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 except for the following:

Treasury shares

The number of treasury shares held as at 31 December 2012 is as follows:

	No. of shares	Amount (RM)
Balance as at 30 Sept 2012	-	-
Add: Purchase of treasury shares	10,000	3,845
Balance as at 31 Dec 2012	10,000	3,845

A7. **Dividend paid**

No dividend was 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, 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, based on the origin of the goods/services:

Year To Date ended 31 December 2012

	Malaysia RM'000	Other Countries RM'000	Discontinued operations RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
Sales to external Customers	57,044	33,269	12,219	-	102,532
Other segmental information					
Segment assets	177,500	41,288	3,975	(107,368)	115,395
Segment liabilities	(61,334)	(18,010)	(340)	37,142	(42,542)
Total capital Expenditure					
- Property, plant and Equipment	19,175	1,692	45	-	20,912

Year To Date ended 31 December 2011

	Malaysia RM'000	Other Countries RM'000	Discontinued operations RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
Sales to external Customers	47,385	28,228	9,955	-	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

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 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 31.12.2012 RM'000	**As at 30.6.2012 RM'000**
Corporate guarantee	204	58

A12. **Subsequent Events**

There was no material event subsequent to the current quarter ended 31 December 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 31 December 2012, Malaysian revenue increased by 12.4% to RM 28.53 million from RM 25.37 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 1.01 million for the 3 months ended 31 December 2012 as compared to a profit before tax of RM 0.093 million for the corresponding period of the preceding financial year. The improvement in performance was due mainly to higher sales and lower operating expenses.

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

For the 3 months ended 31 December 2012, revenue for the other countries increased by 28.8% to RM 17.30 million from RM 13.44 million achieved in the corresponding period of the preceding financial year.

Other countries recorded a profit before tax of RM 0.83 million for the 3 months ended 31 December 2012 as compared to a loss before tax of RM 0.43 million for the corresponding period of the preceding financial year. The improvement in performance was due mainly to higher sales achievements.

<u>Current 6 months results against corresponding 6 months period of the last financial year</u>

<u>Malaysia – Continuing Operations</u>

For the 6 months ended 31 December 2012, Malaysia revenue increased by 13.3% to RM 57.04 million from RM 50.33 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 2.28 thousand for the 6 months ended 31 December 2012 as compared to a profit before tax of RM 0.86 million for the corresponding period of the preceding financial year. The improvement in performance was due to higher sales achieved.

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

For the 6 months ended 31 December 2012, revenue for the other countries increased by 31.60% to RM 33.27 million from RM 25.28 million achieved in the corresponding period of the preceding financial year.

Other countries recorded a profit before tax of RM 1.71 million for the 6 months ended 31 December 2012 as compared to a loss before tax of RM 0.36 million for the corresponding period of the preceding financial year. The improvement in performance was due to higher sales and lower operating expenses which have resulted in higher operating profit.

B2. Comparison with preceding quarter results – continuing operations

Revenue for the Group increased from RM 44.87 million in the immediate preceding quarter to RM 45.83 million in this quarter due mainly to seasonal factors. The Group registered a profit before taxation of RM 1.84 million as compared to profit before tax of RM 1.99 million in the immediate preceding quarter as a result of higher operating expenses.

B3. **Commentary on Prospects**

The introduction of new products, coupled with improving global economic outlook has improved the performance of the Group. Control of operating costs continues to be a key management focus. Barring unforeseen circumstances, the Group expects the positive performance to continue for the rest 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**	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Depreciation of property, plant and equipment	(948)	(946)	(1,902)	(1,881)
Amortisation of prepaid lease payments	(15)	-	(30)	-
Rental expenses	(7,249)	(6,771)	(14,328)	(12,855)
Audit fee	(52)	(49)	(98)	(89)
Gain on disposal of property, plant and equipment	-	-	62	292
Property, plant and equipment written off	(70)	(80)	(195)	(161)
Allowance for doubtful debts no longer required	24	62	11	17
Reversal of Impairment loss on obsolete inventories	97	-	234	-
Impairment loss on obsolete inventories	-	(245)	-	(389)
Inventories written off	(319)	-	(421)	-
Gain on disposal of subsidiary	-	-	36	-
Share options expenses	(57)	(70)	(140)	(176)
Realised (loss)/gain on foreign exchange	500	(218)	391	(233)
Unrealised loss on foreign exchange	(414)	-	(544)	(82)
Fair value loss on derivatives instrument	(18)	-	(22)	-

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 31 December 2012.

B6. **Taxation**

	Quarter ended 31 Dec		**Year To Date ended 31 Dec**	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense:				
Income tax	696	40	1,186	346
Deferred tax	-	-	-	-
Total	696	40	1,186	346

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 last financial year, the Board of Directors had 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.

On 27 November 2012, the Board of Directors had decided to discontinue operations of another wholly owned indirect subsidiary, Ogawa International (Aust) Pty. Ltd due to unsatisfactory performance.

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

	Quarter ended 31 Dec		Year To Date ended 31 Dec	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loss for the period	(615)	(3,365)	(914)	(4,571)

B8. **Corporate proposal**

There was no corporate proposal announced and not completed as at the date of this announcement except for the followings:

(a) 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) Discontinued operations in Ogawa International (Aust) Pty. Ltd., a wholly owned indirect subsidiary of the Group. Following this decision to discontinue the operations, the assets and liabilities have been classified as assets and liabilities held for sale and are presented separately in the balance sheet while its operating results have been presented separately in the income statement.

(c) Disposal of the operating assets in Ogawa (Shanghai) Health-Care Equipment Co. Ltd., a wholly owned indirect subsidiary of the Group, 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 31 Dec		Year To Date ended 31 Dec	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	6,611	5,235	12,219	9,955
Interest income	2	1	2	4
Other operating income	-	146	108	278
Changes in inventories of trading merchandise	830	(62)	932	67
Trading merchandise purchased	(3,443)	(2,109)	(6,409)	(4,004)
Staff costs	(1,721)	(2,718)	(3,600)	(4,748)
Depreciation of property, plant and equipment	(322)	(364)	(467)	(722)
Finance costs	-	(2)	-	(4)
Other operating expenses	(2,572)	(3,492)	(3,699)	(5,397)
Loss before tax	(615)	(3,365)	(914)	(4,571)
Income tax expense	-	-	-	-
Loss for the period	(615)	(3,365)	(914)	(4,571)

	Quarter ended 31 Dec		Year To Date ended 31 Dec	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental expense	(1,160)	(846)	(1,984)	(1,716)
Reversal of impairment loss on obsolete inventories	36	-	189	-
Impairment loss on obsolete inventories	-	(622)	-	(636)
Allowance for doubtful debts	(2)	(104)	(1)	(104)
Audit fee	(14)	(15)	(29)	(32)
Property, plant and equipment written off	(4)	-	(4)	-
Impairment on property, plant and equipment	-	(296)	-	(296)
Share options expenses	(1)	(5)	(1)	(8)
Realised gain/(loss) on foreign exchange	(1)	(20)	7	(171)

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

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
Property, plant and equipment	45	53
Inventories	3,253	1,885
Other receivables and prepaid expenses	98	-
Short-term deposits with licensed bank	231	-
Cash and bank balances	348	-
	3,975	1,938

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

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
Other payables and accrued expenses	340	-

B9. **Group borrowings**

There was no other borrowing or debt securities in the Group as at 31 December 2012, except as disclosed below:-

Hire-purchase (secured)	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
Current portion	25	62
Non-current portion	-	-
TOTAL	25	62

B10. **Material litigation**

The Group is not engaged in any material litigation as of the date of this report.

The Company has been informed by its solicitors on 30 January 2013 that the Writ of Summons served by OSIM International Ltd and OSIM (M) Sdn Bhd against the Company, Healthy World Lifestyle Sdn Bhd ("HWL"), a wholly-owned subsidiary of the Company, and 5 employees and/or agents of the Company and/or HWL had been withdrawn.

B11. **Dividends**

No dividend has been recommended or declared for the current quarter under review (Q2 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 during the period, excluding treasury shares held by the Company.

	Current quarter 31.12.2012	**Preceding year corresponding quarter 31.12.2011**	**Financial period to-date 31.12.2012**	**Preceding year corresponding period to-date 31.12.2011**
Net profit /(loss) for the financial year attributable to equity holders of the Company (RM'000)	528	(3,745)	1,889	(4,412)
Number of ordinary shares ('000)	120,000	120,000	120,000	120,000
Weighted average number of ordinary shares ('000)	119,990	120,000	119,990	120,000
Basic earnings/(loss)per share (sen)	0.44	-3.12	1.57	-3.68

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 31.12.2012 RM'000	**As at 30.6.2012 RM'000**
Total retained earnings of the Company and its subsidiaries:		
- Realised	17,191	13,817
- Unrealised	7,054	375
	24,245	14,192
Consolidation adjustments	7,558	8,538
Total group retained earnings as per consolidated accounts	31,803	22,730