by the associates which constituted approximately 32% (2011 – 20%) of its receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Policies (cont'd)

(ii) Credit Risk (cont'd)

Exposure to credit risk (cont'd)

The exposure of credit risk for trade receivables by geographical region is as follows:-

	Group	
	2012	2011
	RM'000	RM'000
Malaysia	5,965	6,525
Singapore	1,558	5,114
Hong Kong	1,276	3,012
China	377	100
Total	9,176	14,751

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

	2012			2011		
The Group	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
Not past due	8,344	-	8,344	10,913	(300)	10,613
Past due:						
- less than 3 months	408	-	408	2,074	(328)	1,746
- 3 to 6 months	753	(519)	234	2,857	(628)	2,229
- over 6 months	190	-	190	476	(313)	163
	9,695	(519)	9,176	16,320	(1,569)	14,751

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Policies (cont'd)

(ii) Credit Risk (cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are in respect of regular customers that have been transacting with the Group. The balance of the trade receivables are customers using credit card transactions which are aged ranging from 7 to 30 days. The Group uses ageing analysis to monitor the credit quality of these trade receivables.

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Risk Management Policies (cont'd)

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
2012					
Trade payables	N/A	5,277	5,277	5,277	-
Other payables and accruals	N/A	9,419	9,419	9,419	-
		14,696	14,696	14,696	-
2011					
Trade payables	N/A	4,106	4,106	4,106	-
Other payables and accruals	N/A	12,235	12,235	12,235	-
Revolving credit	4.51%	5,300	5,300	5,300	-
Bank overdraft	7.85%	541	541	541	-
		22,182	22,182	22,182	-
The Company					
2012					
Other payables and accruals	N/A	100	100	100	-
2011					
Other payables and accruals	N/A	2,098	2,098	2,098	-

27. FINANCIAL INSTRUMENTS (cont'd)

(b) Capital Risk Management

The Group manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as total interest bearing debts divided by total equity.

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:

	Group	
	2012	2011
	RM'000	RM'000
Revolving credit	-	5,300
Bank overdraft	-	541
Total Debt	-	5,841
Total Equity	110,434	86,878
Debt-to-equity ratio	-	0.07

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

(c) Classification of Financial Instruments

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Loans and receivables financial assets				
Trade receivables	9,176	14,751	-	-
Amount due from associates	5,063	4,241	-	-
Other receivables	1,756	2,628	-	-
Deposits	6,103	5,962	2	2
Cash and bank balances	49,140	11,380	217	115
	71,238	38,962	219	117

27. FINANCIAL INSTRUMENTS (cont'd)

(c) Classification of Financial Instruments (cont'd)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Financial liabilities				
Other financial liabilities				
Trade payables	5,277	4,106	-	-
Other payables and accruals	9,419	12,235	100	2,098
Revolving credit	-	5,300	-	-
Bank overdraft	-	541	-	-
	14,696	22,182	100	2,098

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used in determining the fair values of the financial instruments:-

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The carrying amounts of the short-term borrowings approximated their fair values as these instruments bear interest at variable rates.

(e) Fair Value Hierarchy

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:-

Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2012, there were no financial instruments carried at fair values.

28. SIGNIFICANT EVENTS

(i) On 30 June 2011, the Group's interest in EIG Medklinn Sdn. Bhd. ("EMSB") was diluted from 50% to 25% pursuant to a restructuring exercise undertaken between the Company and Sassicaia Strategic Holdings Sdn. Bhd. ("SSH"). Under the restructuring exercise, the Company transferred its 4,000,000 partly paid up shares in EMSB to SSH, in exchange for 2,000,000 fully paid up shares in EMSB. EMSB, which was previously accounted for as a subsidiary, became an associate company upon completion of the restructuring exercise.

(ii) On 10 January 2012, the Company issued 52,800,000 new ordinary shares at the par value of RM0.50 pursuant to a Right Issue, together with 52,800,000 free detachable warrants ("Warrants") to the shareholders on the basis of two (2) for every five (5) existing ordinary shares held. The exercise price of the Rights Issue is RM0.50 each and the exercise price of the Warrant is RM0.50 each.

(iii) On 3 March 2012, EIG Global Pte. Ltd. ("EIGPL"), a wholly-owned subsidiary of the Group entered into four (4) Option to Purchase agreements ("OTP") with Paya Lebar Development Pte. Ltd., ("the Developer") for the purpose of acquiring four units of office space with an aggregate floor area of approximately 5,436 square feet at Paya Lebar Square in Paya Lebar, Singapore ("the Properties") for a total consideration of S$9,399,180.

The properties are 99 years' leasehold commencing from 25 July 2011. The development of Paya Lebar Square is expected to commence in 2012 and the completion of the Properties is expected to be in the second half of year 2014 but in any event, pursuant to the terms in the OTP, the completion shall be no later than 30 June 2016.

On 4 April 2012, EIGPL signed the above Sale and Purchase agreement.

29. SUBSEQUENT EVENT

On 8 June 2012, EIG Dermal Wellness (Thai) Co. Ltd. ("EIGTH"), a 49.9% associate of the Group signed a Distribution agreement with Davines SPA. Davines SPA, incorporated in Italy, is a company that specialises in the development of professional hair care products and is the brand owner of the Davines range of hair care products.

The Agreement grants to EIGTH the exclusive rights to distribute Davines hair care products in Thailand. The term of the Agreement is for a period of ten (10) years and six (6) months, commencing from 1 July 2012 to 31 December 2022.

The distribution rights will enable EIG to diversify its product portfolio to the distribution of hair care products in professional salons.

30. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Total retained profits				
- realised	7,142	12,279	3,690	5,442
- unrealised	2,114	31	-	-
	9,256	12,310	3,690	5,442
Total share of accumulated losses from associated companies:				
- realised	(1,230)	(1,283)	-	-
- unrealised	-	-	-	-
	(1,230)	(1,283)	-	-
At 31 March	8,026	11,027	3,690	5,442

ANALYSIS OF SHAREHOLDINGS AS AT 3 JULY 2012

Authorised Share Capital	:	RM250,000,000
Issued & Paid-Up Capital	:	RM92,400,000
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One Vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
less than 100	43	4.51	922	0
100 to 1,000	269	28.20	187,000	0.1
1,001 to 10,000	432	45.28	1,957,142	1.06
10,001 to 100,000	164	17.19	4,838,160	2.62
100,001 to 9,239,999 *	43	4.51	40,441,380	21.88
9,240,000 and above **	3	0.31	137,375,396	74.34
	954	**100**	**184,800,000**	**100**

* *Less than 5% of issued shares*
** *5% and above of issued shares*

SUBSTANTIAL SHAREHOLDERS

		No. of Shares held		
Name of Shareholders	Direct	%	Indirect	%
1. Providence Capital Sdn Bhd	66,469,798	36.0	-	-
2. Chieng Ing Huong	-	-	66,469,798*	36.0
3. Roderick Chieng Ngee Kai	-	-	66,469,798*	36.0
4. Brain Chieng Ngee Wen	-	-	66,469,798*	36.0
5. Lim Yee Soon	32,557,500	17.6	-	-
6. Gambir Capital Sdn Bhd	43,788,298	23.7	-	-
7. Lim Chang Ching	-	-	43,788,298#	23.7
8. Tan Sri Dato Lim Tong Yong	-	-	43,788,298#	23.7

DIRECTORS' SHAREHOLDING

	No. of Shares held			
Name of Directors	Direct	%	Indirect	%
1.Chieng Ing Huong	-	-	66,469,798*	36.0
2.Roderick Chieng Ngee Kai	-	-	66,469,798*	36.0
3.Brian Chieng Ngee Wen	-	-	66,469,798*	36.0
4.Lim Chang Ching	-	-	43,788,298#	23.7

* Deemed interested through Providence Capital Sdn Bhd
\# Deemed interested through Gambir Capital Sdn Bhd

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares	%
1.	Providence Capital Sdn Bhd	66,469,798	35.97
2.	OSK Nominees (Tempatan) Sdn Bhd -Pledged Securities Account For Gambir Capital Sdn Bhd	38,348,098	20.75
3.	CIMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Lim Yee Soon (BDR Utama-CL)	32,557,500	17.62
4.	Gambir Capital Sdn Bhd	5,440,200	2.94
5.	Teh Lip Kim	4,975,200	2.69
6.	Er Kok Leong @ Er Chai Tuan	4,521,200	2.45
7.	OSK Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Pang Hee Kin	3,800,000	2.06
8.	Teh Wan Sang & Sons Sdn Bhd	2,800,000	1.52
9.	Ng Poh Chuan	2,698,000	1.46
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Peter Ling Ee Kong	2,332,800	1.26
11.	Abdul Hamid Bin SH Mohamed	1,540,000	0.83
12.	CIMSEC Nominees (Asing) Sdn bhd - Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,100,000	0.60
13.	Hans Peter Holst	1,038,000	0.56
14.	Berjaya Sompo Insurance Berhad	1,000,000	0.54
15.	Nonadiah Binti Abdullah	955,000	0.52
16.	Cartaban Nominees (Tempatan) Sdn Bhd - OSK Trustees Bhd For MAAKL – HDBS Shariah Progress Fund	550,600	0.30
17.	EB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For On Boon Kai (TPI-SFC)	526,000	0.28
18.	Tan Peng Cheong	525,000	0.28
19.	Lee Chee Beng	503,000	0.27
20.	Cheong Kok Fong	500,000	0.27
21.	Cheong Shih Ian	456,000	0.25
22.	Lau Yi Yean @ Low Yee Wan	406,000	0.22
23.	ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Kwong Ming Kwei	400,000	0.22
24.	Teo Ah Seng	400,000	0.22
25.	Ho Seow Foon	340,100	0.18
26.	M & A Nominee (Asing) Sdn Bhd - For Thaliman Capital Pty Ltd (STA)	300,000	0.16
27.	Lim Yee Kheong	261,800	0.14
28.	Dermalogica Inc.	250,000	0.14
29.	ECML Mominees (Tempatan) Sdn Bhd - Pledged Securities Accont For Wong Cher Hua	216,100	0.12
30.	Citigroup Nominees (Asing) Sdn Bhd - Exempt An For Citibank NA, Singapore (Julius Baer)	204,000	0.11

ANALYSIS OF WARRANT HOLDINGS AS AT 3 JULY 2012

Number of outstanding Warrants	:	52,800,000
Exercise Period	:	
Exercise Price	:	RM0.50
Warrant entitlement	:	Each warrant entitles the holder during the exercise period to subscribe for one new ordinary share of RM0.50 each at the exercise price

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant holdings	No. of Warrant Holders	%	No. of Warrants	%
less than 100	2	1.04	80	0.00
100 to 1,000	69	35.94	36,100	0.07
1,001 to 10,000	60	31.25	299,804	0.57
10,001 to 100,000	42	21.88	1,387,220	2.63
100,001 to 2,639,999*	17	8.85	6,357,400	12.04
2,640,000 and above **	2	1.04	44,719,396	84.69
	192	**100.00**	**52,800,000**	**100.00**

* *Less than 5% of issued warrants*

** *5% and above of issued warrants*

DIRECTORS' WARRANT HOLDING

	No. of Warrants held			
Name of Directors	Direct	%	Indirect	%
1. Chieng Ing Huong	-	-	24,271,298*	46.0
2. Roderick Chieng Ngee Kai	-	-	24,271,298*	46.0
3. Brian Chieng Ngee Wen	-	-	24,271,298*	46.0
4. Lim Chang Ching	-	-	20,448,098#	38.7

* Deemed interested through Providence Capital Sdn Bhd

\# Deemed interested through Gambir Capital Sdn Bhd

LIST OF THIRTY LARGEST WARRANT HOLDERS

	Name of Warrant Holders	No. of Warrants	%
1.	Providence Capital Sdn Bhd	24,271,298	45.97
2.	OSK Nominees (Tempatan) Sdn Bhd -Pledged Securities Account For Gambir Capital Sdn Bhd	20,448,098	38.73
3.	Teh Lip Kim	1,235,000	2.34
4.	Teh Wan Sang & Sons Sdn Bhd	800,000	1.52
5.	Dan Yoke Pyng	636,000	1.20
6.	Lee Chee Beng	500,000	0.95
7.	Abdul Hamid Bin SH Mohamed	440,000	0.83
8.	ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Kwong Ming Kwei (08KW032ZQ-008)	400,000	0.76
9.	Teoh Ah Seng	400,000	0.76
10.	Tan Yu Wei	360,000	0.68
11.	ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Tan Bee Yook (008)	272,600	0.52
12.	Teh Bee Gaik	220,100	0.42
13.	ECML Mominees (Tempatan) Sdn Bhd - Pledged Securities Accont For Wong Cher Hua (008)	216,100	0.41
14.	Lim Poh Fong	203,200	0.38
15.	Liew Kok Foo	182,900	0.35
16.	Hans Peter Holst	150,000	0.28
17.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Teo Kwee Hock (MARGIN)	125,400	0.24
18.	Lau Yi Yean @ Low Yee Wan	116,000	0.22
19.	Ang Yook Chu @ Ang Yoke Fong	100,100	0.19
20.	AMSEC Nominees (Asing) Sdn Bhd - Exempt An For Celestial Securities Limited (PN081350)	100,000	0.19
21.	ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Keng Eng Hai (10K34873M)	100,000	0.19
22.	Maybank Nominees (Tempatan) Sdn Bhd - Oon Yew Chye	100,000	0.19
23.	Kwong Ming Kwei	81,900	0.16
24.	ECML Nominees (Tempatan) Sdn Bhd	78,200	0.15
25.	Chern Ah Hoon	71,200	0.13
26.	Chin Swee Yoong	50,000	0.09
27.	Tan Eng Hock	50,000	0.09
28.	HSBC Nominees (Asing) Sdn Bhd - Exempt An For Credit Suisse (Sg Br-Tst-Asing)	48,840	0.09
29.	Leyu Chong Hua @ Leo Chong Hua	44,040	0.08
30.	Lee Cheow Fui	44,000	0.08

LIST OF PROPERTIESAS AT 31 MARCH 2012

Location	Description/existing use	Land Area (sq. m.)	Built up area of building (sq. m.)	Age of building (years)	Tenure	Net book value as at 31.03.12 (RM' 000)
EIG Dermal Wellness (M) Sdn. Bhd. (Formerly known as Dermal Esthetica Sdn. Bhd.)						
Lot 11, Jalan Astaka U8/88 Bukit Jelutong, Seksyen U8 40150 Shah Alam Selangor Darul Ehsan H.S.(D) 142705 PT 17650 Mukim of Damansara District of Petaling, Selangor	Industrial and office building - Occupied by owner	13,330.00	8,933.49	6	Freehold	Land - 10,032 Building - 14,426
D'Village Condominium (Villa Putra) Unit 33B-9-1 Jalan Tun Ismail Kuala Lumpur Master title held under: GRN 41990 Lot No. 46 Bandar Kuala Lumpur Wilayah Persekutuan	Condominium unit with 3 bedrooms & 2 bathrooms -Tenanted	N/A	151.24	17	Freehold	479
Lot No. LG47 The Summit Subang USJ Persiaran Kewajipan, USJ 1 47600 UEP Subang Jaya Selangor Darul Ehsan Master title held under: H.S.(D) 118886, PT 5 Pekan Subang Jaya District of Petaling Selangor	Retail Lot - Tenanted	N/A	54.19	11.5	Freehold	613

LIST OF PROPERTIESAS AT 31 MARCH 2012 (cont'd)

Location	Description/existing use	Land Area (sq. m.)	Built up area of building (sq. m.)	Age of building (years)	Tenure	Net book value as at 31.03.12 (RM' 000)
EIG Dermal Wellness (M) Sdn. Bhd. (Formerly known as Dermal Esthetica Sdn. Bhd.) **(cont'd)**						
Lot No. G30, The Summit Subang USJ Persiaran Kewajipan, USJ 1 47600 UEP Subang Jaya Selangor Darul Ehsan Master title held under: H.S.(D) 118886, PT 5 Pekan Subang Jaya District of Petaling Selangor	Retail Lot -Vacant	N/A	54.19	11.5	Freehold	613
GF-15, Ground Floor Queensbay Mall Penang H.S.(D) 10015 PT 4671 Mukim 12, District of Barat Daya, Pulau Pinang	Retail lot – Occupied by owner	N/A	43.01	5.5	99 years lease expiring in 01.12.2095	408
GF-12B, Ground Floor Queensbay Mall Penang H.S.(D) 10015 PT 4671 Mukim 12, District of Barat Daya, Pulau Pinang	Retail lot – Occupied by owner	N/A	43.38	5.5	99 years lease expiring in 01.12.2095	408
Asterspring International Sdn. Bhd.						
No 26-R, Jalan Masjid Negeri 11600 Penang Individual title No. Geran 17897 Lot No. 593, Sek 5 Mukim of Bandar George Town District of Timur Laut State of Pulau Pinang	Double Storey Semi Detached Corner House – Occupied by owner	440.53	322.76	4	Freehold land Building	-1,021 -1,733

The above properties are located in Malaysia and have not been revalued and do not have any breach of land use conditions.

ESTHETICS INTERNATIONAL GROUP BERHAD
(Company No. 408061-P)
(Incorporated in Malaysia)

Proxy Form

CDS A/C No. : _____

No. of shares : _____

I/We, _____

NRIC/Company No. _____

being a member/members of ESTHETICS INTERNATIONAL GROUP BERHAD hereby appoint

_____

NRIC/Company No. _____

or failing him, _____

NRIC/Company No. _____

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at the Auditorium, Lot 11, Jalan Astaka U8/88, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia on Tuesday, 28 August 2012 at 9.30 a.m. and at any adjournment thereof in respect of my/our shareholdings in the manner indicated below:

No.	Resolution	For	Against
Resolution 1	Re-election of Chieng Ing Huong as Director		
Resolution 2	Re-election of Lim Chang Ching as Director		
Resolution 3	Re-election of Brian Chieng Ngee Wen as Director		
Resolution 4	Approval of payment of Directors' fees for the financial year ended 31 March 2012		
Resolution 5	Re-appointment of Messrs Crowe Horwath as Auditors		
Resolution 6	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares		
Special Resolution 1	Proposed amendments to the Articles of Association of the Company		

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

Dated this _____ day of _____ 2012

_____
Signature of Member / Common Seal

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149 (1) (b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of the attorney.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 11, Jalan Astaka U8/88, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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AFFIX
STAMP

The Company Secretary
ESTHETICS INTERNATIONAL GROUP BERHAD (408061-P)
Lot 11, Jalan Astaka U8/88
Bukit Jelutong, Seksyen U8
40150 Shah Alam
Selangor Darul Ehsan
Malaysia

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ASTER SPRING


ASTER SPRING

Esthetics International Group Berhad (408061-P)
Lot 11, Jalan Astaka U8/88
Bukit Jelutong, Seksyen U8
40150 Shah Alam
Selangor Darul Ehsan
Malaysia

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