

**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 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, 2009. 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, 2009.

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 FRS 8 Operating Segments which is applicable for financial periods beginning on or after 1 July 2009.

FRS 8, which replaces FRS 114<sup>2004</sup> Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The adoption of this FRS has no material effect on the result of the Group for the financial period.

**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, 2009.

**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 are no other unusual items 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 the interim financial report.

**A6. Issuance or repayment of debts and equity securities**

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

**A7. Dividend paid**

No dividend has been 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.

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Geographical Segments

The Group activities are located in Malaysia, Singapore, People's Republic of China, Australia and Hong Kong. In addition, a Malaysian incorporated wholly owned subsidiary company also exports its products to distributors in Indonesia, Australia, Thailand, Myanmar, Vietnam and Saudi Arabia. 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 Sep 30, 2009**

	<b>Malaysia</b>	<b>Other Countries</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
<b>Revenue</b>				
Sales to external customers	<u>21,218</u>	<u>13,989</u>	<u>-</u>	<u>35,207</u>
<b>Other segment information</b>				
Segment assets	<u>165,128</u>	<u>23,146</u>	<u>(110,182)</u>	<u>78,092</u>
Segment liabilities	<u>52,752</u>	<u>7,049</u>	<u>(38,650)</u>	<u>21,151</u>
<b>Total Capital expenditure</b>				
- Property, plant and equipment	<u>10,771</u>	<u>2,135</u>	<u>-</u>	<u>12,906</u>

**Year To Date ended Sep 30, 2008**

	<b>Malaysia</b>	<b>Other Countries</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
<b>Revenue</b>				
Sales to external customers	<u>20,020</u>	<u>7,423</u>	<u>-</u>	<u>27,443</u>
<b>Other segment information</b>				
Segment assets	<u>173,027</u>	<u>14,629</u>	<u>(100,430)</u>	<u>87,226</u>
Segment liabilities	<u>57,730</u>	<u>6,180</u>	<u>(41,387)</u>	<u>22,523</u>
<b>Total Capital expenditure</b>				
- Property, plant and equipment	<u>12,726</u>	<u>2,065</u>	<u>-</u>	<u>14,791</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 the property, plant and equipment during the current quarter under review.

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

There were no changes in the composition of the Group during the quarter under review.

**A11. Contingent Liabilities**

On September 15, 2005, the Group received a letter from the solicitors acting for a foreign manufacturer, alleging infringement of a product design allegedly owned by the said foreign manufacturer which is similar in design to one of the Group's foot massagers. The solicitors of the Group are of the opinion that the case has no merit.

**A12. Subsequent Events**

There was no material event subsequent to the current quarter ended September 30, 2009 except for the Sales and Distribution Agreement between its wholly-owned subsidiary, Ogawa Health-Care (Selangor) Sdn Bhd with V-Patch Medical Systems Limited as announced on October 8, 2009.

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

**B1. Review of performance**

The Group recorded revenue of RM35.21 million for the current quarter under review, representing an increase of 28% as compared to revenue of RM27.44 million for the corresponding period of the preceding financial year.

The Group registered a profit before tax of RM0.60 million for the current quarter under review as compared to loss before tax of RM4.42 million for the corresponding period of the preceding financial year due to higher sales, cost controls and lower provisions for doubtful debts.

**B2. Comparison with preceding quarter results**

Revenue for the Group has decreased from RM42.00 million in the immediate preceding quarter to RM35.21 million in this quarter. Traditionally, the Group achieves its highest revenue in the fourth quarter, which is the immediate preceding quarter due to the celebrations of Mother's Day and Father's Day. The Group registered a profit before taxation of RM0.60 million as compared to profit before tax of RM3.72 million in the immediate preceding quarter as a result of lower sales and margins, and partial reversal of provisions for doubtful debts that has since been recovered in immediate preceding quarter.

**B3. Commentary on Prospects**

Due to the uncertainties in the global economy, 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.

Barring unforeseen circumstances, the Group's performance is expected to be better than prior year.

**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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense:				
Income tax	515	42	515	42
Deferred tax	-	-	-	-
	515	42	515	42
Under / (Over) provision				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>515</b>	<b>42</b>	<b>515</b>	<b>42</b>

The tax expense for the current quarter is derived based on management's best estimate of the tax payable for the financial period. The effective tax rate is higher than the statutory tax rate in view of certain expenses which are not deductible for tax purposes.

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**B6. Sale of unquoted investments and/or properties**

There were no purchases or disposal of any unquoted securities and/or properties for the current quarter and financial period to date.

**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 is no corporate proposal announced and not completed as at the date of this announcement.

As announced on September 26, 2008, the proposed utilization of proceeds raised from the right issue and public issue pursuant to the Initial Public Offering has been revised and the status of utilization of proceeds are as below:-

Purpose	Original Proposed Utilisation RM'000	1 <sup>st</sup> Revised Proposed Utilisation RM'000	2 <sup>nd</sup> Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation		Explanation
						Amount RM'000	%	
Acquisition of land and building	15,000	4,200	-	-	Not Applicable	-	-	Note 1
Local and overseas business expansion	5,550	5,550	5,550	(5,550)	Fully Utilised	-	-	
Upgrade of product design and development department	3,800	3,800	3,800	(1,007)	Within 36 months	-	-	Note 2
Expand fleet of delivery trucks	1,200	1,200	228	(228)	Fully Utilised	-	-	
Upgrade of information technology facilities	1,500	1,500	1,500	(1,500)	Fully Utilised	-	-	
Working capital	3,236	14,036	19,208	(19,457)	Fully Utilised	(249)	(1.8)	Note 3
Defray estimated listing expenses	1,600	1,600	1,600	(1,351)	Fully Utilised	249	15.56	Note 3
<b>TOTAL</b>	<b>31,886</b>	<b>31,886</b>	<b>31,886</b>	<b>(29,093)</b>		<b>-</b>		

Note:

- 1) The full amount of RM 15 million originally allocated for acquisition of land and building have been reallocated for working capital purposes.
- 2) Will be utilized progressively within the intended timeframe from the date of listing as set out above.
- 3) As actual listing expenses were lower than the estimated, the unutilized balance of proceeds of RM249,000 has been allocated for working capital of the Group.

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**B9. Group borrowings**

There were no other borrowings and debts securities in the Group as at September 30, 2009, except as disclosed below:-

<b>Hire-purchase (secured)</b>	<b>As at Sep 30, 2009 RM'000</b>	<b>As at June 30, 2008 RM'000</b>
Short term	249	194
Long term	367	347
<b>TOTAL</b>	<b>616</b>	<b>541</b>

**B10. Off balance sheet financial instruments**

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

**B11. Material litigation**

Except as disclosed in A11, there is no material litigation against the Group or taken by the Group.

**B12. Dividends**

No dividend has been recommended or declared for the current quarter under review.

**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.

	<b>Current quarter <u>30.9.2009</u></b>	<b>Preceding year corresponding quarter <u>30.9.2008</u></b>	<b>Financial period to-date <u>30.9.2009</u></b>	<b>Preceding year corresponding period to-date <u>30.9.2008</u></b>
Net profit / (loss) for the financial year attributable to equity holders of the Company (RM'000)	84	(4,462)	84	(4,462)
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 per share (sen)	0.07	-3.72	0.07	-3.72

***Diluted earnings per share***

The Group does not have any convertible shares or financial instruments for the current financial quarter and financial period to-date.