

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.

Malaysia Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued the new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (“MFRS Framework”) consisting of accounting standards which are in line with the International Financial Reporting Standards issued by the International Accounting Standards Board. The MFRS Framework is effective for annual periods beginning on or after 1 January 2012.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the statement of financial position as at 1 January 2012 to amounts affecting the application of MFRS Framework.

The Group has commenced preliminary of assessment of the financial effects of the differences between FRS and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year 31 December 2011 could be different if prepared under the MFRS Framework.

The Group expects to be in position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

A2 Audit report

The audit report of the Company's preceding Annual Financial Statements was not qualified.

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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.

A8 Segmental information

Business segments information for the year ended 31 December 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	62,265	60,202	124,336	1,435	(1,410)	246,828
Result						
Profit/(Loss) from Operations	4,448	8,830	286	(436)		13,128
Finance costs	-	-	-	-	-	(5,159)
Investing results	-	-	-	-	-	-
Profit before taxation	-	-	-	-	-	7,969
Taxation	-	-	-	-	-	(2,774)
Net profit for the period	-	-	-	-	-	5,195
Other information						
Segment assets	66,780	86,322	121,592	61,520	-	336,214
Segment liabilities	(32,935)	(48,416)	(41,186)	(750)	-	(123,287)
Capital expenditure on property, plant and equipment	1,449	11,965	4,693	-	-	18,107
Depreciation	1,523	2,381	4,007	49	-	7,960

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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

There were no changes in the composition of the Group for the quarter under review.

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

For the current fourth quarter

The Group recorded revenue of RM70.3 million and pre-tax profit of RM1.2 million in the current quarter ended 31 December 2011 as compared to revenue of RM79.0 million and a pre-tax profit of RM14.0 million reported in the preceding year corresponding quarter. The lower revenue recorded was mainly due to disposal of the international trading business by the consumer foods division. Both bedding products and building materials division also reported lower revenue of 4% and 6% respectively.

The drop in pre-tax profit was mainly due to recognition of gain on disposal of subsidiary company in the preceding year corresponding quarter in the consumer foods division. Similarly, building materials division reported lower pre-tax profit due to lower average products selling price in the quarter. However, bedding products division reported better pre-tax margin due to higher operating margin in the current quarter.

For current financial year to date

The Group recorded revenue of RM246.8 million and pre-tax profit of RM8.0 million in the current year ended 31 December 2011 as compared to revenue of RM415.2 million and a pre-tax loss of RM3.6 million reported in the preceding year corresponding year. The lower revenue recorded was mainly due to disposal of the international trading business by the consumer foods division. However, both bedding products and building materials division reported higher revenue of 5% and 7% respectively.

The increase in pre-tax profit was mainly due to higher contribution from the building materials division and lower loss registered by the consumer foods division coupled with gain from disposal of fixed assets. However, bedding products reported lower profitability due to higher operating and selling expenses for the year.

In the opinion of the Board of Directors, the results of the year ended 31 December 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 Material changes in the quarterly results compared to the results of the preceding quarter

The Group recorded revenue of RM70.3 million and pre-tax profit of RM1.2 million in the current quarter ended 31 December 2011 as compared to revenue of RM59.2 million and a pre-tax profit of RM0.6 million reported in the immediate preceding quarter

The higher revenue recorded was mainly higher sales from all the three divisions. The higher pre-tax profit was mainly due to higher operating margin from bedding products division.

B3 Future prospects

The Board expects the performance of the Group for the next financial year ending 31 December 2012 to be 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	Cumulative current
	31/12/11	year to date
	RM'000	31/12/11
		RM'000
Current Taxation	747	2,740
(Over)/under Taxation	-	-
Deferred Taxation – Current	34	34
Deferred Taxation – Prior	-	-
	<u>781</u>	<u>2,774</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.

B6 Status of corporate proposal

There was no corporate proposal announced which has not been completed as at 27 February 2012.

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B7 Group borrowings and debts securities

Bank borrowings as at the end of the year:-

	Secured RM'000
Short Term Borrowings	
Hire purchase creditors	1,248
Bank overdrafts	12,831
Banker acceptances/trust receipts	33,610
Term loans	4,099
	<u>51,788</u>
Long Term Borrowings	
Hire purchase creditors	582
Term loans	31,069
	<u>31,651</u>

B8 Material litigation

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

B9 Dividends

No interim dividend has been declared for the current quarter.

B10 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
	31/12/11 RM'000	31/12/10 RM'000	31/12/11 RM'000	31/12/10 RM'000
Net profit attributable to equity holders of the parent	413	9,928	5,195	(4,665)
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	0.40	9.65	5.05	(4.54)

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(II) Diluted earnings per share

Not applicable.

B11 Notes to the statement of comprehensive income

Profit/(Loss) of the period/year is arrived at after charging/(crediting):

	Current year quarter 31/12/2011 RM'000	Current year to date 31/12/2011 RM'000
Interest income	(74)	(93)
Depreciation and amortization	2,183	7,960
Provision for and write off of receivables	-	1,229
Provision for and write off of inventories	109	109
Gain or loss on disposal of quoted investment or properties	-	(2,193)
Impairment of assets	-	140
Foreign exchange gain or loss	-	-
Gain or loss on derivatives	-	-
Exceptional items	-	-

B12 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 of the Group earnings as at reporting date may be analysed as follows:-

	Group 31/12/2011 RM'000	Group 31/12/2010 RM'000
Realised	112,604	107,375
Unrealised	(2,905)	(2,871)
Total	109,699	104,504

Dated: 27 February 2012
Petaling Jaya