

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 30 June 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 30 June 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 1	First-time Adoption of Financial Reporting Standards 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 7	Financial Instruments: Disclosures ¹
Amendments to FRS 7	Mandatory Effective Date of MFRS 9 and Transition Disclosures ³
Amendments to FRS 9	Mandatory Effective Date of FRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009) ³
Amendments to FRS 9	Mandatory Effective Date of FRS 9 and Transition Disclosures (IFRS 9 issued by IASB in October 2010) ³
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 1 January 2011

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

³ Effective immediately

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The Group has not applied the following new/revised accounting standards, amendments, and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group:

Effective for annual periods commencing on or after 1 January 2012

Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Disclosures - Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
FRS 124	Related Party Disclosures

Effective for annual periods commencing on or after 1 July 2012

Amendments to FRS 101	Presentation of Items of Other Comprehensive Income
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Effective for annual periods commencing on or after 1 January 2013

FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interests in Other Entities
FRS 13	Fair Value Measurement
FRS 119	Employee Benefits (as amended in November 2011)
FRS 127	Separate Financial Statements (as amended in November 2011)
FRS 128	Investments in Associates and Joint Ventures (as amended in November 2011)
Amendments to FRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group plans to apply the above-mentioned standard and amendment from the annual period beginning 1 July 2012.

The initial application of a standard or an amendment, which will be applied prospectively or which required extended disclosures is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial application of a standard or an amendment, which will be applied retrospectively are not expected to have any material impact on the Group's financial statements.

A2. Audit report of preceding annual financial statements

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

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.

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A7. Dividend paid

A first and final single-tier dividend of 3 sen per ordinary share of 50 sen, amounting RM3.6 million in respect of financial year ended 30 June 2011 was paid to shareholders on 16 December 2011.

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, Russian Federation, Islamic Republic of Pakistan, Taiwan, Republic of Mauritius and United Kingdom. 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 31 March 2012

	Malaysia RM'000	Other Countries RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
Sales to external Customers	74,133	58,241	-	132,374
Other segmental information				
Segment assets	189,911	40,764	(136,569)	94,106
Segment liabilities	(71,661)	(16,193)	53,289	(34,565)
Total capital Expenditure				
- Property, plant and Equipment	18,692	1,866	-	20,558

Year To Date ended 31 March 2011

	Malaysia RM'000	Other Countries RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
Sales to external Customers	70,911	49,137	-	120,048
Other segmental information				
Segment assets	186,541	29,183	(126,690)	89,034
Segment liabilities	(62,785)	(15,153)	50,883	(27,055)
Total capital Expenditure				
- Property, plant and Equipment	11,471	1,934	-	13,405

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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 except Healthy World Lifestyle Sdn Bhd (“HWL”) had on 12 February 2012 signed the 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.

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 31.3.2012 RM'000	As at 30.6.2011 RM'000
Corporate guarantee	187	636

A12. Subsequent Events

There was no material event subsequent to the current quarter ended 31 March 2012 except litigation case as mentioned in B9.

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

B1. Analysis of performance

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

Malaysia

For the 3 months ended 31 March 2012, Malaysian revenue increased by 11.3% to RM 26.75 million from RM 24.04 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 0.20 million for the 3 months ended 31 March 2012 as compared to a profit before tax of RM 1.59 million for the corresponding period of the preceding financial year. The decline in performance was due mainly to lower gross margins as a result of sales mix, allowance for doubtful debts as well as higher advertising and promotional expenses on new product launches.

Other Countries

For the 3 months ended 31 March 2012, revenue for the other countries increased by 20.0% to RM 20.06 million from RM 16.71 million achieved in the corresponding period of the preceding financial year.

Other countries recorded a loss before tax of RM 0.70 million for the 3 months ended 31 March 2012 as compared to a loss before tax of RM 1.57 million for the corresponding period of the preceding financial year. The improvement in performance was due mainly to better sales achievement and cost savings in this quarter resulting from the restructuring of Ogawa (Shanghai) Healthcare Equipment Co Ltd.

Current 9 months results against corresponding 9 months period of the last financial year

Malaysia

For the 9 months ended 31 March 2012, Malaysian revenue increased by 4.5% to RM 74.13 million from RM 70.91 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 1.07 million for the 9 months ended 31 March 2012 as compared to a profit before tax of RM 5.31 million for the corresponding period of the preceding financial year. The decline in performance was due to lower gross margins as a result of sales mix, higher marketing and selling expenses to launch new products, allowance for doubtful debts as well as higher rental expenses from outlets and road shows.

Other Countries

For the 9 months ended 31 March 2012, revenue for the other countries increased by 18.5% to RM 58.24 million from RM 49.14 million achieved in the corresponding period of the preceding financial year due mainly to the conversion of Vietnam operations from distributor to subsidiaries and the operation of a new incorporated subsidiary in Philippines.

Other countries recorded a loss before tax of RM 5.64 million for the 9 months ended 31 March 2012 as compared to a loss before tax of RM 2.81 million for the corresponding period of the preceding financial year. The decline in performance was due mainly to the once off provisions made in the previous quarter for the restructuring of Ogawa (Shanghai) Healthcare Equipment Co Ltd as well as in the weak operating result of an overseas unit.

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B2. Comparison with preceding quarter results

Revenue for the Group increased from RM 44.04 million in the immediate preceding quarter to RM 46.81 million in this quarter due mainly to the successful launch of new products. The Group registered a loss before taxation of RM 0.68 million as compared to loss before tax of RM 3.70 million in the immediate preceding quarter as a result of higher sales and lower operating expenses.

B3. Commentary on Prospects

Due to the continuing uncertainties in the global economies, retail market conditions remain difficult. The performance of one of the overseas units have deteriorated during the year and together with the once off restructuring costs of Ogawa (Shanghai) Healthcare Equipment Co Ltd, the Group expects to post weaker financial performance for the current financial year ending 30 June 2012

B4. Variance of Actual and Forecast Profit

Not applicable.

B5. Other Operating Income/(Expenses)

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

	Quarter ended		Year To Date ended	
	31 Mar		31 Mar	
	2012	2011	2012	2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Depreciation of property, plant and equipment	(1,113)	(1,296)	(3,716)	(3,715)
Gain on disposal of property, plant and equipment	-	98	292	558
Property, plant and equipment written off	(94)	-	(255)	(54)
Impairment of property, plant and equipment	-	-	(296)	-
Allowance for doubtful debts	(921)	(279)	(1,008)	-
Allowance for doubtful debts no longer required	-	-	-	394
Allowance for obsolete inventories	(149)	(212)	(1,176)	-
Allowance for obsolete inventories no longer required	-	-	-	166
Inventories written off	-	-	(31)	-
Provision for employee compensation costs	-	-	(455)	-
Realised (loss) /gain on foreign exchange	130	125	(274)	122
Unrealised loss on foreign exchange	-	-	(82)	-

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted or unquoted investments or properties, gain or loss on derivatives and exceptional items for the current quarter and financial period ended 31 March 2012.

B6. Taxation

	Quarter ended 31 Mar		Year To Date ended 31 Mar	
	2012	2011	2012	2011
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense:				
Income tax	179	668	525	1,524
Deferred tax	-	-	-	-
Total	<u>179</u>	<u>668</u>	<u>525</u>	<u>1,524</u>

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

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B7. Corporate proposal

There was no corporate proposal announced and not completed as at the date of this announcement except for the Proposed Joint Venture as stated in A10 (ii) above.

B8. Group borrowings

There was no other borrowing or debt securities in the Group as at 31 March 2012, except as disclosed below:-

	As at 31.3.2012 RM'000	As at 30.6.2011 RM'000
Hire-purchase (secured)		
Current portion	92	206
Non-current portion	75	273
TOTAL	167	479

B9. 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 except for the following which have been announced to Bursa Malaysia Securities Berhad:

OWB has on 4 April 2012 been informed by its solicitors that OSIM International Ltd and OSIM (M) Sdn Bhd (collectively referred to as the "Plaintiffs") have served a Writ of Summons and Statement of Claim both dated 19 March 2012 (collectively, the "Writ") against OWB, Healthy World Lifestyle Sdn Bhd ("HWL"), a wholly-owned subsidiary of OWB and 5 others, all employees and/or agents of OWB and/or HWL at the material time (collectively referred to as the "Defendants").

The Writ was served at the office of OWB's solicitors on 4 April 2012.

In the Writ, the Plaintiffs alleged defamatory statements made by the Defendants and made claims for the following:

- i. An order to restrain the Defendants from doing certain acts and to compel the Defendants to publish a full page public apology in the national dailies;
- ii. General, aggravated and exemplary damages;
- iii. Interest on the damages awarded from the date of the Writ of Summons until full payment;
- iv. Costs of the proceedings; and
- v. Such further or other relief as the Court deems fit.

The Board of OWB has instructed the solicitors to enter appearance and to lodge a defence against the claim. The Board is of the opinion that the Writ of Summons would not result in material impact on the financial position or the operations of OWB and/or its subsidiaries.

B10. Dividends

No dividend has been recommended or declared for the current quarter under review (Q3 FY2011: Nil).

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B11. 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>31.3.2012</u>	Preceding year corresponding quarter <u>31.3.2011</u>	Financial period to-date <u>31.3.2012</u>	Preceding year corresponding period to-date <u>31.3.2011</u>
Net profit /(loss) for the financial year attributable to equity holders of the Company (RM'000)	(680)	(644)	(5,092)	979
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 earnings/(loss)per share (sen)	-0.57	-0.54	-4.24	0.82

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.

12. 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 31.3.2012 RM'000	As at 30.6.2011 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	25,133	32,756
- Unrealised	214	214
	<u>25,347</u>	<u>32,970</u>
Consolidation adjustments	<u>(6,427)</u>	<u>(5,358)</u>
Total group retained earnings as per consolidated accounts	<u>18,920</u>	<u>27,612</u>