

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 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.

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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 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 external revenue by geographical markets, irrespective of the origin of the goods/services:

Sales revenue by geographical market

	<u>Quarter ended March 31,</u>		<u>Year To Date ended March 31,</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>
Malaysia	19,926	21,546	59,783	66,962
Australia and other Asia countries	9,006	8,620	26,774	27,956
Total	28,932	30,166	86,557	94,918

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 except for Healthy World Lifestyle Sdn Bhd, a wholly-owned subsidiary of Ogawa World Bhd, which on March 2, 2009 incorporated a new foreign subsidiary in Hong Kong vide the subscription of 10,000 fully paid-up shares each representing 100% equity interest in Ogawa International Limited ("OIL") for total cash consideration of HK\$10,000.

The incorporation of OIL is for the purpose of international business development. The incorporation will not have any significant financial effect on Ogawa's earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of the Company for the financial year ending June 30, 2009. None of the Directors or substantial shareholders of Ogawa World Bhd and person connected to them have any interest, direct or indirect in the issued and paid up capital of OIL except for Mr Wong Lee Keong, Ms Lim Poh Khian and Mr Cheah Yew Kong, directors and substantial shareholders of OWB who are also directors of OIL.

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.

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A12. **Subsequent Events**

There was no material event subsequent to the current quarter ended March 31, 2009 up to the date of this report except for:

- i) Healthy World Lifestyle Sdn Bhd, a wholly-owned subsidiary of Ogawa World Bhd, had on April 8, 2009 incorporated a new foreign subsidiary in New South Wales of Australia vide the subscription of 500,000 fully paid-up shares each representing 100% equity interest in Ogawa International (Aust) Pty Ltd (“OIA”) for total cash consideration of AUD500,000.

The incorporation of OIA was for the purpose of expanding and consolidating our presence in Australia. The incorporation will not have any significant financial effect on Ogawa’s earnings per share, net assets per share, gearing, share capital and substantial shareholders’ shareholding of the Company for the financial year ending June 30, 2009. None of the Directors or substantial shareholders of Ogawa World Bhd and person connected to them have any interest, direct or indirect in OIA except for Mr Chong Swee Main, a director and substantial shareholder of OWB is also a director of OIL.

- ii) The board of directors had approved and announcements were made on April 17 and 21, 2009 to revise the proposed utilization of proceeds raised from the right issue and public issue pursuant to the Initial Public Offering as follows:-

Purpose	Original Proposed Utilisation RM'000	1st Revised Proposed Utilisation on 26 Sept 08 RM'000	2nd Revised Proposed Utilisation on 21 April 09 RM'000
Acquisition of land and building	15,000	4,200	-
Local and overseas business expansion	5,550	5,550	5,550
Upgrade of product design and development department	3,800	3,800	3,800
Expand fleet of delivery trucks	1,200	1,200	228
Upgrade of information technology facilities	1,500	1,500	1,500
Working capital	3,236	14,036	19,208
Defray estimated listing expenses	1,600	1,600	1,600
TOTAL	31,886	31,886	31,886

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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 RM28.93 million for the current quarter under review, representing a decrease of 4.1% as compared to revenue of RM30.17 million for the corresponding period of the preceding financial year.

The Group registered a profit before tax of RM0.26 million for the current quarter under review as compared to loss before tax of RM2.16 million for the corresponding period of the preceding financial year due to higher margin, lower advertising and promotion expenses and partial reversal of provisions for doubtful debts that have since been recovered.

B2. Comparison with preceding quarter results

Revenue for the Group has decreased from RM30.18 million in the immediate preceding quarter to RM28.93 million in this quarter. Traditionally, the Group's sales is higher in the immediate preceding quarter as compared to the current quarter due to special promotions and the festive season falling in the immediate preceding quarter. The Group registered a profit before taxation of RM0.26 million as compared to loss before tax of RM10.75 million in the immediate preceding quarter as a result of higher margins, lower operating expenses and partial reversal of provisions for doubtful debts.

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 continue to be difficult.

B4. Variance of Actual and Forecast Profit

Not applicable.

B5. Taxation

	<u>Quarter ended March 31,</u>		<u>Year To Date ended March 31,</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	579	(117)	783	931
Deferred tax	-	-	-	-
	579	(117)	783	931
Under / (Over)provision of income tax in prior years	-	-	-	-
Total	579	(117)	783	931

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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.

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 except for the disposal of a piece of vacant land for RM516,650 to a third party on January 15, 2009 which resulted in a profit on disposal of RM139,500.

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 st 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	-		-	-	
Local and overseas business expansion	5,550	5,550	(5,550)	Utilised	-	-	
Upgrade of product design and development department	3,800	3,800	(798)	Within 36 months	-	-	Note 1
Expand fleet of delivery trucks	1,200	1,200	(228)	Within 24 months	-	-	Note 1
Upgrade of information technology facilities	1,500	1,500	(1,500)	Utilised	-	-	
Working capital	3,236	14,036	(14,036)	Utilised	(249)	(1.8)	Note 2
Defray estimated listing expenses	1,600	1,600	(1,351)	Utilised	249	15.56	Note 2
TOTAL	31,886	31,886	(23,463)		-		

Note:

- 1) Will be utilized 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 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 March 31, 2009, except as disclosed below:-

Hire-purchase (secured)	As at March 31, 2009 RM'000	As at June 30, 2008 RM'000
Short term	131	148
Long term	127	225
TOTAL	258	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.

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>31.3.2009</u>	Preceding year corresponding quarter <u>31.3.2008</u>	Financial period to- date <u>31.3.2009</u>	Preceding year corresponding period to-date <u>31.3.2008</u>
Net profit / (loss) for the financial year attributable to equity holders of the Company (RM'000)	(316)	(2,046)	(15,685)	(1,611)
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)	-0.26	-1.71	-13.07	-1.34

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.