

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 2012. 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 2012.

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 2012, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2013.

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 2013. 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.

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.

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A7 Dividends

No dividend was paid during the quarter under review.

A8 Segmental information

Business segments information for the quarter ended 30 June 2013:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue	34,207	25,064	82,284	675	(705)	141,525
Result						
Profit/(Loss) from Operations	2,134	4,156	486	(66)		6,710
Finance costs						(1,896)
Investing results						-
Profit before taxation						4,814
Taxation						(1,592)
Net profit for the period						3,222
Other information						
Segment assets	65,314	90,445	117,811	61,387	-	334,957
Segment liabilities	(29,168)	(34,053)	(44,144)	(443)	-	(107,808)
Capital expenditure on property, plant and equipment	-	851	694	-	-	1,545
Depreciation	834	1,362	2,376	18	-	4,590

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 material 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.

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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 RM72.1 million and pre-tax profit of RM2.5 million in the current quarter ended 30 June 2013 as compared to revenue of RM74.6 million and a pre-tax profit of RM12.8 million reported in the preceding year corresponding quarter. The lower revenue recorded was mainly due to lower revenue registered from bedding products division. It has reported lower sales of 26%. Both consumer foods and building materials divisions reported marginally higher sales of 4% and 1% respectively.

The decrease in pre-tax profit was mainly due to recognition of gain on disposal of fixed asset of RM8.1 million in the preceding year corresponding quarter and lower margin from bedding products and consumer foods divisions. However, building materials division reported a marginal improvement in profit margin.

For the current financial year to date

The Group recorded revenue of RM141.5 million and pre-tax profit of RM4.8 million in the current period ended 30 June 2013 as compared to revenue of RM131.4 million and a pre-tax profit of RM14.1 million reported in the preceding year corresponding period. The higher revenue recorded was mainly due to higher revenue registered from consumer foods and building materials divisions. Consumer foods and building materials divisions reported an increase of 22% and 3% respectively due to higher sales volume whereas bedding products division reported lower revenue of 18% compared to preceding year corresponding period.

The decrease in pre-tax profit was mainly due to recognition of gain on disposal of fixed asset of RM8.1 million in the preceding year corresponding period and decrease of margin contribution from bedding products division. However, both consumer foods and building materials divisions reported slight improvement in pre-tax profit.

In the opinion of the Board of Directors, the results of the quarter ended 30 June 2013 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter

The Group recorded revenue of RM72.1 million and pre-tax profit of RM2.5 million in the current quarter ended 30 June 2013 as compared to revenue of RM69.4 million and a pre-tax profit of RM2.3 million reported in the immediate preceding quarter.

The higher revenue recorded was mainly due to higher sales registered by building materials division. It has reported higher sales of 28% compared to the immediate preceding quarter. Consumer foods division reported marginally lower revenue and bedding products division reported lower sales of 7%.

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The increase in pre-tax profit was mainly due to higher profit contribution from the building materials division. However, bedding products division reported marginally lower pre-tax profit and consumer foods division registered loss before tax of RM0.9 million as compared to RM0.8 million pre-tax profit in the immediate preceding quarter.

B3 Future prospects

The Board expects the performance of the Group for the current 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 market demands, 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
	30/06/13	year to date
	RM'000	30/06/13
		RM'000
Current Taxation	967	1,592
(Over)/under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>967</u>	<u>1,592</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 28 May 2013.

B7 Group borrowings and debts securities

Bank borrowings as at the end of the quarter:-

	Secured
	RM'000
Short Term Borrowings	
Hire purchase creditors	1,086
Bank overdrafts	12,010
Banker acceptances/trust receipts	30,402
Term loans	4,748
	<u>48,246</u>

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Long Term Borrowings

Hire purchase creditors	1,613
Term loans	18,297
	<u>19,910</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
	30/06/13 RM'000	30/06/12 RM'000	30/06/13 RM'000	30/06/12 RM'000
Net profit attributable to equity holders of the parent	1,536	11,490	3,222	12,296
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	1.49	11.17	3.13	11.96

(II) Diluted earnings per share

Not applicable.

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B 11 Notes to the Statement of Comprehensive Income

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

	Current year quarter 30/06/2013 RM'000	Current year To date 30/06/2013 RM'000
Interest income	-	-
Depreciation and amortisation	2,417	4,590
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted investment or properties	-	-
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:-

	Group 30/06/2013 RM'000	Group 30/06/2012 RM'000
Realised	125,950	124,633
Unrealised	(2,026)	(2,960)
Total	123,924	121,673

Dated: 29 August 2013
Petaling Jaya