

## **NOTES TO THE INTERIM FINANCIAL REPORT**

### **A1 Basis of preparation**

The interim financial report has been prepared in accordance with MASB 26 Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2003.

### **A2 Audit report**

The audit report of the Company's preceding annual financial statements was not qualified.

### **A3 Seasonal or cyclical factors**

The Group's operations were not significantly affected by any seasonal or cyclical factors during the quarter under review.

### **A4 Unusual items**

There were no unusual items during this quarter affecting assets, liabilities, equity, net income or cash flow.

### **A5 Changes in estimates of amount reported previously with a material effect in current interim period**

There were no estimations of amount used in our previous reporting which have a material impact in the current reporting period.

### **A6 Debt and equity securities**

There were no issuance and repayment of debts and equity securities during the current quarter under review.

### **A7 Dividends**

A first and final gross dividend of 4% per share less Malaysian Income Tax @ 28% for the year ended 31 December 2003 was paid on 30 July 2004.

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**A8 Segmental information**

Business segments information for the year ended 31 December 2004:-

	<b>Electronic trading RM'000</b>	<b>Engineering services RM'000</b>	<b>Building materials RM'000</b>	<b>Bedding products RM'000</b>	<b>Consumer Foods RM'000</b>	<b>Investments RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>								
External revenue	19,682	71,620	33,986	49,331	87,918	8,207	(3,181)	267,563
<b>Result</b>								
Profit/(Loss) from Operation	(4,345)	8,265	3,990	6,560	12,050	24,894	-	51,414
Finance costs								(12,228)
Investing results								-
Profit before taxation								39,186
Taxation								(8,203)
Profit after taxation								30,983
Minority interest								(1,250)
Net profit for the period								<b>29,733</b>
<b>Other information</b>								
Segment assets	-	-	55,823	99,325	113,859	194,086	-	<b>463,093</b>
Segment liabilities	-	-	(30,858)	(27,479)	(29,008)	(148,755)	-	(236,100)
Tax payable	-	-	(408)	(45)	(238)	27	-	(664)
Deferred taxation	-	-	(127)	(4,211)	(2,422)		-	(6,760)
Total consolidated liabilities								<b>(243,524)</b>
Capital expenditure on property, plant and equipment	1	253	289	1,917	780	381	-	3,621
Depreciation	398	822	352	2,233	2,722	1,079	-	7,606
Property, plant and equipment written off	2	18	-	-	-	-	-	20

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**A9 Revaluations**

There were no amendments in the valuation amount of revalued assets brought forward to the current quarter.

**A10 Material events subsequent to the end of the reporting period**

There was no material events subsequent to the end of the quarter reported at the date of issuance of this report.

**A11 Changes in composition of the Group**

On 8 December 2004, the Company completed the disposal of its entire 51% equity interest in Kumpulan O'Connor's (Malaysia) Sdn Bhd (KOM) to O'Connor's Holdings Pte Ltd. With the disposal, KOM had ceased to be a subsidiary of the Company.

**A12 Contingent liabilities or assets**

There were no third party contingent liabilities entered into by the Company during the current quarter under review.

Under the terms of the Sale and Purchase Agreements with Ample Term Sdn Bhd ("ATSB") for the disposals of Rantai Pesona Sdn Bhd ("RPSB") and Linear Profile Sdn Bhd ("LPSB"), ATSB shall within twelve (12) months from the completion of the said Agreements cause the Company to be released and/or discharged as a guarantor for any debts of RPSB and LPSB owing to Bank Islam Malaysia Berhad under cash note facilities amounting to RM13,287,016.

**B1 Review of performance**

In the fourth quarter, the Group reported a decrease of 44% in revenue to RM44.8 million as compared to RM80.5 million in the preceding corresponding period. For the full year, the Group reported total revenue of RM267.6 million, a decline of 27% as compared to RM365.7 million in the preceding corresponding year.

The decline in revenue is primarily attributable to Kumpulan O'Connor's (Malaysia) Sdn Bhd ("KOM") that had ceased operations of its consumer electronic division in September 2004 and the deconsolidation of KOM from the results of the Group as of 30 November 2004. Total consolidated revenue of KOM for 2004 was approximately RM94.9 million as compared to RM183.4 million previously. Group revenue was

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also affected by the decline witnessed in the Consumer Food Division which reported total revenue of RM87.9 million as compared to RM96.6 million previously. The decline is attributable to an 11% increase in prices of instant noodles coupled with tough trading conditions as a result of dumping practices by parallel importers of instant noodles. The Bedding Division also reported marginally lower revenues as a result of an increase in product prices in order to reflect higher material cost.

Group profit before tax increased by 104% to RM39.2 million primarily due to the gain on disposal of the Group's 51% equity interest in KOM of RM24.3 million that was completed in December 2004. Operating profit for the Consumer Food and Bedding Division declined as a result of lower revenues while the Building Materials Division reported higher profits as compared to the preceding year.

In the opinion of the Board of Directors, the results of the current quarter ended 31 December 2004 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

**B2 Comparison of profit before tax for the current quarter with immediate preceding quarter**

	<b>Current quarter 31/12/04 RM'000</b>	<b>Immediate preceding Quarter 30/09/04 RM'000</b>
Revenue	44,845	78,365
Consolidated profit before taxation	<u>25,430</u>	<u>5,909</u>

The Company registered a higher pre-tax profit of RM25.4 million for the current quarter compared to RM5.9 million in the immediate preceding quarter. The increase is mainly due to the gain on disposal of KOM.

**B3 Current year prospects**

The Group remains optimistic on the outlook for the next financial year ending 31 December 2005. The Group is expected to perform satisfactorily in the next financial year.

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**B4 Explanation on variances of actual results compared with forecasted and shortfall in profit guarantee.**

Not applicable

**B5 Taxation**

	<b>Current quarter</b>	<b>Cumulative current year to date</b>
	<b>31/12/04</b>	<b>31/12/04</b>
	<b>RM'000</b>	<b>RM'000</b>
Current Taxation	1,152	7,757
(Over)/under Taxation	-	-
Deferred Taxation – Current	327	446
Deferred Taxation – Prior	-	-
	<u><b>1,479</b></u>	<u><b>8,203</b></u>

The effective tax rate on the Group's profit is lower than the statutory tax rate due to tax exempt on the capital gain of disposal of KOM.

**B6 Profit/(losses) on sales of unquoted investments and properties**

In December 2004, the Company completed the disposal of KOM which resulted in Other Operating Gain of RM24.3 million (2003: NIL).

**B7 Purchases and/or sales of quoted securities**

Investments in quoted securities as at 31 December 2004 are as follows:

	<b>RM</b>
At cost	137,314
Less: Provision for diminution in value	<u>(17,978)</u>
At carrying value	<b>119,336</b>
At market value	<u><u>17,855</u></u>

Included in the disposal of KOM, there were quoted securities of RM214,482 (write down value: RM55,797) for the current quarter under review.

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**B8 (a) Status of corporate proposal**

There are no corporate proposals announced but not completed as at the date of this announcement.

**(b) Status of the Utilisation of Proceeds raised from corporate proposals**

The total gross proceeds of RM37,400,000 arising from the Rights Issue are utilised in the following manner:-

	<b>Proposed Utilisation RM'000</b>	<b>Utilised as at 31.12.2004 RM'000</b>	<b>Balance Unutilised RM'000</b>
Defrayment of expenses incidental to the Corporate Exercise	2,000	534	1,466
Repayment of bank borrowings	18,625	-	18,625
Working capital	16,775	-	16,775
<b>Total</b>	<b>37,400</b>	<b>534</b>	<b>36,866</b>

**B9 Group borrowings and debts securities**

Bank borrowings as at the end of this quarter:-

	<b>Secured RM'000</b>
<b>Short Term Borrowings</b>	
Hire Purchase Creditors	1,140
Bank Overdrafts	15,454
Banker Acceptances/Trust Receipts	31,672
Term Loans	1,378
	<b>49,644</b>
<b>Long Term Borrowings</b>	
Hire Purchase Creditors	1,754
Term Loans	46,964
Fixed Rate Serial Bond	105,000
	<b>153,718</b>

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**B10 Off balance sheet financial instruments**

There were no financial instruments negotiated with off balance sheet risk at the date of issuance of this report.

**B11 Material litigation**

- (a) On 20 March 2002, OCB's solicitors on behalf of OCB received a Writ of Summons (Suit No. D4-22-381-2002) and a Summons in Chambers (Inter-Partes) filed by O'Connor's Holdings Pte Ltd(OHP) seeking the following:
- (i) An injunction to restrain OCB by itself and/or its servants and/or its agents or otherwise howsoever arising from convening an EGM with the objective of voting on the Shareholders' Agreement dated 10 April 1997 entered into between OHP and OCB in respect of KOM ("SA");
  - (ii) A declaration that the SA is valid and binding on OCB;
  - (iii) An order that OCB do observe, perform, comply and fulfil all its obligations under the SA;
  - (iv) Costs; and
  - (v) Such other or further relief that the Court deems fit.

OCB had on 17 December 2002 filed an appeal in the Court of Appeal vide appeal No.2-6-2003 against the decision of the High Court Judge granting an interim injunction against OCB holding an EGM of its members for the purpose of voting on the SA.

- (b) On 18 July 2002, OCB received an Originating Petition (Suit No. D2-26-39-2002) filed by OHP. The particulars of the Originating Petition are as follows:
- (i) That an order be granted pursuant to Section 6.04 of the SA to independently determine the Net Tangible Assets ("NTA") value of KOM;
  - (ii) That an order be granted to direct OCB to sell its shares in KOM to OHP; and
  - (iii) Further or other order, remedy or relief, which the High Court of Malaya deems necessary.

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- (c) On 18 December 2002, OCB filed an Originating Petition (Suit No. D1-26-81-2002) against OHP for the following:
- (i) An order that shares of KOM held by OHP be purchased by OCB at the audited NTA of KOM as at 30 September 2002;
  - (ii) An order that the purchase be completed within 30 days from the date of the order herein;
  - (iii) An order that all nominee directors of OHP in KOM and/or their alternates, all officers, employees, staff or otherwise appointed, nominated or otherwise by OHP shall cease employment in KOM and its subsidiaries upon the completion of the purchase of the shares of OHP in KOM by OCB;
  - (iv) Costs of and incidental to this Petition; and
  - (v) Any further and/or other relief as the Courts deems fit.

Pursuant to the Proposed KOM Disposal, OCB and OHP had on 25 February 2004 entered into a Settlement Agreement in relation to the stay discontinuance and withdrawal of the legal actions between OCB and OHP (“Settlement Agreement”).

On 13 December 2004, OCB announced that all the above legal actions have been discontinued and the Notices of Discontinuance have been filed by OCB and OHP respectively.

**B12 Dividends**

No interim dividend has been declared for the current quarter ended 31 December 2004.



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**B13 Earnings per share**

(I) Basic earnings per share

The basic earnings per share is calculated by dividing the Group's net profit for the current quarter by the weighted number of ordinary shares in issue during the said quarter.

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current year to date</b>	<b>Preceding year Corresponding period</b>
	<b>31/12/04 RM'000</b>	<b>31/12/03 RM'000</b>	<b>31/12/04 RM'000</b>	<b>31/12/03 RM'000</b>
Net profit for the quarter	24,316	2,336	29,733	7,564
Number of shares in issue	74,800	45,688	74,800	45,688
Basic earnings per share (sen)	32.51	5.11	39.75	16.56

Notes:

Rights issue of 37,400,000 ordinary shares of RM1.00 each and Bonus issue of 18,700,000 ordinary shares of RM1.00 each have been completed on 30 September 2004 and have been included in the calculation of the weighted average from 1 October 2004.

(II) Diluted earnings per share

Not applicable.

Dated: 28 February 2005  
 Petaling Jaya