## A. EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A1. **Basis of preparation**

This unaudited interim financial report has been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2012 which were prepared under Financial Reporting Standard (FRS). The 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 2012

In preparing this interim financial report, the Group's opening statement of financial position was prepared as at 1 July 2012 which was the Group's date of transition to MFRSs. Upon transition to MFRS, the Group has elected to apply the optional exemption to use the fair value of properties as deemed cost and measure all its property, plant and equipment using cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the revalued amounts of the freehold land and building as at 1 July 2012 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. Accordingly, the revaluation surplus has been transferred to retained earnings.

The impact arising from the changes is summarized as follows:

| | **FRS as at 01/07/2012 RM'000** | **Effect of transition to MFRS RM'000** | **MFRS as at 01/07/2012 RM'000** |
|---|---|---|---|
| Condensed Consolidated Statement of Financial Position | | | |
| Revaluation Reserve | 7,184 | (7,184) | - |
| Retained Earning | 22,730 | 7,184 | 29,914 |

As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing these unaudited condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2012 except as disclosed above.

**MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective**

As at the date of authorization of the interim financial report, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

| | | Effective for annual period beginning on or after |
|---|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010) | 1 January 2015 |
| MFRS 10 | Consolidated Financial Statements | 1 January 2013 |
| MFRS 11 | Joint Arrangements | 1 January 2013 |
| MFRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| MFRS 13 | Fair Value Measurement | 1 January 2013 |
| MFRS 119 | Employee Benefits | 1 January 2013 |
| MFRS 127 | Separate Financial Statements | 1 January 2013 |
| MFRS 128 | Investments in Associates and Joint Ventures | 1 January 2013 |

| | | |
|---|---|---|
| Amendments to MFRS 1 | Amendment to MFRS 1 (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to MFRS 10, Amendments to MFRS 11 and Amendments to MFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transaction | 1 January 2013 |
| Amendments to MFRS 101 | Amendment to MFRS 101 (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 116 | Amendment to MFRS 116 (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |
| Amendments to MFRS 132 | Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS 134 | Amendment to MFRS 134 (Annual Improvements 2009-2011 Cycle) | 1 January 2013 |

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 2012.

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**

No dividend was paid during the current quarter.

A8 **Segmental reporting**

<u>Business Segments</u>

The Group operates solely in the business segment involving the design, development, distributing and servicing of health care equipment and supplementary appliances.

<u>Geographical Segments</u>

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 North America, Europe, Middle East and Asia.. The following is an analysis of the Group's revenue, assets, liabilities and capital expenditures by geographical markets, base on the origin of the goods/services:

**Year To Date ended 30 September 2012**

| | Malaysia RM'000 | Other Countries RM'000 | Discontinued operations RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external Customers | 28,519 | 16,348 | 5,227 | - | 50,094 |
| **Other segmental information** | | | | | |
| Segment assets | 187,242 | 45,817 | 2,150 | (130,372) | 104,837 |
| Segment liabilities | (72,876) | (21,230) | - | 61,179 | (32,927) |
| **Total capital Expenditure** | | | | | |
| - Property, plant and Equipment | 19,402 | 1,433 | 59 | - | 20,894 |

**Year To Date ended 30 September 2011**

| | Malaysia RM'000 | Other Countries RM'000 | Discontinued operations RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external Customers | 24,964 | 13,068 | 3,496 | - | 41,528 |
| **Other segmental information** | | | | | |
| Segment assets | 175,313 | 37,193 | 2,814 | (116,702) | 98,618 |
| Segment liabilities | (55,083) | (11,744) | - | 36,159 | (30,668) |
| **Total capital Expenditure** | | | | | |
| - Property, plant and Equipment | 11,968 | 1,869 | 547 | - | 14,384 |

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 except for revalued amounts of the freehold land and building as at 1 July 2012 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date in accordance with the adoption of the exemption under MFRS 1 as disclosed in A1.

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:

(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.

(c) Disposal of 5% shares in Ogawa Vietnam Sdn Bhd amounting to RM125,000 to a non-controlling interest on 28 September 2012.

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 given by the Company in respect of tenancy agreements entered into between its wholly owned subsidiary companies and the shopping complexes as follows:

| | **As at 30.9.2012 RM'000** | **As at 30.6.2012 RM'000** |
|---|---|---|
| Corporate guarantee | 236 | 58 |

A12. **Subsequent Events**

There was no material event subsequent to the current quarter ended 30 September 2012 except for the management's decision to discontinue Australia's operations on 27 November 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 – Continuing Operations

For the 3 months ended 30 September 2012, Malaysian revenue increased by 14.3% to RM 28.52 million from RM 24.96 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 1.21 million for the 3 months ended 30 September 2012 as compared to a profit before tax of RM 0.70 million for the corresponding period of the preceding financial year. The improvement in performance was due mainly to higher sales and lower advertising expenses.

Other Countries – Continuing Operations

For the 3 months ended 30 September 2012, revenue for the other countries increased by 25.1% to RM 16.35 million from RM 13.07 million achieved in the corresponding period of the preceding financial year.

Other countries recorded a profit before tax of RM 0.78 million for the 3 months ended 30 September 2012 as compared to a loss before tax of RM 0.34 million for the corresponding period of the preceding financial year. The improvement in performance was due mainly to higher sales.

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

Revenue for the Group decreased from RM 55.10 million in the immediate preceding quarter to RM 44.87 million in this quarter due mainly to seasonal factors. The Group registered a profit before taxation of RM 1.99 million as compared to profit before tax of RM 5.97 million in the immediate preceding quarter as a result of lower sales and lower 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 since the last financial year. The Group has decided to discontinue the operations of this unit.

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 three months, barring unforeseen circumstances, the Group expects its results for the current financial year to be better than last 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 Sept | | Year To Date ended 30 Sept | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation of property, plant and equipment | (955) | (1,292) | (955) | (1,292) |
| Amortisation of prepaid lease payments | (15) | - | (15) | - |
| Rental expenses | (7,255) | (6,447) | (7,255) | (6,447) |
| Audit fee | (48) | (44) | (48) | (44) |
| Bad debts written off | (1) | - | (1) | - |
| Gain on disposal of property, plant and equipment | 62 | 292 | 62 | 292 |
| Property, plant and equipment written off | (125) | (80) | (125) | (80) |
| Allowance for doubtful debts | (12) | (45) | (12) | (45) |
| Reversal of Impairment loss on obsolete inventories | 157 | - | 157 | - |
| Impairment loss on obsolete inventories | - | (159) | - | (159) |
| Inventories written off | (102) | - | (102) | - |
| Gain on disposal of subsidiary | 36 | - | 36 | - |
| Share options expenses | (82) | (110) | (82) | (110) |
| Realised (loss)/gain on foreign exchange | (102) | (166) | (102) | (166) |
| Unrealised (loss)/gain on foreign exchange | (130) | (82) | (130) | (82) |
| Fair value loss on derivatives instrument | (4) | - | (4) | - |

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 September 2012.

B6. **Taxation**

| | Quarter ended 30 Sept | | Year To Date ended 30 Sept | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax expense: | | | | |
| Income tax | 490 | 306 | 490 | 306 |
| Deferred tax | - | - | - | - |
| Total | 490 | 306 | 490 | 306 |

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 last financial year, the Board of Directors had decided to discontinue the 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.

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

| | Quarter ended 30 Sept | | Year To Date ended 30 Sept | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Loss for the period | (135) | (720) | (135) | (720) |

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 three 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 loss for the period from discontinued operations is analysed as follow:

| | Quarter ended 30 Sept | | Year To Date ended 30 Sept | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 5,227 | 3,496 | 5,227 | 3,496 |
| Other operating income | 421 | 132 | 421 | 132 |
| Changes in inventories of trading merchandise | 61 | 161 | 61 | 161 |
| Trading merchandise purchased | (2,786) | (1,599) | (2,786) | (1,599) |
| Staff costs | (1,737) | (1,498) | (1,737) | (1,498) |
| Depreciation of property, plant and equipment | (144) | (319) | (144) | (319) |
| Other operating expenses | (1,177) | (1,093) | (1,177) | (1,093) |
| **Loss before tax** | (135) | (720) | (135) | (720) |
| Income tax expense | - | - | - | - |
| **Loss for the period** | (135) | (720) | (135) | (720) |

| | Quarter ended 30 Sept | | Year To Date ended 30 Sept | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Rental expense | (648) | (507) | (648) | (507) |
| Reversal of impairment loss on obsolete inventories | 133 | 14 | 133 | 14 |
| Reversal of allowance for doubtful debts | 2 | - | 2 | - |
| Bad debts written off | | | | |
| Audit fee | (12) | (13) | (12) | (13) |
| Realised loss on foreign exchange | - | (52) | - | (52) |

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

| | As at 30.9.2012 RM'000 | As at 30.6.2012 RM'000 |
|---|---|---|
| Property, plant and equipment | 59 | 53 |
| Inventories | 2,091 | 1,885 |
| | 2,150 | 1,938 |

B9. **Group borrowings**

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

| **Hire-purchase (secured)** | **As at 30.9.2012 RM'000** | **As at 30.6.2012 RM'000** |
|---|---|---|
| Current portion | 44 | 62 |
| Non-current portion | - | - |
| TOTAL | 44 | 62 |

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 (Q1 FY2012: NIL).

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 30.9.2012** | **Preceding year corresponding quarter 30.9.2011** | **Financial period to-date 30.9.2012** | **Preceding year corresponding period to-date 30.9.2011** |
|---|---|---|---|---|
| Net profit /(loss) for the financial year attributable to equity holders of the Company (RM'000) | 1,361 | (667) | 1,361 | (667) |
| 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) | 1.13 | -0.56 | 1.13 | -0.56 |

***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 30.9.2012 RM'000** | **As at 30.6.2012 RM'000** |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised | 15,913 | 13,817 |
| - Unrealised | 7,054 | 375 |
| | 22,967 | 14,192 |
| Consolidation adjustments | 8,308 | 8,538 |
| Total group retained earnings as per consolidated accounts | 31,275 | 22,730 |