

NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial report has been prepared in accordance with Financial Reporting Standards (“FRS”) 134 - Interim Financial Reporting (formerly known as MASB 26) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

Changes in accounting policies

The significant accounting policies and methods of computation adopted by the Company in this interim financial statement as stated below are consistent with those adopted in the annual financial statements for the year ended 31 December 2005, except for the adoption of new/revised Financial Reporting Standards (“FRS”) effective for financial statements commencing 1 January 2006, and early adoption of two (2) other standards, namely FRS 117 – Leases and FRS 124 – Related Party Disclosures, which should be applied for annual periods beginning on or after 1 October 2006:-

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of all FRS mentioned above does not have a significant impact on the Group.

The principal effects of the changes in accounting policies resulting from the adoption of applicable new/revised FRS are discussed under note (a), (b) and (c) below:-

(a) FRS 117 – Leases

With the adoption of FRS 117 as from 1 January 2006, the leasehold interest in the land held for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

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Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively in accordance with FRS 117 by restating the balance sheet presentation as of 31 December 2005 as illustrated below:-

	Previously stated	Effects of changes in accounting policy	Restated
	RM'000	RM'000	RM'000
Balance sheet as at 31 December 2005			
Non-current assets			
Property, plant and equipment	76,643	(7,920)	68,723
Prepaid lease payments	-	7,822	7,822
Current assets			
Prepaid lease payments	-	98	98

(b) FRS 3 – Business Combinations

With effect from 1 January 2006, in accordance with FRS 3, amortisation of positive goodwill is no longer allowed. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognized when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

In addition, FRS 3 requires that if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

During the quarter under review, negative goodwill amounted to RM1.1 million arising from the consolidation of the accounts of Enigma Sinar Sdn Bhd, a 80%-owned subsidiary of the Company (Please refer Note A11), with that of the Group was recognised in the income statement.

(c) FRS 101 – Presentation of Financial Statements and FRS 127 – Consolidated and Separate Financial Statements

In previous years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interest in the results of the Group for the year was also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders of the Company.

With effect from 1 January 2006, in order to comply with FRS 101 and FRS 127, minority interest at the balance sheet date has been presented in the consolidated balance sheet within the equity, separately from the equity attributable to the equity holders of the Company, and minority interest in the results of the Group for the period has been presented in of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interest and the equity holders of the Company.

The presentation of minority interest in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

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 report which have a material impact in the current reporting period.

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A6 Debt and equity securities

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

A7 Dividends

No dividend was paid during the current quarter.

A8 Segmental information

Business segments information for the year ended 31 March 2006:-

	Building materials	Bedding products	Consumer foods	Investments	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	8,302	12,755	20,999	114	(64)	42,106
Result						
Profit/(Loss) from operation	937	1,386	2,515	903	-	5,741
Finance costs						(2,288)
Investing results						-
Profit before taxation						3,453
Taxation						(1,084)
Net profit for the period						2,369
Other information						
Segment assets	58,210	93,743	121,312	131,340	-	404,605
Segment liabilities	(25,246)	(27,498)	(31,796)	(97,285)	-	(181,825)
Capital expenditure on property, plant and equipment	-	-	190	-	-	190
Depreciation	93	574	635	61	-	1,363

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

Save as disclosed below, there were no material events subsequent to the end of the quarter reported at the date of issuance of this report.

On 7 April 2006, the Group had announced that ESSB, a 80%-owned subsidiary of the Company, had on 3 April 2006 disposed 5,000,000 ordinary shares of RM1.00 each in QSR Brands Berhad ("QSR Shares") representing 2.08% of QSR's issued and paid-up share capital of QSR via off-market transaction at a price of RM3.20 per QSR Share for a total cash consideration of RM16.0 million. The gain arising from the disposal is approximately RM2.0 million.

A11 Changes in composition of the Group

Enigma Sinar Sdn Bhd ("ESSB") became a subsidiary of the Company following the completion on 27 March 2006 of the acquisition by the Company of 80% equity interest in ESSB .

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

The Group recorded a marginal increase of 2% in revenue to RM42.1 million for the current quarter as against RM41.4 million in the preceding year corresponding quarter. The increase is mainly due to stronger sales recorded by the building materials and bedding products divisions.

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The building materials division witnessed an increase of 24% in revenue to RM8.3 million as against RM6.7 million in the preceding year corresponding quarter due to higher completion of projects.

The bedding products division also reported an increase of 7% in revenue to RM12.8 million against RM12.0 million in the preceding year corresponding quarter.

However, the consumer foods division reported a decrease of 4% in revenue to RM21.0 million against RM21.8 million in the preceding year corresponding quarter.

In terms of profitability, the Group's profit before tax registered an increase of 16% to RM3.5 million. This was primarily due to the changes in accounting policies where negative goodwill arising from business combination amounting to RM1.1 million was recognised immediately in the income statement.

All the three divisions showed lower profit before tax due to lower margins and higher promotional expenses.

Bedding products division showed a decrease of 20% in profitability during the first quarter against the preceding year corresponding quarter. Likewise, building materials division and consumer foods division showed a decrease of 18% and 10% respectively.

In the opinion of the Board of Directors, the results of the current quarter ended 31 March 2006 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

	Current quarter	Immediate preceding quarter
	31/03/06	31/12/05
	RM'000	RM'000
Revenue	42,106	44,380
Consolidated profit before taxation	3,453	2,753

The Company registered a higher pre-tax profit of RM3.5 million for the current quarter as compared to RM2.8 million in the immediate preceding quarter mainly due to changes in accounting policies.

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B3 Current year prospects

The Group remains optimistic on the outlook for the financial year ending 31 December 2006. The Group is expected to perform satisfactorily in the current financial year.

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

Not applicable.

B5 Taxation

	Current quarter	Cumulative current year to date
	31/03/06 RM'000	31/03/06 RM'000
Current taxation	1,084	1,084
(Over)/under taxation	-	-
Deferred taxation – Current	-	-
Deferred taxation – Prior	-	-
	1,084	1,084

The effective tax rate on the Group's profit is higher than the statutory rate due to certain expenses disallowed by the Inland Revenue Board and there is no Group relief on losses incurred within the group of companies.

B6 Sales of unquoted investments and properties

There were no sales of unquoted investments or properties transacted for the current quarter under review.

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B7 Purchases and sales of quoted securities

Investments in quoted securities as at 31 March 2006 were as follows:-

	RM'000
At cost	58,578
Less: Provision for diminution in value	<u>(18)</u>
At carrying value	58,560
At market value	<u>62,563</u>

There was no sale of quoted securities for the current quarter under review.

B8 (a) Status of corporate proposal

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

(b) Status of the utilisation of proceeds

The total gross proceeds of RM37.4 million arising from the Rights Issue have been utilised in the following manner:-

	Proposed utilisation	Utilised as at 29.05.2006	Balance unutilised
	RM'000	RM'000	RM'000
Defrayment of expenses incidental to the Corporate Exercise	2,000	2,000	-
Repayment of bank borrowings	18,625	11,095	7,530
Working capital	16,775	16,775	-
Total	<u>37,400</u>	<u>29,870</u>	<u>7,530</u>

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B9 Group borrowings and debts securities

Bank borrowings as at the end of this quarter:-

	Secured
	RM'000
Short-term borrowings	
Hire purchase creditors	1,118
Bank overdrafts	17,238
Banker acceptances/trust receipts	22,298
Term loans	1,345
	<u>41,999</u>
Long-term borrowings	
Hire purchase creditors	850
Term loans	45,360
Fixed rate serial bonds	55,000
	<u>101,210</u>

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

Save as disclosed below, as at 29 May 2006, OCB and/or its subsidiaries are not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Group:-

(i) Kuala Lumpur High Court Originating Summons No. D2-24-315-2005 brought by QSR Brands Berhad (“QSR”) (“Plaintiff”) against ESSB and 5 Others (“Defendants”)

On 30 August 2005, ESSB received an Originating Summons (Suit No. D2-24-315-2005) filed by QSR seeking inter-alia declaratory orders that the Extraordinary General Meeting of QSR (“EGM”) called by ESSB and RHB Nominees (Tempatan) Sdn Bhd (as nominee for Eagle Option) on 15 September 2005 was invalid being in breach of the Articles of Association of QSR. The other defendants named in the Originating Summons are Kulim (Malaysia) Berhad, Wisdom Innovative Technology Sdn Bhd, OSK Nominees (Tempatan) Sdn Bhd, AmSec Nominees (Tempatan) Sdn Bhd and RHB Nominees (Tempatan) Sdn Bhd (“RHB Nominees”).

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QSR further filed an injunctive application on the same date seeking that ESSB and RHB Nominees, their directors, officers, servants, agents be restrained from holding or proceeding with the EGM called by ESSB and RHB Nominees or any adjournment thereof until Kulim (Malaysia) Berhad sends an offer document in accordance with section 13(7) of the Malaysian Code of Take-Overs and Mergers 1998 to the shareholders of QSR.

The High Court dismissed the injunctive application with costs on 15 September 2005.

QSR subsequently on 16 September 2005 lodged an appeal to the Court of Appeal against the High Court decision, which is registered as Civil Appeal No.W-02-1000-2005. The Court of Appeal has yet to fix a date of hearing for the appeal. No date has been fixed for hearing of the Originating Summons.

(ii) Kuala Lumpur High Court Originating Summons No. D2-24-321-2005 brought by Wisdom Innovative Technology Sdn Bhd and OSK Nominees (Tempatan) Sdn Bhd (“Plaintiffs”) against ESSB and 13 others (“Defendants”)

On 7 September 2005, ESSB received an Originating Summons (Suit No.D2-24-321-2005) filed by the Plaintiffs seeking in principal declaratory orders that the special notice issued by ESSB and the 2nd and 3rd Defendants on 18 August 2005 to convene an Extraordinary General Meeting (“EGM”) on 15 September 2005 is invalid, consequentially, ESSB and all the other defendants, their servants, agents, nominees and/or shareholders acting in concert with them, be restrained from moving, or proposing the proposed resolutions contained in the special notice dated 18 August 2005 at the intended EGM scheduled to be held on 15 September 2005.

The High Court dismissed the Originating Summons with costs on 13 September 2005.

The Plaintiffs subsequently on 14 September 2005 lodged to the Court of Appeal against the High Court decision, which is registered as Civil Appeal No. W-02-983-2005. The Court of Appeal has yet to fix a date of hearing for the appeal.

B12 Dividends

On 27 February 2006, the Board had proposed a first and final gross dividend of 2.5% per share less Malaysian Income Tax at 28% for the financial year ended 31 December 2005 subject to the approval of the shareholders of the Company at the Forty-Seventh Annual General Meeting of the Company to be held on 22 June 2006. (2004: 4.272% tax exempt).

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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.

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/03/06	31/03/05	31/03/06	31/03/05
	RM'000	RM'000	RM'000	RM'000
Net profit for the quarter	2,101	1,598	2,101	1,598
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (sen)	2.04	1.55	2.04	1.55

(II) Diluted earnings per share

Not applicable.

Dated: 29 May 2006
 Petaling Jaya