

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, 2010. 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, 2010.

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 with effect from financial periods beginning on or after 1 January 2010, 1 March 2010 and 1 July 2010:

FRSs, Amendments to FRSs and IC Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (Revised 2009)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment Vesting Conditions and Cancellations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Statement of Cash Flows
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events after the Reporting Period
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Other than for the application of FRS 101, FRS 120, FRS 139 and IC Interpretation 13, the application of the above FRSs, amendments to FRSs and IC Interpretation did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

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(i) **FRS 2: Share-based Payment**

This FRS requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company established an equity-settled, share based compensation plan for eligible directors and executives of the Group with effect from 1 September 2010. With the adoption of FRS 2, the compensation expense relating to share options is recognized within staff cost in income statement over the vesting periods of the grants with a corresponding increase in equity.

The total amount recognized as compensation expense is determined by reference to the fair value of the share options at the date of grants and the number of share options vested by the vesting dates. The fair value of the share options is computed using binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting dates. Any revision of this estimate is included in income statement and a corresponding adjustment to equity over the remaining vesting periods.

(ii) **FRS 101 (Revised 2009): Presentation of Financial Statements**

The revised FRS 101 introduces the term “total comprehensive income” which is defined as changes in equity during a period, other than those changes resulting from transactions with owners in their capacity as owners. The revised standard requires such changes in equity to be presented in either a single statement of comprehensive income or in two statements comprising a separate income statement and a statement of comprehensive income. The Group has elected to present in single statements format. Comparative information, with exception of the requirements under FRS 139, has been represented so that it is in conformity with the revised standard.

This Standard only affects the presentation and disclosures aspects and has no impact on the financial position and results of the Group.

(iii) **FRS 120: Accounting for Government Grants and Disclosure of Government Assistance**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(iv) **FRS 139: Financial Instruments, Recognition and Measurement**

A financial instrument is recognized in the financial statements when the Group becomes a party to the contractual provisions of the instrument. A financial instrument is recognized initially at its fair value. Subsequent measurements of those instruments reflect the designation of the financial instruments. The Group classifies its financial assets in the following categories:

- (a) Financial assets / liabilities at fair value through profit and loss.
- (b) Derivatives financial instruments through its foreign exchange forward contracts to hedge certain exposures.

The Group does not hold or issue derivative financial instruments for speculative purposes.

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Impact on opening balances

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 30 June 2010 are not restated. The changes in accounting policies above which resulted in adjustments to opening reserves of the Group are as follows:

	Previously stated RM'000	Effect of FRS 139 RM'000	As restated RM'000
Current Liabilities			
Derivative liabilities	-	5	5
Equity			
Reserves (Retained Earnings)	24,804	(5)	24,799

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement dates. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with gain or loss recognised in profit or loss other than derivatives designated as hedging instruments which are accounted for in accordance with the hedge accounting policy.

(v) **IC Interpretation 13: Customer Loyalty Programmes**

IC Interpretation 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise, participate in, customer loyalty programme under which the customers are entitled to receive award credits.

In the past, the Company had accounted for the customer loyalty programmes by recognizing the full consideration from retail sales as revenue and recognizing the cost of award credits as expenses. However, IC Interpretation 13 requires such transactions to be accounted for as a separately identifiable component of the sales transaction(s) in which they are granted (the "initial sale"). The consideration received in the initial sale transactions should be allocated between the sale of retail goods and the cost of the award credits that are earned by the customers. The Group has discontinued the loyalty programmes at the end of last financial year and this IC Interpretation has no impact on the financial position and results of the Group.

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, 2010.

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.

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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.

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, 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 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 segment 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>

Year To Date ended September 30, 2009

	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>21,218</u>	<u>13,989</u>	<u>-</u>	<u>35,207</u>
Other segment information				
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>
Total Capital expenditure				
- Property, plant and equipment	<u>10,771</u>	<u>2,135</u>	<u>-</u>	<u>12,906</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.

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There was no revaluation of the property, plant and equipment during the current quarter under review.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review except for the incorporation of a new wholly-owned subsidiary, Ogawa Vietnam Sdn Bhd (“Ogawa Vietnam”) under the Companies Act, 1965 by Healthy World Lifestyle Sdn Bhd, a wholly-owned subsidiary company of Ogawa World Bhd (“OWB”) on 27 September 2010.

Ogawa Vietnam has an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

Its intended principal activity is investment holding.

The above incorporation does not have any effect on the issued and paid-up share capital of OWB and has no material effect on the earnings and net assets of the Group for the financial year ending 30 June 2011.

A11. Contingent Liabilities

The Directors are of the opinion that the Group has no contingent liabilities which upon crystallization would have material impact on the financial position and business of the Group except for performance guarantee under the respective tenancy agreements entered into between wholly owned subsidiary companies of the Company and the landlords is as follows:

	As at September 30, 2010 RM'000	As at June 30, 2010 RM'000
Corporate guarantee	1,885	1,307

A12. Subsequent Events

There was no material event subsequent to the current quarter ended September 30, 2010.

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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 same 3 months period of the last financial year

For the 3 months ended September 30, 2010, Group revenue increased by 8.6% to RM38.24 million from RM35.21 million in the corresponding period of the preceding financial year.

The Group registered a profit before tax of RM0.12 million for the 3 months ended September 30, 2010 as compared to a profit before tax of RM0.60 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 RM47.70 million in the immediate preceding quarter to RM38.24 million in this quarter. The Group registered a profit before taxation of RM0.12 million as compared to profit before tax of RM5.18 million in the immediate preceding quarter as a result of lower sales and lower margin.

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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense:				
Income tax	256	515	256	515
Deferred tax	-	-	-	-
	256	515	256	515
Under / (Over) provision				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
Total	256	515	256	515

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 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.

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B8. Corporate proposal

During this period, there was no corporate proposal announced and not completed as at the date of this announcement.

The establishment of an Executives' Share Option Scheme ("ESOS" or "Scheme") of up to fifteen percent (15%) of the issued and paid-up share capital of the Ogawa World Berhad ("OWB") was announced on July 8, 2010. Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated July 19, 2010, approved the listing of such number of additional new ordinary shares of RM0.50 each in OWB, representing up to 15% of the issued and paid-up share capital of OWB (excluding treasury shares, if any), to be issued pursuant to the exercise of the options under the ESOS subject to inter-alia, the following:

- Public Investment Bank Berhad is required to submit a confirmation to Bursa Securities of full compliance of the ESOS pursuant to paragraph 6.43(1) of the Main Market Listing Requirements of Bursa Securities and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting; and
- OWB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of ESOS shares listed as at the end of each quarter together with a detailed computation of listing fees payable.

This Scheme was approved by the shareholders at the Extraordinary General Meeting held on August 3, 2010 and implemented on September 1, 2010.

B9. Group borrowings

There were no other borrowings and debts securities in the Group as at September 30, 2010, except as disclosed below:-

	As at September 30, 2010 RM'000	As at June 30, 2010 RM'000
Hire-purchase (secured)		
Short term	322	333
Long term	326	344
TOTAL	648	677

B10. Off balance sheet financial instruments

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

B11. Disclosure of Derivatives

There were no financial instruments with material off balance sheet risk as at September 30, 2010. The management objectives and policies in respect of the above derivatives and its various risk management are consistent with those adopted during the last financial year ended 30 June 2010.

B12. Material litigation

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

B13. 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, 2010 (2009: Nil). The entitlement date for the said dividend shall be on December 10, 2010. The dividend has been approved to be paid to shareholders on January 5, 2011 at the Fifth Annual General Meeting held on November 25, 2010. 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, 2010.

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B14. 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>30.09.2010</u>	Preceding year corresponding quarter <u>30.09.2009</u>	Financial period to-date <u>30.09.2010</u>	Preceding year corresponding period to-date <u>30.09.2009</u>
Net profit / (loss) for the financial year attributable to equity holders of the Company (RM'000)	(135)	84	(135)	84
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)	-0.11	0.07	-0.11	0.07

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.