

# **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 31 December 2012:-

|   | Building<br>Materials<br>RM'000 | Bedding<br>Products<br>RM'000 | Consumer<br>Foods<br>RM'000 | Investments<br>RM'000 | Elimination<br>RM'000 | Consolidated<br>RM'000 |
|---|---------------------------------|-------------------------------|-----------------------------|-----------------------|-----------------------|------------------------|
| <b>Revenue</b>  |                                 |                               |                             |                       |                       |                        |
| External revenue  | 64,777                          | 61,110                        | 141,306                     | 1,350                 | (1,410)               | 267,133                |
| <b>Result</b>   |                                 |                               |                             |                       |                       |                        |
| Profit/(Loss)<br>from Operations                              | 4,102                           | 9,948                         | 6,278                       | (777)                 |                       | 19,551                 |
| Finance costs   |                                 |                               |                             |                       |                       | (4,715)                |
| Investing results   |                                 |                               |                             |                       |                       | -                      |
| Profit before<br>taxation                                     |                                 |                               |                             |                       |                       | 14,836                 |
| Taxation  |                                 |                               |                             |                       |                       | (4,119)                |
| Net profit for the<br>period                                  |                                 |                               |                             |                       |                       | <b>10,717</b>          |
| <b>Other<br/>information</b>                                  |                                 |                               |                             |                       |                       |                        |
| Segment assets  | 63,479                          | 90,713                        | 114,864                     | 61,693                | -                     | 330,749                |
| Segment<br>liabilities  | (28,169)                        | (37,931)                      | (40,595)                    | (733)                 | -                     | (107,428)              |
| Capital<br>expenditure on<br>property, plant<br>and equipment | 244                             | 5,657                         | 4,575                       | -                     | -                     | 10,476                 |
| Depreciation  | 1,588                           | 2,514                         | 4,187                       | 37                    | -                     | 8,326                  |

### 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**

There were no changes in the composition of the Group during 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 RM71.8 million and pre-tax profit of RM0.1 million in the current quarter ended 31 December 2012 as compared to revenue of RM67.6 million and a pre-tax profit of RM0.8 million reported in the preceding year corresponding quarter. The higher revenue recorded was mainly due to increase in sales of 7% recorded by the consumer foods division. This was attributable to higher sales recorded from trading products.

Bedding products division reported flat revenue as compared to the previous corresponding quarter, whereas the building materials division reported lower revenue of 6%.

The Group's pre-tax profit was lower due to higher operating expenses and lower profit margins from the bedding products and building materials divisions. The consumer foods division reported higher losses compared to the preceding year corresponding quarter.

#### For the current financial year to date

The Group recorded revenue of RM267.1 million and pre-tax profit of RM14.84 million in the current financial year ended 31 December 2012 as compared to revenue of RM244.1 million and a pre-tax profit of RM7.6 million reported in the preceding financial year.

The higher revenue recorded was mainly due to increased revenue registered by all the three (3) divisions. Consumer foods and bedding products divisions reported increase in revenue of 14% and 2% respectively due to higher sales volume. The building materials division reported higher revenue of 4% 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 the bedding products division. The building products and consumer foods divisions reported lower margins and higher losses respectively for the year under review.

In the opinion of the Board of Directors, the results of the year ended 31 December 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 RM71.8 million and pre-tax profit of RM0.1 million in the current quarter ended 31 December 2012 as compared to revenue of RM63.9 million and a pre-tax profit of RM0.6 million reported in the immediate preceding quarter.

The higher revenue recorded was mainly due to increased revenue registered by all the three (3) divisions.

The decrease in pre-tax profit was mainly due to lower profit contribution from the building materials division and losses from the consumer foods division. However, the bedding products division reported higher pre-tax profit due to improvement in margin.

### **B3 Future prospects**

The Board expects the performance of the Group for the next financial year ending 31 December 2013 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 control measures of 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 |
|-----------------------------|-----------------|--------------------|
|                             | 31/12/12        | year to date       |
|                             | RM'000          | 31/12/12           |
|                             |                 | RM'000             |
| Current Taxation            | 1,327           | 3,573              |
| (Over)/under Taxation       | -               | -                  |
| Deferred Taxation – Current | 546             | 546                |
| Deferred Taxation – Prior   | -               | -                  |
|                             | <u>1,873</u>    | <u>4,119</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 26 February 2013.

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### B7 Group borrowings and debts securities

Bank borrowings as at the end of the year:-

|                                   | <b>Secured<br/>RM'000</b> |
|-----------------------------------|---------------------------|
| <b>Short Term Borrowings</b>      |                           |
| Hire purchase creditors           | 1,144                     |
| Bank overdrafts                   | 17,448                    |
| Banker acceptances/trust receipts | 23,234                    |
| Term loans                        | 5,047                     |
|                                   | <u>46,873</u>             |
| <b>Long Term Borrowings</b>       |                           |
| Hire purchase creditors           | 102                       |
| Term loans                        | 18,883                    |
|                                   | <u>18,985</u>             |

### B8 Material litigation

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

### B9 Dividends

A first and final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2012 of 1.5% on 102,850,000 ordinary shares of RM1.00 each, amounting to dividend of RM1,542,750 (1.5 sen per ordinary share) has been proposed by the Board of Directors for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

### 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<br/>year<br/>quarter<br/>31/12/12<br/>RM'000</b> | <b>Preceding year<br/>corresponding<br/>quarter<br/>31/12/11<br/>RM'000</b> | <b>Current year<br/>to date<br/>31/12/12<br/>RM'000</b> | <b>Preceding year<br/>corresponding<br/>period<br/>31/12/11<br/>RM'000</b> |
| Net profit attributable to equity holders of the parent | (1,751)   | 122   | 10,717  | 4,930  |
| Number of shares in issue                               | 102,850   | 102,850   | 102,850   | 102,850  |
| Basic earnings per share (Sen)                          | (1.70)  | 0.12  | 10.42   | 4.79   |

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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):-

|  | <b>Current year<br/>quarter<br/>31/12/2012<br/>RM'000</b> | <b>Current year<br/>To date<br/>31/12/2012<br/>RM'000</b> |
|--|---|---|
| Interest income  | -   | 42  |
| Depreciation and amortization                                  | 2,022   | 8,326   |
| Provision for and write off of<br>receivables                  | 431   | 431   |
| Provision for and write off of<br>inventories                  | 365   | 365   |
| Gain or loss on disposal of quoted<br>investment or properties | -   | (8,175)   |
| Impairment of assets   | -   | -   |
| Foreign exchange gain or loss                                  | -   | -   |
| Gain or loss on derivatives                                    | -   | -   |
| Exceptional items  | -   | -   |

### B12 Retained earnings

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

|              | <b>Group<br/>31/12/2012<br/>RM'000</b> | <b>Group<br/>31/12/2011<br/>RM'000</b> |
|--------------|--|--|
| Realised     | 123,054                                | 112,337                                |
| Unrealised   | (2,960)                                | (2,960)                                |
| <b>Total</b> | <b>120,094</b>                         | <b>109,377</b>                         |

Dated: 26 February 2013  
Petaling Jaya