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 7	Mandatory Effective Date of MFRS 9 and Transition Disclosures [3]
Amendments to FRS 9	Mandatory Effective Date of FRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009) [3]
Amendments to FRS 9	Mandatory Effective Date of FRS 9 and Transition Disclosures (IFRS 9 issued by IASB in October 2010) [3]
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
[3] Effective immediately

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)
Amendments to FRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group plans to apply the above-mentioned standards and amendments for the annual period beginning 1 July 2012.

In addition, the MASB had issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework") which came into effect on 1 January 2012 in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Group and the Company are required to apply MFRS Framework for annual periods beginning on or after 1 July 2012.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. The impact of adopting the new MFRS Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the assessment process is completed.

Standards and IC Interpretations Affecting Presentation and Disclosure only Amendments to FRS 7 Financial Instruments: Disclosures (Improving disclosures about financial instruments)

The amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group and the Company have elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

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, Russian Federation, Islamic Republic of Pakistan, Taiwan, Republic of Mauritius and United Kingdom. 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 30 June 2012

	Malaysia RM'000	**Other Countries RM'000**	**Discontinued operations RM'000**	**Elimination RM'000**	**Consolidated RM'000**
Revenue					
Sales to external Customers	108,248	67,820	15,419	-	191,487
Other segmental information					
Segment assets	183,324	45,327	1,938	(124,852)	105,737
Segment liabilities	(77,514)	(20,278)	-	56,023	(41,769)
Total capital Expenditure					
- Property, plant and Equipment	12,579	1,580	53	-	14,212

Year To Date ended 30 June 2011

	Malaysia RM'000	Other Countries RM'000	Discontinued operations RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
Sales to external Customers	99,558	55,027	15,534	-	170,119
Other segmental information					
Segment assets	175,274	41,034	-	(115,186)	101,122
Segment liabilities	(52,838)	(14,307)	-	33,518	(33,627)
Total capital Expenditure					
- Property, plant and Equipment	12,049	2,371	-	-	14,420

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.

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 30.6.2012 RM'000	As at 30.6.2011 RM'000
Corporate guarantee	73	636

A12. **Subsequent Events**

There was no material event subsequent to the current quarter ended 30 June 2012 except for the followings:

(a) The joint venture company namely Xiamen Comfort Ogawa Trade Co. Ltd has been incorporated in Xiamen, China on 6 August 2012. The Business Operation license of Xiamen Comfort Ogawa Trade Co. Ltd dated 6 August 2012 issued by Xiamen Industry & Commerce was received by OWB on 8 August 2012.

(b) Members' Voluntary Liquidation of wholly-owned subsidiary companies of OWB, namely, Ogawa Health-Care Sdn Bhd, Ogawa Health-Care (East Malaysia) Sdn Bhd, Fujiiryoki (Malaysia) Sdn Bhd, Ogawa Medicare Sdn Bhd and OgawaWorld Evas Sdn Bhd. pursuant to Section 254(1)(b) of the Companies Act, 1965 on 3 August 2012.

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

B1. **Analysis of performance**

<u>Current 3 months results against corresponding 3 months period of the last financial year</u>

<u>Malaysia – Continuing Operations</u>

For the 3 months ended 30 June 2012, Malaysian revenue increased by 23.8% to RM 36.61 million from RM 29.56 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 5.31 million for the 3 months ended 30 June 2012 as compared to a profit before tax of RM 0.25 million for the corresponding period of the preceding financial year. The improvement in performance was due mainly to higher sales from new product launching and lower operating costs.

<u>Other Countries – Continuing Operations</u>

For the 3 months ended 30 June 2012, revenue for the other countries increased by 13.9% to RM 18.49 million from RM 16.23 million achieved in the corresponding period of the preceding financial year.

Other countries recorded a profit before tax of RM 0.66 million for the 3 months ended 30 June 2012 as compared to a profit before tax of RM 3.93 million for the corresponding period of the preceding financial year. The decline in performance was due mainly to higher operating costs.

<u>Current 12 months results against corresponding 12 months period of the last financial year</u>

<u>Malaysia – Continuing Operations</u>

For the 12 months ended 30 June 2012, Malaysian revenue increased by 10.2% to RM 114.01 million from RM 103.48 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 6.38 million for the 12 months ended 30 June 2012 as compared to a profit before tax of RM 5.56 million for the corresponding period of the preceding financial year. The improvement in performance was due to higher sales from new product launching and lower operating costs.

<u>Other Countries – Continuing Operations</u>

For the 12 months ended 30 June 2012, revenue for the other countries increased by 21.4% to RM 62.06 million from RM 51.11 million achieved in the corresponding period of the preceding financial year due mainly to the conversion of Vietnam operations from distributor to subsidiaries and the operation of a new incorporated subsidiary in Philippines.

Other countries recorded a loss before tax of RM 0.83 million for the 12 months ended 30 June 2012 as compared to a profit before tax of RM 4.37 million for the corresponding period of the preceding financial year. The decline in performance was due mainly to the weak operating result of an overseas unit.

B2. **Comparison with preceding quarter results – continue operations**

Revenue for the Group increased from RM 42.79 million in the immediate preceding quarter to RM 59.10 million in this quarter due mainly to seasonal factors. The Group registered a profit before taxation of RM 5.97 million as compared to loss before tax of RM 0.60 million in the immediate preceding quarter as a result of higher sales and higher gross profit.

B3. **Commentary on Prospects**

The business in Malaysia is expected to remain resilient with introductions of new product range to broaden revenue base but the performance of one of the overseas units have deteriorated during the year. The Group is currently assessing its options in respect to the unit's future.

Control of operating costs shall be key as the Group seeks to improve its performance. With the restructuring of the business in China expected to be completed within the next six months, barring unforeseen circumstances, the Group expects its results for the next financial year to be better than current 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 30 June		**Year To Date ended 30 June**	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Depreciation of property, plant and equipment	(1,043)	(971)	(3,997)	(3,824)
Amortisation of prepaid lease payment	(15)	-	(20)	-
Bad debts written off	(16)	(127)	(16)	(127)
(Loss)/gain on disposal of property, plant and equipment	(14)	(1,435)	278	(877)
Property, plant and equipment written off	(75)	(202)	(329)	(256)
Impairment of property, plant and equipment	-	-	-	-
Allowance for doubtful debts	(62)	(346)	(825)	-
Allowance for doubtful debts no longer required	-	307	-	701
Allowance for obsolete inventories	(1,697)	(405)	(2,238)	(254)
Provision for unutilised leave	(216)	(115)	(256)	(115)
Inventories written off	(62)	(34)	(93)	(34)
Provision for employee compensation costs	-	-	-	-
Share options expenses	(58)	(509)	(302)	(509)
Realised (loss)/gain on foreign exchange	26	(28)	(174)	34
Unrealised gain on foreign exchange	520	82	438	82
Fair value loss on derivatives financial instruments	(27)	-	(27)	-

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 period ended 30 June 2012.

B6. Taxation

	Quarter ended 30 June		Year To Date ended 30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Income tax	2,513	929	3,038	2,453
Deferred tax	(216)	(37)	(216)	(37)
	2,297	892	2,822	2,416
Under / (Over) provision				
Income tax	(39)	(609)	(39)	(609)
Deferred tax	-	-	-	-
	(39)	(609)	(39)	(609)
Total	2,258	283	2,783	1,807

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

B7. Discontinued Operations

During the financial year, the Board of Directors have decided to discontinue operations of its subsidiary, Ogawa (Shanghai) Health-Care Equipment Co. Ltd. in favour of the collaboration agreement reached between Healthy World Lifestyle Sdn Bhd and Xiamen Comfort Science & Technology Group Co. Ltd. The objective of this collaboration agreement is to set up a joint venture company in Xiamen to jointly maintain, operate and expand "OGAWA" trademarks registered in China. Ogawa (Shanghai) Health-Care Equipment Co. Ltd. shall then become a dormant company.

With the subsidiary's operating assets classified as discontinued operations during the current financial year; prior year income statement has been reclassified to conform to the presentation in the current year.

The loss for the year from discontinued operations is analysed as follow:

	The Group	
	2012	2011
	RM	RM
	(4,046,351)	(1,717,034)

B8. Corporate proposal

There was no corporate proposal announced and not completed as at the date of this announcement except for the disposal of the operating assets in Ogawa (Shanghai) Health-Care Equipment Co. Ltd., a wholly owned indirect subsidiary of the Group, which are expected to be completed within the next six months. Following this decision to discontinue the operations, these operating assets have been classified as assets held for sale and are presented separately in the balance sheet while its operating results have been presented separately in the income statement. The prior year income statement has been reclassified to conform to the presentation in the current year.

The loss for the year from discontinued operations is analysed as follow:

	The Group	
	2012	2011
	RM	RM
Revenue	15,418,857	15,534,100
Interest income from short-term deposits	-	3,430
Other operating income	420,745	141,260
Changes in inventories of trading merchandise	(131,916)	99,767
Trading merchandise purchased	(6,433,900)	(6,302,496)
Remuneration of key management personnel	-	(63,359)
Staff costs	(6,372,233)	(6,096,479)
Depreciation of property, plant and equipment	(959,043)	(1,189,188)
Other operating expenses	(5,988,861)	(3,844,069)
Loss before tax	(4,046,351)	(1,717,034)
Income tax expense	-	-
Loss for the year	(4,046,351)	(1,717,034)

	The Group	
	2012	2011
	RM	RM
Rental expense	(1,986,454)	(2,264,529)
Allowance for obsolete inventories	(569,747)	(2,438)
Impairment losses on property, plant and equipment	(295,838)	-
Allowance for doubtful debts	(166,993)	(149,965)
Bad debts written off	(66,980)	-
Unrealised loss on foreign exchange	(63,017)	-
Audit fee:		
Statutory audit	(51,790)	(43,039)
Loss on disposals of property, plant and equipment	(8,885)	(1,024)
Share options expense	(3,167)	(26,706)
Realised loss on foreign exchange	-	(40,221)

The major classes of assets classified as assets held for sale are as follows:

	2012
	RM
Property, plant and equipment	53,087
Inventories	1,884,851
	1,937,938

B9. Group borrowings

There was no other borrowing or debt securities in the Group as at 30 June 2012, except as disclosed below:-

Hire-purchase (secured)	As at 30.6.2012 RM'000	As at 30.6.2011 RM'000
Current portion	62	206
Non-current portion	-	273
TOTAL	62	479

B10. Material litigation

Save and except as disclosed in previous announcements and where applicable as disclosed in the audited financial statements of the Group and/or Company, the Group is not engaged in any other material litigation as of the date of this report.

B11. Dividends

No dividend has been recommended or declared for the current quarter under review (Q4 FY2011: 3 sen per ordinary share of 50 sen).

B12. 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>**30.6.2012**</u>	**Preceding year corresponding quarter** <u>**30.6.2011**</u>	**Financial period to-date** <u>**30.6.2012**</u>	**Preceding year corresponding period to-date** <u>**30.6.2011**</u>
Net profit /(loss) for the financial year attributable to equity holders of the Company (RM'000)	3,810	5,430	(1,282)	6,409
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)	3.18	4.53	-1.07	5.34

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.

B13. 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 30.6.2012 RM'000	**As at 30.6.2011 RM'000**
Total retained earnings of the Company and its subsidiaries:		
- Realised	13,817	32,756
- Unrealised	375	214
	14,192	32,970
Consolidation adjustments	8,538	(5,358)
Total group retained earnings as per consolidated accounts	22,730	27,612