

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 2013 which were prepared under Malaysian Financial Reporting Standard (MFRS). 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 2013.

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 2013 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 10	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	1 January 2014
MFRS 12	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	1 January 2014
MFRS 127	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	1 January 2014
MFRS 132	Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)	1 January 2014
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)	1 January 2014
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)	1 January 2014

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 2013.

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:

Ordinary shares

The number of ordinary shares held as at 30 September 2013 is as follows:

	<u>No. of shares</u>	<u>Amount (RM)</u>
Balance as at 30 June 2013	120,000,000	60,000,000
Add: Issuance of equity shares by ESOS exercised	210,000	105,000
	<hr/>	<hr/>
Balance as at 30 September 2013	<u>120,210,000</u>	<u>60,105,000</u>

Treasury shares

The number of treasury shares held as at 30 September 2013 is as follows:

	<u>No. of shares</u>	<u>Amount (RM)</u>
Balance as at 30 June 2013	10,000	3,845
Add: Purchase of treasury shares	10,000	7,512
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Balance as at 30 September 2013	<u>20,000</u>	<u>11,357</u>

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 30 September 2013

	<u>Malaysia RM'000</u>	<u>Other Countries RM'000</u>	<u>Discontinued operations RM'000</u>	<u>Elimination RM'000</u>	<u>Consolidated RM'000</u>
Revenue					
Sales to external Customers	34,518	26,747	11	-	61,276
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other segmental information					
Segment assets	184,882	67,762	-	(112,367)	140,277
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Segment liabilities	(41,284)	(34,052)	-	25,707	(49,629)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total capital expenditure					
- Property, plant and Equipment	18,692	15,669	-	-	34,361
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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

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 Ogawa International (Aust) Pty Ltd ("Ogawa Australia"), a wholly-owned subsidiary of Healthy World Lifestyle Sdn Bhd, which in turn is a wholly-owned subsidiary of OWB had been voluntarily deregistered under Corporations Act 2001 on 28 August 2013 and ceased to be an indirect wholly-owned subsidiary of the Company.

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 the following:

	As at 30.9.2013 RM'000	As at 30.6.2013 RM'000
Corporate guarantee in respect of tenancy agreements entered into between its wholly owned subsidiary companies and the shopping complexes	107	139
Corporate guarantee given to financial institutions for facilities utilised by subsidiary companies	9,610	-
	<u>9,717</u>	<u>139</u>

A12. **Subsequent Events**

There was no material event subsequent to the current quarter ended September 30, 2013 except for the following:

- (a) On 10 October 2013, the Independent Advice Circular to Shareholders on the reasonableness and fairness of the Offer by AmInvestment Bank Berhad on behalf of Comfort Enterprise (Hong Kong) Co., Limited (“Offerer”), a wholly-owned subsidiary of Xiamen Comfort Science & Technology Group Co. Ltd. to acquire
 - i) all the ordinary shares of RM0.50 each in the Company (excluding treasury shares) (“OWB Share(s)”) not already held by the Offerer; and
 - ii) all the new OWB Shares that may be issued prior to the closing of the Offer arising from the exercise of outstanding options granted pursuant to OWB’s executives’ share option scheme (“ESOS”) (“ESOS Option”) for a cash consideration of RM1.05 per OWB Share had been dispatched to the shareholders.
- (b) On 17 October 2013, the Company received a press notice from AmInvestment Bank Berhad, on behalf of the Offeror, to notify that the Offeror had extended the closing date and time from 5.00 p.m. (Malaysia time) on 21 October 2013 to 5.00 p.m. (Malaysia time) on 4 November 2013.
- (c) On 28 October 2013, the Company received notification from AmInvestment Bank Berhad that the Offeror had received valid acceptances for 119,137,800 OWB shares representing approximately 93.86% of Ogawa issued and paid up share capital (excluding 20,000 treasury shares). In view of this, the Offer had become unconditional as to acceptances. In compliance with Section 25(3) of the Malaysian Code on Take-Overs and Mergers 2010, the Offer remained open for acceptances until 5.00 p.m. (Malaysian time) on Monday, 11 November 2013 (“**Extended Closing Date**”). In addition, the Offeror notified that they would invoke the provisions of subsection 222(1) of the Capital Markets and Services Act 2007 to compulsorily acquire any remaining Offer Shares for which acceptances have not been received under the Offer as they have received valid acceptances of not less than nine-tenths (9/10) in nominal value of the Offer Shares.
- (d) Arising from the above, as the public shareholding spread of Ogawa was below 10% of the total listed shares (excluding 20,000 treasury shares) and that the Offeror has no intention to maintain the listing status of Ogawa, pursuant to Paragraph 16.02(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), Bursa Securities had suspended trading in all the securities of Ogawa with effect from 9.00 a.m. on 6 November 2013.
- (e) On 8 November 2013, 807,000 units of additional OWB Shares were issued through the exercise of ESOS Options and listed on Main Board of Bursa Securities.
- (f) On 11 November 2013, the Company received a press notice from AmInvestment Bank Berhad, on behalf of the Offeror, to notify that the Offer had closed at 5.00 p.m. (Malaysian time) on Monday, 11 November 2013 (“**Final Closing Date**”). On the Final Closing Date, the Offeror held 124,993,918 OWB Shares, representing approximately 97.85% of the issued and paid-up share capital of Ogawa (excluding 20,000 treasury shares).
- (g) On 18 November 2013, 36,000 units of additional OWB Shares were issued through the exercise of ESOS Options and listed on Main Board of Bursa Securities.

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 2013, Malaysian revenue increased by 21.0% to RM 34.52 million from RM 28.52 million achieved in the corresponding period of the preceding financial year.

Malaysia registered a profit before tax of RM 4.10 million for the 3 months ended 30 September 2013 as compared to a profit before tax of RM 1.21 million for the corresponding period of the preceding financial year. The improvement in performance was due mainly to higher sales achieved.

Other Countries – Continuing Operations

For the 3 months ended 30 September 2013, revenue for the other countries increased by 63.6% to RM 26.75 million from RM 16.35 million achieved in the corresponding period of the preceding financial year.

Other countries recorded a profit before tax of RM 1.50 million for the 3 months ended 30 September 2013 as compared to a profit before tax of RM 0.78 million for the corresponding period of the preceding financial year. The improvement in performance was due mainly to higher sales achieved.

B2. Comparison with preceding quarter results – continuing operations

Revenue for the Group decreased from RM 78.40 million in the immediate preceding quarter to RM 61.26 million in this quarter due mainly to seasonal factors. The Group registered a profit before taxation of RM 5.65 million as compared to profit before tax of RM 11.88 million in the immediate preceding quarter as a result of lower sales and lower gross profit.

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 satisfactory 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		Year To Date ended	
	30 Sept		30 Sept	
	2013	2012	2013	2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Depreciation of property, plant and equipment	(1,123)	(955)	(1,123)	(955)
Amortisation of prepaid lease payments	(15)	(15)	(15)	(15)
Rental expenses	(8,496)	(7,255)	(8,496)	(7,255)
Audit fee	(87)	(48)	(87)	(48)
Gain/(loss) on disposal of property, plant and equipment	40	62	40	62
Property, plant and equipment written off	(90)	(125)	(90)	(125)
Bad debts written off	-	(1)	-	(1)
Allowance for doubtful debts	(44)	(12)	(44)	(12)
Reversal of impairment loss on obsolete inventories	85	157	85	157
Inventories written off	-	(102)	-	(102)
Gain on disposal of subsidiary	-	36	-	36
Staff costs	(12,363)	(10,448)	(12,363)	(10,448)
Share options expenses	(38)	(82)	(38)	(82)
Realised (loss)/gain on foreign exchange	362	(102)	362	(102)
Unrealised gain/(loss) on foreign exchange	(226)	(130)	(226)	(130)
Fair value gain/(loss) on derivatives instrument	5	(4)	5	(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 2013.

B6. Taxation

	Quarter ended 30 Sept		Year To Date ended 30 Sept	
	2013	2012	2013	2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense:				
Income tax	(1,486)	(490)	(1,486)	(490)
Deferred tax	-	-	-	-
Total	(1,486)	(490)	(1,486)	(490)

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, Xiamen Comfort Ogawa Trade Co. Ltd was set up on 6 August 2012 to jointly maintain, operate and expand "OGAWA" trademarks registered in China. Ogawa (Shanghai) Health-Care Equipment Co. Ltd. shall become a dormant company upon completion of this exercise.

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

	Quarter ended 30 Sept		Year To Date ended 30 Sept	
	2013	2012	2013	2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit/(Loss) for the period	(60)	(135)	(60)	(135)

B8. Corporate proposal

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

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

	Quarter ended 30 Sept		Year To Date ended 30 Sept	
	2013	2012	2013	2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	11	5,227	11	5,227
Other operating income	72	421	72	421
Changes in inventories of trading merchandise	-	61	-	61
Trading merchandise purchased	(5)	(2,786)	(5)	(2,786)
Staff costs	(32)	(1,737)	(32)	(1,737)
Depreciation of property, plant and equipment	-	(144)	-	(144)
Other operating expenses	(106)	(1,177)	(106)	(1,177)
Loss before tax	(60)	(135)	(60)	(135)
Income tax expense	-	-	-	-
Loss for the period	(60)	(135)	(60)	(135)

	Quarter ended 30 Sept		Year To Date ended 30 Sept	
	2013	2012	2013	2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Rental expense	(44)	(648)	(44)	(648)
Reversal of impairment loss on obsolete inventories	-	133	-	133
Allowance for doubtful debts no longer required	-	2	-	2
Audit fee	(13)	(12)	(13)	(12)

B9. Group borrowings

There was no other borrowing or debt securities in the Group as at 30 September 2013, except as disclosed below:-

	As at 30.9.2013 RM'000	As at 30.6.2013 RM'000
Long term loan (secured)		
Current portion	523	-
Non-current portion	9,087	-
TOTAL	9,610	-

B10. Material litigation

The Group is not engaged in any 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 FY2013: Nil).

B12. Earnings per share

	Current quarter 30.9.2013	Preceding year corresponding quarter 30.9.2012	Financial period to-date 30.9.2013	Preceding year corresponding period to-date 30.9.2012
Net profit for the financial year attributable to equity holders of the Company (RM'000)	4,126	1,361	4,126	1,361
Weighted average number of shares				
a) Basic	('000)	('000)	('000)	('000)
Number of ordinary shares	120,190	120,000	120,190	120,000
Weighted average number of ordinary shares in issue	120,030	120,000	120,030	120,000
b) Diluted earnings per share				
Weighted average number of ordinary shares in issue	120,030	120,000	120,030	120,000
Adjustment for assumed exercised of ESOS	2,697	-	2,697	-
Adjusted weighted average number of ordinary shares	122,727	120,000	122,727	120,000
Basic earnings/(loss) per share (sen)	3.44	1.13	3.44	1.13
Diluted earnings/(loss) per share (sen)	3.36	n/a	3.36	n/a

(Note: Weighted average number of ordinary shares in issue during the period excludes treasury shares held by the Company)

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 30.9.2013 RM'000	As at 30.6.2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	35,303	30,146
- Unrealised	6,568	6,568
	<u>41,871</u>	<u>36,714</u>
Consolidation adjustments	6,670	7,440
	<u>6,670</u>	<u>7,440</u>
Total group retained earnings as per consolidated accounts	<u>48,541</u>	<u>44,154</u>