

# **OCB BERHAD**

**(Company No: 3465-H)**  
**(Incorporated in Malaysia)**

## **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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009. These 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 31 December 2009.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in audited financial statements for the financial year ended 31 December 2009, except for the following new and revised FRSs, IC interpretations and amendments to FRSs and IC interpretation which are applicable to its financial statements:

- FRS 7, Financial Instruments: Disclosures
- FRS 8, Operating Segments
- FRS 101, Presentation of Financial Statements (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Impairment and Interim Financial Reporting
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 127, Consolidated and Separate Financial Statements
- Amendments to FRS 132, Financial Instruments: Presentation
- Amendments to FRS 139, Financial Instruments: recognition and Measurement

The adoption of the above revised FRSs does not have significant impact on the interim financial statements of the Group.

### **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.

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### 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

No dividend was paid during the quarter under review.

### A8 Segmental information

Business segments information for the quarter ended 31 December 2010:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>						
External revenue	58,065	57,524	298,261	6,949	(7,011)	413,788
<b>Result</b>						
Profit/(Loss) from Operations	3,133	9,926	(5,215)	(3,483)		4,361
Finance costs						(7,058)
Investing results						-
Profit before taxation						(2,697)
Taxation						(3,775)
Net profit for the period						<b>(6,472)</b>
<b>Other information</b>						
Segment assets	68,687	80,199	127,454	65,762	-	342,102
Segment liabilities	(35,143)	(24,549)	(34,144)	(36,251)	-	(130,087)
Capital expenditure on property, plant and equipment	547	2,945	7,607	-	-	11,099
Depreciation	1,340	2,198	2,420	50	-	6,008

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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 were no materials events subsequent to the end of the quarter reported as at the date of issuance of this report.

### **A11 Changes in composition of the Group**

On 9<sup>th</sup> November 2010, OCB announced that Ibufood Corporation Sdn Bhd, a wholly-owned subsidiary had entered into a Sale and Purchase Agreement for the disposal of its entire 75% equity interest in Meetco (Malaysia) Sdn Bhd (“Meetco”) comprising 1,500,000 ordinary shares of RM1.00 each for a total sale consideration of Ringgit Malaysia Four Million and Five Hundred Thousand (RM4,500,000.00) to be satisfied wholly by cash (“Meetco Disposal”).

### **A12 Contingent liabilities or assets**

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

### **B1 Review of performance**

The Group recorded a decrease of 38% in revenue to RM77.6 million for the current quarter against RM124.5 million in the preceding year corresponding quarter.

The consumer foods division registered a decrease in revenue of 56% to RM42.6 million as compared to RM96.4 million in the preceding year corresponding quarter. The decrease is mainly due to disposal of the international trading business.

The building materials division witnessed an increase in revenue of 25% to RM18.3 million as against RM14.6 million in the preceding year corresponding quarter due to higher completion of projects.

Similarly, the bedding products division also reported a marginal increase in revenue of 1% to RM16.6 million as compared to RM16.5 million previously.

The Group registered a profit before tax of RM14.8 million compared to profit before tax of RM663,000 in the previous corresponding quarter.

The consumer foods division reported a profit before tax of RM14.2 million as compared to profit before tax of RM0.3 million in the preceding year corresponding quarter.

The bedding products division reported a profit before tax of RM1.9 million followed by the building materials division which reported a profit before tax of RM0.8 million for the current quarter.

In the opinion of the Board of Directors, the results of the year ended 31 December 2010 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

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

	Current quarter 31/12/10 RM'000	Immediate preceding quarter 30/09/10 RM'000
Revenue	77,593	128,174
Consolidated profit/(loss) before taxation	<u>14,846</u>	<u>(19,695)</u>

The Company registered a profit before tax of RM14.8 million for the current quarter as compared to a loss before tax of RM19.7 million in the immediate preceding quarter.

### B3 Current year prospects

The Board expects the performance of the Group for the next financial year ending 31 December 2011 to be very challenging in view of the current global economic conditions. The Group will continue to improve its performance through better operating efficiencies and cost control measures for its various divisions.

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

Not applicable

### B5 Taxation

	Current quarter 31/12/10 RM'000	Cumulative current year to date 31/12/10 RM'000
Current Taxation	1,712	3,970
(Over)/under Taxation	-	-
Deferred Taxation – Current	(199)	(195)
Deferred Taxation – Prior	-	-
	<u>1,513</u>	<u>3,775</u>

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.

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### B6 Sales of unquoted investments and properties

There were no sales of unquoted investments during the current quarter under review. The sale of property during the quarter under review is as follows:-

	Current quarter 31/12/10 RM'000	Cumulative current year to date 31/12/10 RM'000
Disposal of properties	2,800	8,400
Gain on disposal of properties	<u>943</u>	<u>706</u>

### B7 Purchases and sales of quoted securities

There was no purchase and sale of quoted securities during the quarter under review.

### B8 (a) Status of corporate proposal

As at 23 February 2011, there were no corporate proposals announced which were pending completion.

### (b) Status of Utilisation of proceeds arising from corporate proposal

The status of utilisation of the total sales proceeds of RM4.5 million arising from the Meetco Disposal is as follows:-

	Proposed Utilization RM'000	Utilised as at 23.02.2011 RM'000
Repayment of bank Borrowing	4,470	4,470
Expenses	30	30
<b>Total</b>	<u>4,500</u>	<u>4,500</u>

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### B9 Group borrowings and debts securities

Bank borrowings as at the end of the quarter:-

	<b>Secured RM'000</b>
<b>Short Term Borrowings</b>	
Hire purchase creditors	1,176
Bank overdrafts	17,292
Banker acceptances/trust receipts	26,822
Term loans	257
	<u>45,547</u>
 <b>Long Term Borrowings</b>	
Hire purchase creditors	1,197
Term loans	46,743
	<u>47,940</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 Retained earnings

With the purpose of improving transparency, Bursa Malaysia Securities Berhad had on 25 March 2010 and 20 December 2010 issued directives requiring all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realized and unrealized on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

The retained earnings as at reporting date may be analysed as follows:-

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
	<b>31/12/10</b>	<b>31/12/09</b>	<b>31/12/10</b>	<b>31/12/09</b>
Realised	99,891	104,366	20,741	20,834
Unrealised-Deferred tax	4,608	4,803	-	-
	<u>104,499</u>	<u>109,169</u>	<u>20,741</u>	<u>20,834</u>

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### B12 Material litigation

There was no material litigation against the Group as at the date of this report.

### B13 Dividends

No interim dividend has been declared for the current quarter.

### B14 Earnings per share

#### (I) Basic earnings per share

The basic earnings per share are 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 31/12/10 RM'000	Preceding year corresponding quarter 31/12/09 RM'000	Current year to date 31/12/10 RM'000	Preceding year corresponding period 31/12/09 RM'000
Net profit attributable to equity holders of the parent	10,109	(846)	(4,670)	(904)
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	9.83	(0.82)	(4.54)	(0.88)

#### (II) Diluted earnings per share

Not applicable.

Dated: 23 February 2011  
Petaling Jaya