

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, 2008. 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, 2008.

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.

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, 2008.

A3. Seasonal or cyclical factors

The Group's business operations are seasonally lower during the first quarter of the financial year.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter ended September 30, 2008.

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 and Hong Kong. In addition, a Malaysian incorporated subsidiary company also exports its products to distributors in Indonesia, Australia, Thailand, Myanmar and Vietnam. The following is an analysis of the Group's external revenue by geographical markets, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	Current Quarter	Current Year To Date
	September 30, 2008	September 30, 2008
	RM'000	RM'000
Malaysia	18,885	18,885
Australia and other Asian countries	8,558	8,558
	<hr/>	<hr/>
	27,443	27,443

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.

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 were no material events subsequent to the current quarter ended September 30, 2008 up to the date of this report.

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 RM27.44 million for the three months ended September 30, 2008, representing a decrease of 9.6% as compared to revenue of RM30.34 million for the corresponding period of the preceding financial year.

The Group registered a loss before tax of RM4.42 million for the three months ended September 30, 2008 as compared to profit before tax of RM0.29 million for the corresponding period of the preceding financial year due to lower demand for Ogawa's products as a result of global economic slowdown and uncertainties and higher operating costs.

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B2. Comparison with preceding quarter results

Revenue for the Group has decreased from RM38.36 million in the immediate preceding quarter to RM27.44 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 loss before taxation of RM4.42 million as compared to loss before tax of RM7.82 million in the immediate preceding quarter as a result of higher margins, lower operating expenses, lower provision for doubtful debts and no goodwill written off in current quarter.

B3. Commentary on Prospects

Currently, the Group is experiencing higher overhead costs resulting from aggressive outlet expansion plans implemented in the last financial year which had affected the Group's earnings. As the Group focuses on executing its medium to long term growth strategies, its profitability would be impacted in the rest of the financial year. With the deterioration in global economic conditions and slow down in the economy, the Group's business is expected to be difficult.

B4. Variance of Actual and Forecast Profit

Not applicable.

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B5. Taxation

	<u>Quarter ended September 30,</u>		<u>Year To Date ended September 30,</u>	
	<u>2009</u> <u>RM'000</u>	<u>2008</u> <u>RM'000</u>	<u>2008</u> <u>RM'000</u>	<u>2008</u> <u>RM'000</u>
Current tax expense:				
Income tax	42	628	42	628
Deferred tax	-	-	-	-
	42	628	42	628
Under / (Over)provision of income tax in prior years	-	-	-	-
Total	42	628	42	628

The tax expense for the current quarter ended September 30, 2008 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 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	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation		Explanation
				Amount RM'000	%	
Acquisition of land and building	4,200	-	Within 24 months	-	-	Note 1
Local and overseas business expansion	5,550	(5,071)	Within 24 months	-	-	Note 1

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Upgrade of product design and development department	3,800	(626)	Within 36 months	-	-	Note 1
Expand fleet of delivery trucks	1,200	(228)	Within 24 months	-	-	Note 1
Upgrade of information technology facilities	1,500	(1,500)	Utilised	-	-	
Working capital	14,036	(14,285)	Utilised	(249)	(1.8)	Note 2
Defray estimated listing expenses	1,600	(1,351)	Utilised	249	15.56	Note 2
TOTAL	31,886	(22,925)		-		

Note:

- 1) Will be utilised progressively within the intended timeframe from the date of listing as set out above.
- 2) As actual listing expenses were lower than the estimated, the unutilised balance of proceeds of RM249,000 has been allocated for working capital of the Group.

B9. Group borrowings

There were no other borrowings and debts securities in the Group as at September 30, 2008, except as disclosed below:-

Hire-purchase (secured)	As at Sep 30, 2008 RM'000	As at June 30, 2008 RM'000
Short term	136	148
Long term	192	225
TOTAL	328	373

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.

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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>30.9.2008</u>	Preceding year corresponding quarter <u>30.9.2007</u>	Financial period to- date <u>30.9.2008</u>	Preceding year corresponding period to-date <u>30.9.2007</u>
Net profit / (loss) for the financial year attributable to equity holders of the Company (RM'000)	(4,462)	(192)	(4,462)	(192)
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)	-3.72	-0.16	-3.72	-0.16

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.