

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 2010. 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 2010.

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 2010, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2011.

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

No dividend was paid during the quarter under review.

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A8 Segmental information

Business segments information for the quarter ended 30 June 2011:-

| | Building Materials RM'000 | Bedding Products RM'000 | Consumer Foods RM'000 | Investments RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---------------------------------|-------------------------------|-----------------------------|-----------------------|-----------------------|------------------------|
| Revenue | | | | | | |
| External revenue | 29,606 | 29,658 | 57,988 | 746 | (709) | 117,289 |
| Result | | | | | | |
| Profit/(Loss) from Operations | 2,549 | 4,712 | 1,464 | 156 | | 8,881 |
| Finance costs | | | | | | (2,673) |
| Investing results | | | | | | - |
| Profit before taxation | | | | | | 6,208 |
| Taxation | | | | | | (1,560) |
| Net profit for the period | | | | | | 4,648 |
| Other information | | | | | | |
| Segment assets | 66,508 | 79,453 | 113,069 | 61,121 | - | 320,151 |
| Segment liabilities | (30,219) | (21,765) | (27,731) | (28,056) | - | (107,771) |
| Capital expenditure on property, plant and equipment | 462 | 373 | 1,323 | - | - | 2,158 |
| Depreciation | 747 | 1,289 | 1,958 | 27 | - | 4,021 |

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

On 4 August 2011, Biz-Markas Sdn Bhd, a wholly-owned subsidiary of the Group, entered into a Sale and Purchase Agreement with Tamadun Cemerlang Sdn Bhd ("TCSB") to dispose to TCSB a piece of industrial land in Kota Damansara, Selangor Darul Ehsan for a cash consideration of RM12,206,376.00.

Apart from the above, there were no materials events subsequent to the end of the quarter reported as at the date of issuance of this report.

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A11 Changes in composition of the Group

The changes in the composition of the Group for the quarter under review are as follows:-

- i) On 31 May 2011, Ibufood Corporation Sdn Bhd (“ICSB”), a wholly-owned subsidiary, announced the further acquisition of 1,000,001 ordinary shares of RM1.00 each representing 22.22% equity interest in Biz-Allianz International (M) Sdn Bhd (“BAISB”) from the existing shareholders of BAISB at a total cash consideration of RM2,345,002.35.

With the acquisition, BAISB is now a wholly-owned subsidiary of ICSB.

- ii) On 31 May 2011, ICSB also announced the further acquisition of 1,000,001 ordinary shares of RM1.00 each representing 50.00% equity interest in Selera Citarasa Sdn Bhd (“SCSB”) from the existing shareholders of SCSB at a total cash consideration of RM1,944,000.00.

With the acquisition, SCSB is now a wholly-owned subsidiary of ICSB.

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 47% in revenue to RM60.3 million for the current quarter against RM113.3 million in the preceding year corresponding quarter.

The consumer foods division registered a decrease in revenue of 65% to RM30.2 million as compared to RM86.0 million in the preceding year corresponding quarter. The decrease is mainly due to disposal of the international trading business.

The bedding products division witnessed an increase in revenue of 4% to RM13.9 million as compared to RM13.4 million previously.

Similarly, the building materials division also reported an increase in revenue of 15% to RM16.1 million as against RM14.0 million in the preceding year corresponding quarter due to higher completion of projects.

The Group registered a profit before tax of RM4.0 million compared to profit before tax of RM0.2 million in the previous corresponding quarter.

The consumer foods division reported a profit before tax of RM1.1 million as compared to loss before tax of RM1.2 million in the preceding year corresponding quarter.

The bedding products division reported a profit before tax of RM1.7 million followed by the building materials division which reported a profit before tax of RM1.7 million for the current quarter.

In the opinion of the Board of Directors, the results of the quarter ended 30 June 2011 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 30/06/11 RM'000 | Immediate preceding quarter 31/03/11 RM'000 |
|-------------------------------------|--|--|
| Revenue | 60,284 | 57,005 |
| Consolidated profit before taxation | <u>4,050</u> | <u>2,158</u> |

The Company registered a profit before tax of RM4.0 million for the current quarter as compared to a profit before tax of RM2.2 million in the immediate preceding quarter. During the quarter, the Company has recognized a gain on disposal of properties of RM 1,390,000 and RM803,000 for consumer foods and building materials divisions respectively.

B3 Current year prospects

The Board expects the performance of the Group for the current 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 30/06/11 RM'000 | Cumulative current year to date 30/06/11 RM'000 |
|-----------------------------|--|--|
| Current Taxation | 1,042 | 1,560 |
| (Over)/under Taxation | - | - |
| Deferred Taxation – Current | - | - |
| Deferred Taxation – Prior | - | - |
| | <u>1,042</u> | <u>1,560</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 30/06/11 RM'000 | Cumulative current year to date 30/06/11 RM'000 |
|------------------------------|---------------------------------------|--|
| Disposal of property | - | 2,600 |
| Gain on disposal of property | - | <u>803</u> |

B7 Purchases and sales of quoted securities

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

B8 Status of corporate proposal

There was no corporate proposal announced during the quarter under review.

B9 Group borrowings and debts securities

Bank borrowings as at the end of the quarter:-

| | Secured RM'000 |
|-----------------------------------|-------------------|
| Short Term Borrowings | |
| Hire purchase creditors | 1,058 |
| Bank overdrafts | 13,130 |
| Banker acceptances/trust receipts | 28,359 |
| Term loans | <u>27,000</u> |
| | <u>69,547</u> |
| Long Term Borrowings | |
| Hire purchase creditors | 1,009 |
| Term loans | <u>10,408</u> |
| | <u>11,417</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

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

B12 Dividends

No interim dividend has been declared for the current quarter.

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B13 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 | Preceding year corresponding quarter | Current year to date | Preceding year corresponding period |
| | 30/06/11 RM'000 | 30/06/10 RM'000 | 30/06/11 RM'000 | 30/06/10 RM'000 |
| Net profit attributable to equity holders of the parent | 2,978 | (415) | 4,648 | 903 |
| Number of shares in issue | 102,850 | 102,850 | 102,850 | 102,850 |
| Basic earnings per share (Sen) | 2.90 | (0.54) | 4.52 | 0.74 |

(II) Diluted earnings per share

Not applicable.

B14 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:-

| | Group 30/06/2011 RM'000 | Group 30/06/2010 RM'000 |
|--------------|-------------------------------|-------------------------------|
| Realised | 112,023 | 113,606 |
| Unrealised | (2,871) | (3,534) |
| Total | 109,152 | 110,072 |

Dated: 24 August 2011
Petaling Jaya