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 30 June 2011. 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 30 June 2011.

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 as follows:

FRSs, Amendments to FRSs and IC Interpretations

Amendments to FRS 1	First-time Adoption of Financial Reporting Standards (Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters)[1]
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards (Additional Exemptions for First-time Adopters)[1]
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards[1]
Amendments to FRS 2	Share-based Payment (Group Cash-settled Share Based Payment Transactions)[1]
Amendments to FRS 3	Business Combinations[1]
Amendments to FRS 7	Financial Instruments: Disclosures (Improving Disclosures about Financial Instruments)[1]
Amendments to FRS 7	Financial Instruments: Disclosures[1]
Amendments to FRS 101	Presentation of Financial Statements[1]
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates[1]
Amendments to FRS 128	Investments in Associates[1]
Amendments to FRS 131	Interests in Joint Ventures[1]
Amendments to FRS 132	Financial Instruments: Presentation[1]
Amendments to FRS 134	Interim Financial Reporting[1]
Amendments to FRS 139	Financial Instruments: Recognition and Measurement[1]
IC Interpretation 4	Determining whether an Arrangement contains a Lease[1]
IC Interpretation 18	Transfers of Assets from Customers[1]
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[2]
Amendments to IC Interpretation 13	Customer Loyalty Programmes[1]
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement[2]

The application of the above amendments to FRSs, IC Interpretations and Amendments to IC Interpretation did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 July 2011

The Group has not applied the following new/revised accounting standards, amendments, and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group:

Effective for annual periods commencing on or after 1 January 2012

Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Disclosures - Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
FRS 124	Related Party Disclosures

Effective for annual periods commencing on or after 1 July 2012

Amendments to FRS 101	Presentation of Items of Other Comprehensive Income

Effective for annual periods commencing on or after 1 January 2013

FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interests in Other Entities
FRS 13	Fair Value Measurement
FRS 119	Employee Benefits (as amended in November 2011)
FRS 127	Separate Financial Statements (as amended in November 2011)
FRS 128	Investments in Associates and Joint Ventures (as amended in November 2011)

The Group plans to apply the above-mentioned standard and amendment from the annual period beginning 1 July 2012.

The initial application of a standard or an amendment, which will be applied prospectively or which required extended disclosures is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial application of a standard or an amendment, which will be applied restropectively are not expected to have any material impact on the Group's 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 30 June 2011.

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 was no unusual item 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 this interim financial report.

A6. **Issuance or repayment of debts and equity securities**
There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the current quarter under review.

A7. **Dividend paid**

A first and final single-tier dividend of 3 sen per ordinary share of 50 sen, amounting RM3.6 million in respect of financial year ended 30 June 2011 was paid to shareholders on 16 December 2011.

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, Hong Kong, Vietnam and Philippines. In addition, a Malaysian incorporated wholly owned subsidiary company also exports its products to distributors in Indonesia, Myanmar, Saudi Arabia, India, Turkey and Russian Federation. 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 31 December 2011

	Malaysia	Other Countries	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue				
Sales to external customers	47,385	38,183	-	85,568
Other segmental information				
Segment assets	188,702	41,784	(131,840)	98,646
Segment liabilities	(70,793)	(15,008)	47,692	(38,109)
Total capital expenditure				
- Property, plant and equipment	12,530	2,312	(296)	14,546

Year To Date ended 31 December 2010

	Malaysia	Other Countries	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue				
Sales to external customers	46,867	32,429	-	79,296
Other segmental information				
Segment assets	177,082	27,404	(114,825)	89,661
Segment liabilities	(56,608)	(11,842)	41,310	(27,140)
Total capital expenditure				
- Property, plant and equipment	11,238	2,197	-	13,435

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 property, plant and equipment during the current quarter under review.

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

There was no change in the composition of the Group during the quarter under review except for the following:

(i) Ogawa Vietnam Sdn Bhd ("OVSB"), a wholly-owned subsidiary company of Healthy World Lifestyle Sdn Bhd, which is a wholly-owned subsidiary company of OWB had on 30 November 2011 incorporated a wholly-owned subsidiary known as Ogawa Vietnam Company Limited ("OVCL") in the Socialist Republic of Vietnam. OVCL has a charter share capital of Vietnam Dong (VND) 12,528,000,000.00 which is equivalent to RM1,883,478.31 and the capital contribution is to be implemented within 12 months from the date of issuance of the Investment Certificate.

(ii) Healthy World Lifestyle Sdn Bhd ("HWL") had on 7 November 2011 reached an agreement to enter into a Collaboration Agreement with Xiamen Comfort Science & Technology Group Co., Ltd ("EASEPAL"), a company incorporated and registered in Xiamen City, Fujian Province of China and listed as A Shares stock at Shenzhen Stock Exchange for the purpose of setting up a joint venture ("JV") company in Xiamen ("Proposed JV") to unify the marketing channels in China and jointly maintain, operate and expand 6 "OGAWA" trademarks registered ("Registered Trademarks") in China.

The proposed total issued and paid-up share capital of the JV company is RMB20,000,000 (equivalent to RM9.9 million). EASEPAL and HWL will each invest RMB10,000,000 in cash, (equivalent to RM4.9 million) respectively representing 50% of the JV company's issued and paid-up share capital.

The JV shall acquire the Registered Trademarks from HWL at a consideration of RMB4,020,000 (equivalent to RM2 million) and confer the licensing right to the use of the Registered Trademarks to EASEPAL or subsidiaries of EASEPAL through a trademark licensing agreement to be signed. A subsidiary of EASEPAL shall also acquire the assets and business of Ogawa (Shanghai) Healthcare Equipment Co Ltd which shall then become a dormant company upon the establishing of the JV.

A11. **Contingent Liabilities**

The Directors are of the opinion that the Group has no contingent liability which upon crystallization would have material impact on the business and financial position of the Group except for performance guarantees issued by bankers in respect of tenancy agreements entered into between its wholly owned subsidiary companies and the shopping complexes as follows:

	As at 31.12.2011 RM'000	**As at 30.6.2011 RM'000**
Corporate guarantee	299	636

A12. **Subsequent Events**

There was no material event subsequent to the current quarter ended 31 December 2011 except for the following which have been announced to Bursa Malaysia Securities Berhad:

The Collaboration Agreement with Xiamen Comfort Science & Technology Group Co., Ltd ("EASEPAL") as mentioned in A10(ii) was signed on 12 February 2012.

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

B1. Analysis of performance

Current 3 months results against corresponding 3 months period of the last financial year

Malaysia

For the 3 months ended 31 December 2011, Malaysia revenue increased by 2.2% to RM 25.37 million from RM 24.82 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 0.093 million for the 3 months ended 31 December 2011 as compared to a profit before tax of RM 2.93 million for the corresponding period of the preceding financial year. The decline in performance was due to higher marketing and operating expenses. The consideration of RMB4,020,000 (equivalent to RM2 million) from the planned disposal of the 6 "OGAWA" trademarks registered in China to our 50% Joint Venture Company mentioned in A10(ii) has not been recognized as the transaction has yet to be completed.

Other Countries

For the 3 months ended 31 December 2011, revenue for the other countries increased by 15.0% to RM 18.67 million from RM 16.24 million achieved in the corresponding period of the preceding financial year after Vietnam operation turn into subsidiary.

Other countries recorded a loss before tax of RM 3.80 million for the 3 months ended 31 December 2011 as compared to a loss before tax of RM 0.57 million for the corresponding period of the preceding financial year. The decline in performance was due to lower profit margin and higher operating expenses which have resulted in lower operating profit, as well as a RM 1.19 million provision for discontinuation of business by Ogawa (Shanghai) Healthcare Equipment Co Ltd mentioned in A10(ii).

Current 12 months results against corresponding 12 months period of the last financial year

Malaysia

For the 6 months ended 31 December 2011, Malaysia revenue increased by 1.1% to RM 47.39 million from RM 46.87 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 0.86 thousand for the 6 months ended 31 December 2011 as compared to a profit before tax of RM 3.76 million for the corresponding period of the preceding financial year. The decline in performance was due to higher marketing and operating expenses. The consideration of RMB4,020,000 (equivalent to RM2 million) from the planned disposal of the 6 "OGAWA" trademarks registered in China to our 50% Joint Venture Company mentioned in A10(ii) has not been recognized as the transaction has yet to be completed.

Other Countries

For the 6 months ended 31 December 2011, revenue for the other countries increased by 17.7% to RM 38.18 million from RM 32.43 million achieved in the corresponding period of the preceding financial year mainly due to conversion of Vietnam operation from distributor to subsidiaries.

Other countries recorded a loss before tax of RM 4.93 million for the 6 months ended 31 December 2011 as compared to a loss before tax of RM 1.28 million for the corresponding period of the preceding financial year. The decline in performance was due to lower profit margin and higher operating expenses which have resulted in lower operating profit, as well as a RM 1.19 million provision for discontinuation of business by Ogawa (Shanghai) Healthcare Equipment Co Ltd mentioned in A10(ii).

B2. **Comparison with preceding quarter results**

Revenue for the Group increased from RM41.53 million in the immediate preceding quarter to RM44.04 million in this quarter due mainly to the cyclical nature of the business the Group operates in. The Group registered a loss before taxation of RM3.70 million as compared to loss before tax of RM0.36 million in the immediate preceding quarter as a result of higher operating expenses, as well as a RM 1.19 million provision for discontinuation of business by Ogawa (Shanghai) Healthcare Equipment Co Ltd mentioned in A10(ii). The consideration of RMB4,020,000 (equivalent to RM2 million) from the planned disposal of the 6 "OGAWA" trademarks registered in China to our 50% Joint Venture Company has not been recognized as the transaction has yet to be completed.

B3. **Commentary on Prospects**

The Group had increased its outlet network significantly over the past 12 months which has resulted in higher operating expenses but the increase in sales has been below expectations. Retail market conditions remain difficult and the Group is continuously optimizing its operating structure, especially for its overseas units for a sustainable performance. Barring unforeseen circumstances, the Board expects better financial performance for the balance of the financial year.

B4. **Variance of Actual and Forecast Profit**

Not applicable.

B5. **Other Operating Income/(Expenses)**

Included in other operating income/(expenses) are the following credits/(charges):

	Quarter ended 31 Dec		Year To Date ended 31 Dec	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Depreciation of property, plant and equipment	(1,311)	(1,291)	(2,603)	(2,419)
Impairment on property, plant and equipment	(296)	-	(296)	-
Allowance for doubtful debts	(42)	-	(87)	-
Allowance for doubtful debts no longer required	-	623	-	673
Allowance for obsolete inventories	(868)	-	(1,027)	-
Allowance for obsolete inventories no longer required	-	-	-	378
Provision for employee compensation costs	(455)	-	(455)	-
Realised (loss) /gain on foreign exchange	(238)	(80)	(404)	3
Unrealised loss on foreign exchange	-	-	(82)	-

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted or unquoted investments or properties, gain or loss on derivatives and exceptional items for the current quarter and financial year ended 31 December 2011.

B6. **Taxation**

	Quarter ended 31 Dec		Year To Date ended 31 Dec	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current tax expense:				
Income tax	40	600	346	856
Deferred tax	-	-	-	-
Total	40	600	346	856

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

B7. **Corporate proposal**

There was no corporate proposal announced and not completed as at the date of this announcement except for the Proposed Joint Venture as stated in A10 (ii) above.

B8. **Group borrowings**

There was no other borrowing or debt securities in the Group as at 31 December 2011, except as disclosed below:-

Hire-purchase (secured)	**As at 31.12.2011 RM'000**	**As at 30.6.2011 RM'000**
Current portion	118	206
Non-current portion	74	273
TOTAL	192	479

B9. **Material litigation**

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

B10. **Dividends**

No dividend has been recommended or declared for the current quarter under review (Q2 FY2011: Nil).

B11. **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 31.12.2011	**Preceding year corresponding quarter 31.12.2010**	**Financial period to-date 31.12.2011**	**Preceding year corresponding period to-date 31.12.2010**
Net (loss)/profit for the financial year attributable to equity holders of the Company (RM'000)	(3,745)	1,758	(4,412)	1,623
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 (loss)/earnings per share (sen)	-3.12	1.47	-3.68	1.35

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.

B12. **Realised and unrealised profits**

The breakdown of retained earnings of the Group as at the reporting date, into realised and unrealised profits, is as follows:

	As at 31.12.2011 RM'000	**As at 30.6.2011 RM'000**
Total retained earnings of the Company and its subsidiaries:		
- Realised	26,923	32,756
- Unrealised	214	214
	27,137	32,970
Consolidation adjustments	(7,537)	(5,358)
Total group retained earnings as per consolidated accounts	19,600	27,612