

# **OCB BERHAD**

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

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

### **A1 Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MBSB”) and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011. The 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 2011.

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 2011, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2012.

The Group has adopted the Malaysian Financial reporting Standards (“MFRS”) framework issued by MASB with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. There has been no material impact upon the adoption the MFRS on the interim financial statements of the Group.

The Group has also adopted all the new and revised MFRS and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2012. The adoption of these standards, amendments and interpretations has not resulted in any material impact to these interim financial statements.

### **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 30 June 2012:-

	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	33,385	30,559	67,531	676	(705)	131,446
<b>Result</b>						
Profit/(Loss) from Operations	2,145	5,558	8,578	(53)		16,228
Finance costs						(2,101)
Investing results						-
Profit before taxation						14,127
Taxation						(1,831)
Net profit for the period						<b>12,296</b>
<b>Other information</b>						
Segment assets	65,651	89,200	124,192	63,769	-	342,812
Segment liabilities	(31,038)	(47,459)	(39,019)	(396)	-	(117,912)
Capital expenditure on property, plant and equipment	72	1,645	16	-	-	1,733
Depreciation	789	1,277	2,115	19	-	4,200

### A9 Revaluations

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

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### **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 26 July 2012, Kaisercorp Sdn Bhd , a wholly-owned subsidiary of the Company has acquired one ordinary share of SGD1.00 in First Knight (Singapore) Pte Ltd (“FKSPL”) representing 100% of the issued and paid up share capital in FKSPL, at a cash consideration of SGD1.00 only. FKSPL is now an indirect wholly-owned subsidiary of OCB Berhad.

### **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 second quarter

The Group recorded revenue of RM74.6 million and pre-tax profit of RM12.8 million in the current quarter ended 30 June 2012 as compared to revenue of RM60.3 million and a pre-tax profit of RM4.0 million reported in the preceding year corresponding quarter. The higher revenue recorded was mainly due to higher revenue registered from all the divisions. Consumer foods division and bedding products division reported an increase in revenue of 30% and 17% respectively due to higher sales volume, whereas building materials division reported higher revenue of 19% mainly due to higher job recognition.

The increase in pre-tax profit was mainly due to recognition of gain on disposal of fixed asset of RM8.1 million and improvement of margin contribution from bedding products division.

#### For the current financial year to date

The Group recorded revenue of RM131.4 million and pre-tax profit of RM14.1 million in the 6-month period ended 30 June 2012 as compared to revenue of RM117.3 million and a pre-tax profit of RM6.2 million reported in the preceding year corresponding period. The higher revenue recorded was mainly due to higher revenue registered from all the divisions. Consumer foods division and bedding products division reported an increase of 16% and 3% in revenue respectively due to higher sales volume, whereas building materials division reported higher revenue of 13% mainly due to higher job recognition.

The increase in pre-tax profit was mainly due to recognition of gain on disposal of fixed asset of RM8.1 million and improvement of margin contribution from bedding products division.

In the opinion of the Board of Directors, the results of the year ended 30 June 2012 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 RM74.6 million and pre-tax profit of RM12.8 million in the current quarter ended 30 June 2012 as compared to revenue of RM56.9 million and a pre-tax profit of RM1.4 million reported in the immediate preceding quarter

The higher revenue recorded was mainly due to higher revenue registered from all the three divisions.

The increase in pre-tax profit was mainly due to recognition of gain on disposal of fixed asset of RM8.1 million and improvement of margin contribution from bedding products and building materials division.

### **B3 Future prospects**

The Board expects the performance of the Group for the current financial year ending 31 December 2012 to be challenging in view of the current global economic conditions. The performance of the Group will depend substantially on the market demand, fluctuation of raw materials prices, operating efficiencies and cost controls measures of its various divisions.

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

Not applicable

### **B5 Taxation**

	Current quarter	Cumulative current
	30/06/12	year to date
	RM'000	30/06/12
		RM'000
Current Taxation	1,260	1,831
(Over)/under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>1,260</u>	<u>1,831</u>

The effective tax rate on the Group's profit is lower than the statutory rate due to contribution from gain on disposal of fixed asset which is non-taxable.

### **B6 Status of corporate proposal**

There was no corporate proposal announced which has not been completed as at 29 August 2012.

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### B7 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	1,205
Bank overdrafts	13,245
Banker acceptances/trust receipts	28,789
Term loans	4,624
	<u>47,863</u>
<b>Long Term Borrowings</b>	
Hire purchase creditors	303
Term loans	29,780
	<u>30,083</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.

	<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>30/06/12 RM'000</b>	<b>30/06/11 RM'000</b>	<b>30/06/12 RM'000</b>	<b>30/06/11 RM'000</b>
Net profit attributable to equity holders of the parent	11,490	2,978	12,296	4,648
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	11.17	2.90	11.96	4.52

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### (II) Diluted earnings per share

Not applicable.

### B 11 Notes to the statement of comprehensive income

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

	Current year quarter 30/06/2012 RM'000	Current year To date 30/06/2012 RM'000
Interest income	24	42
Depreciation and amortization	2,114	4,200
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted investment or properties	(8,145)	(8,145)
Impairment of assets	-	-
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 earnings as at reporting date may be analysed as follows:-

	Group 30/06/2012 RM'000	Group 30/06/2011 RM'000
Realised	124,633	112,112
Unrealised	(2,960)	(2,960)
<b>Total</b>	<b>121,673</b>	<b>109,152</b>

Dated: 29 August 2012  
Petaling Jaya