

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.

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, 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:

OGAWA WORLD BERHAD (712499 - V)
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Sales revenue by geographical market

	<u>Quarter ended June 30,</u>		<u>Year To Date ended June 30,</u>	
	<u>2009</u> <u>RM'000</u>	<u>2008</u> <u>RM'000</u>	<u>2009</u> <u>RM'000</u>	<u>2008</u> <u>RM'000</u>
Malaysia	25,935	28,996	85,718	95,958
Other Countries	16,060	9,363	42,834	37,319
Total	41,995	38,359	128,552	133,277

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, had on April 8, 2009 incorporated a wholly owned foreign subsidiary, Ogawa International (Aust) Pty Ltd ("OIA") with an issued and paid up capital of A\$500,000 in New South Wales, Australia.

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 June 30, 2009 up to the date of this report.

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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 RM42.00 million for the current quarter under review, representing an increase of 9.5% as compared to revenue of RM38.36 million for the corresponding period of the preceding financial year.

The Group registered a profit before tax of RM3.72 million for the current quarter under review as compared to loss before tax of RM7.82 million for the corresponding period of the preceding financial year due to higher sales and margins, cost controls and partial reversal of provisions for doubtful debts that has since been recovered.

B2. Comparison with preceding quarter results

Revenue for the Group has increased from RM28.93 million in the immediate preceding quarter to RM42.00 million in this quarter. Traditionally, the Group's sales is higher in current quarter as compare to the immediate preceding quarter due to special promotions and the Mother's Day and Father's Day falling in the current quarter. The Group registered a profit before taxation of RM3.72 million as compared to profit before tax of RM0.26 million in the immediate preceding quarter as a result of higher sales and margins, cost controls and partial reversal of provisions for doubtful debts.

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 is expected to improve its performance in the next financial year.

B4. Variance of Actual and Forecast Profit

Not applicable.

B5. Taxation

	<u>Quarter ended June 30,</u>		<u>Year To Date ended June 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	363	(109)	1,146	822
Deferred tax	(52)	(298)	(52)	(298)
	311	(407)	1,094	524
Under / (Over) provision				
Income tax	292	(653)	292	(653)
Deferred tax	(134)	-	(134)	-
	158	(653)	158	(653)
Total	469	(1,060)	1,252	(129)

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

OGAWA WORLD BERHAD (712499 - V)
(Incorporated in Malaysia)

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 st Revised Proposed Utilisation RM'000	2 nd 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	(879)	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
TOTAL	31,886	31,886	31,886	(23,463)		-		

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 June 30, 2009, except as disclosed below:-

	As at June 30, 2009 RM'000	As at June 30, 2008 RM'000
Hire-purchase (secured)		
Short term	194	148
Long term	347	225
TOTAL	541	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>30.6.2009</u>	Preceding year corresponding quarter <u>30.6.2008</u>	Financial period to-date <u>30.6.2009</u>	Preceding year corresponding period to-date <u>30.6.2008</u>
Net profit / (loss) for the financial year attributable to equity holders of the Company (RM'000)	3,254	(6,760)	(12,431)	(8,371)
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)	2.71	-5.63	-10.36	-6.98

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.