

OGAWA WORLD BERHAD (712499 - V)
(Incorporated in Malaysia)

A. EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with Financial Reporting Standard (FRS) 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended June 30, 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended June 30, 2011.

The accounting policies and methods of computation adopted in this interim financial report are consistent with those adopted in the most recent annual financial statements except for the adoption of the following new Financial Reporting Standards (“FRSs”), amendments to FRSs and IC Interpretations applicable to the Group as follows:

FRSs, Amendments to FRSs and IC Interpretations

Amendments to FRS 1	First-time Adoption of Financial Reporting Standards (Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters) ¹
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards (Additional Exemptions for First-time Adopters) ¹
Amendments to FRS 2	Share-based Payment (Group Cash-settled Share Based Payment Transactions) ¹
Amendments to FRS 3	Business Combinations ¹
Amendments to FRS 7	Financial Instruments: Disclosures (Improving Disclosures about Financial Instruments) ¹
Amendments to FRS 101	Presentation of Financial Statements ¹
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates ¹
Amendments to FRS 128	Investments in Associates ¹
Amendments to FRS 131	Interests in Joint Ventures ¹
Amendments to FRS 132	Financial Instruments: Presentation ¹
Amendments to FRS 134	Interim Financial Reporting ¹
Amendments to FRS 139	Financial Instruments: Recognition and Measurement ¹
IC Interpretation 4	Determining whether an Arrangement contains a Lease ¹
IC Interpretation 18	Transfers of Assets from Customers ¹
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments ²
Amendments to IC Interpretation 13	Customer Loyalty Programmes ¹
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement ²

The application of the above amendments to FRSs, IC Interpretations and Amendments to IC Interpretation did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

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

² Effective for annual periods beginning on or after July 1, 2011

A2. Audit report of preceding annual financial statements

There was no audit qualification on the financial statements of the Group for the year ended June 30, 2011.

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- A3. **Seasonal or cyclical factors**
The Group's business operations are influenced by seasonality and the cyclical effects of promotional sales and festive seasons.
- A4. **Unusual items affecting assets, liabilities, equity, net income or cash flows**
Save for the information disclosed in this interim financial report, there was no unusual item affecting assets, liabilities, equity, net income or cash flow.
- A5. **Material changes in estimates**
There was no material changes in estimates used for preparation of this interim financial report.
- A6. **Issuance or repayment of debts and equity securities**
There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the current quarter under review.
- A7. **Dividend paid**
No dividend was paid during the current quarter.
- A8. **Segmental reporting**
Business Segments
The Group operates solely in the business segment involving the design, development, distributing and servicing of health care equipment and supplementary appliances.

Geographical Segments

The Group activities are located in Malaysia, Singapore, People's Republic of China, Australia, Hong Kong, Vietnam and Philippines. In addition, a Malaysian incorporated wholly owned subsidiary company also exports its products to distributors in Indonesia, Myanmar, Saudi Arabia, India, Turkey and Russian Federation. The following is an analysis of the Group's revenue, assets, liabilities and capital expenditures by geographical markets, irrespective of the origin of the goods/services:

Year To Date ended September 30, 2011

	Malaysia	Other Countries	Elimination	Consolidated
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue				
Sales to external customers	<u>23,417</u>	<u>18,111</u>	<u>-</u>	<u>41,528</u>
Other segmental information				
Segment assets	<u>175,313</u>	<u>40,007</u>	<u>(116,702)</u>	<u>98,618</u>
Segment liabilities	<u>(55,083)</u>	<u>(11,744)</u>	<u>36,159</u>	<u>(30,668)</u>
Total capital expenditure				
- Property, plant and equipment	<u>11,968</u>	<u>2,416</u>	<u>-</u>	<u>14,384</u>

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Year To Date ended September 30, 2010

	Malaysia	Other Countries	Elimination	Consolidated
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue				
Sales to external customers	<u>23,139</u>	<u>15,096</u>	<u>-</u>	<u>38,235</u>
Other segmental information				
Segment assets	<u>172,762</u>	<u>25,932</u>	<u>(111,366)</u>	<u>87,328</u>
Segment liabilities	<u>(52,182)</u>	<u>(9,929)</u>	<u>38,946</u>	<u>(23,165)</u>
Total capital expenditure				
- Property, plant and equipment	<u>9,997</u>	<u>2,263</u>	<u>-</u>	<u>12,260</u>

A9. **Valuation of property, plant and equipment**

Property, plant and equipment of the Group are stated at cost less accumulated depreciation and impairment loss, if any. There was no revaluation of property, plant and equipment during the current quarter under review.

A10. **Changes in the composition of the Group**

There was no change in the composition of the Group during the quarter under review.

A11. **Contingent Liabilities**

The Directors are of the opinion that the Group has no contingent liability which upon crystallization would have material impact on the business and financial position of the Group except for performance guarantees issued by bankers in respect of tenancy agreements entered into between its wholly owned subsidiary companies and the shopping complexes as follows:

	As at September 30, 2011 RM'000	As at June 30, 2011 RM'000
Corporate guarantee	<u>420</u>	<u>636</u>

A12. **Subsequent Events**

There was no material event subsequent to the current quarter ended September 30, 2011 except for the following which have been announced to Bursa Malaysia Securities Berhad:

- i) Healthy World Lifestyle Sdn. Bhd. ("HWL"), a wholly-owned subsidiary of OWB, had on October 6, 2011 entered into a Sale and Purchase Agreement for the acquisition of a piece of leasehold industrial land free from all encumbrances at a consideration of RM5,519,923.
- ii) HWL had on November 7, 2011 reached an agreement to enter into a Collaboration Agreement with Xiamen Comfort Science & Technology Group Co., Ltd ("EASEPAL"), a company incorporated and registered in Xiamen City, Fujian Province of China and listed as A Shares stock at Shenzhen Stock Exchange for the purpose of setting up a joint venture ("JV") company in Xiamen ("Proposed JV") to unify the marketing channels in China and jointly maintain, operate and expand 6 "OGAWA" trademarks registered ("Registered Trademarks") in China.

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The proposed total issued and paid-up share capital of the JV company is RMB20,000,000 (equivalent to RM9.9 million). EASEPAL and HWL will each invest RMB10,000,000 in cash, (equivalent to RM4.9 million) respectively representing 50% of the JV company's issued and paid-up share capital.

The JV shall acquire the Registered Trademarks from HWL at a consideration of RMB4,020,000 and confer the licensing right to the use of the Registered Trademarks to EASEPAL or subsidiaries of EASEPAL through a trademark licensing agreement to be signed. Upon completion of the Proposed JV, Ogawa Shanghai shall become a dormant company.

- iii) OWB has received approval from its shareholders for the Proposed Share Buy-Back at its Sixth Annual General Meeting held on November 29, 2011. The proposal authorizes OWB to purchase its own shares on Bursa Securities of not more than 10% of the issued and paid up capital in accordance with Section 67A of the Companies Act, 1965 and the requirements of Bursa Securities and / or any other relevant authority, the details of which are in the Circular to Shareholders dated October 31, 2011.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

Current 3 months results against corresponding 3 months period of the last financial year

For the 3 months ended September 30, 2011, Group revenue increased by 8.61% to RM41.53 million from RM38.24 million in the corresponding period of the preceding financial year.

The Group registered a loss before tax of RM 0.36 million for the 3 months ended September 30, 2011 as compared to a profit before tax of RM0.12 million for the corresponding period of the preceding financial year. The decline in performance is due to higher operating expenses which resulted in lower operating profit.

B2. Comparison with preceding quarter results

Revenue for the Group has decreased from RM50.07 million in the immediate preceding quarter to RM41.53 million in this quarter due mainly to the cyclical nature of the business the Group operates in. The Group registered a loss before taxation of RM0.36 million as compared to profit before tax of RM5.71 million in the immediate preceding quarter as a result of lower sales and lower margins.

B3. Commentary on Prospects

Due to the continuing uncertainties in the global economies, retail market conditions remain difficult. The Group will be cautious in managing these challenges as it focuses on executing its medium to long term growth strategies.

B4. Variance of Actual and Forecast Profit

Not applicable.

B5. Taxation

	<u>Quarter ended Sep 30,</u>		<u>Year To Date ended Sep 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense:				
Income tax	306	256	306	256
Deferred tax	-	-	-	-
Total	<u>306</u>	<u>256</u>	<u>306</u>	<u>256</u>

The tax expense for the current quarter is derived based on management's best estimate of the tax payable for the financial period.

B6. Sale of unquoted investments and/or properties

There was no disposal of any unquoted securities and/or property for the current quarter and financial period to date.

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B7. Purchase/Disposal of quoted securities

There was no purchase or disposal of quoted securities in the current quarter and financial period to date.

B8. Corporate proposal

There was no corporate proposal announced and not completed as at the date of this announcement except for those disclosed in A12

B9. Group borrowings

There was no other borrowing or debt securities in the Group as at September 30, 2011, except as disclosed below:-

	As at September 30, 2011 RM'000	As at June 30, 2011 RM'000
Hire-purchase (secured)		
Current portion	109	206
Non-current portion	119	273
TOTAL	228	479

B10. Off balance sheet financial instruments

There was no financial instrument with off balance sheet risk as at the date of this report.

B11. Material litigation

The Group is not engaged in any material litigation and the Directors do not have any knowledge of any material proceeding threatened against the Group.

B12. Dividends

The Directors are pleased to recommend a first and final single-tier dividend of 3 sen per ordinary share of 50 sen in respect of financial year ended June 30, 2011 (2010: 3 sen). The entitlement date for the said dividend shall be on December 2, 2011. The dividend has been approved to be paid to shareholders on December 16, 2011 at the Sixth Annual General Meeting held on November 29, 2011. Pursuant to FRS110, the proposed final dividend totaling RM 3,600,000 has not been accounted for in the financial statements as at June 30, 2011.

B13. Earnings per share

Basic earnings per share

Basic earnings per share for the current quarter and financial period to-date are calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue.

	Current quarter <u>30.09.2011</u>	Preceding year corresponding quarter <u>30.09.2010</u>	Financial period to-date <u>30.09.2011</u>	Preceding year corresponding period to-date <u>30.09.2010</u>
Net profit for the financial year attributable to equity holders of the Company (RM'000)	(667)	(135)	(667)	(135)
Number of ordinary shares ('000)	120,000	120,000	120,000	120,000
Weighted average number of ordinary shares ('000)	120,000	120,000	120,000	120,000
Basic loss per share (sen)	-0.56	-0.11	-0.56	-0.11

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Diluted earnings per share

As the exercise price of the ESOS exceeded the average market price of ordinary shares during the current financial quarter and financial period to-date, the options do not have dilutive effect on the weighted average number of ordinary shares.

B14. Realised and unrealised profits

The breakdown of retained earnings of the Group as at the reporting date, into realised and unrealised profits, is as follows:

	As at September 30, 2011 RM'000	As at June 30, 2011 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	32,663	32,756
- Unrealised	214	214
	<hr/> 32,877	<hr/> 32,970
Consolidation adjustments	<hr/> (5,932)	<hr/> (5,358)
Total group retained earnings as per consolidated accounts	<hr/> 26,945	<hr/> 27,612