

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

A first and final tax exempt (single tier) dividend of 1.5% (1.5 sen per share) for the financial year ended 31 December 2012 was paid on 31 July 2013.

A8 Segmental information

Business segments information for the current period ended 30 September 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	52,045	38,529	113,686	1,013	(1,057)	204,216
Result						
Profit/(Loss) from Operations	3,117	6,157	610	(127)		9,757
Finance costs						(2,863)
Investing results						-
Profit before taxation						6,894
Taxation						(2,302)
Net profit for the period						4,592
Other information						
Segment assets	63,774	94,571	116,023	61,207	-	335,575
Segment liabilities	(27,650)	(37,347)	(42,944)	(658)	-	(108,599)
Capital expenditure on property, plant and equipment	55	1,147	1,852	-	-	3,054
Depreciation	1,241	2,128	3,479	27	-	6,875

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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 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 third quarter

The Group recorded revenue of RM62.7 million and pre-tax profit of RM2.1 million in the current quarter ended 30 September 2013 as compared to revenue of RM63.9 million and a pre-tax profit of RM0.6 million reported in the preceding year corresponding quarter. The lower revenue recorded was mainly due to lower revenue registered by consumer foods and bedding products divisions. The former and latter division reported lower sales of 8% and 7% respectively. However, building materials division reported higher sales of 16%.

The increase in pre-tax profit was mainly due to improvement in consumer foods division which registered a pre-tax loss of RM0.1 million compared to pre-tax loss of RM2.0 million in the preceding year corresponding quarter. Bedding products division also reported a 36% improvement in its pre-tax profit for the quarter under review. However, building materials division reported a decline of 54% in pre-tax profit as compared to the preceding year corresponding quarter.

For the current financial year-to-date

The Group recorded revenue of RM204.2 million and pre-tax profit of RM6.9 million in the current financial year-to-date ended 30 September 2013 as compared to revenue of RM195.4 million and a pre-tax profit of RM14.7 million the preceding year corresponding period. The higher revenue recorded was mainly due to increased revenue of 12% and 7% registered by consumer foods and building materials divisions respectively. On the other hand, bedding products division reported lower revenue of 14%.

The lower pre-tax profit was mainly due to recognition of gain of RM8.1 million on disposal of fixed asset in the preceding year corresponding period and decrease in margin contribution from bedding products and building materials divisions. Consumer foods division narrowed its pre-tax loss to RM0.2 million compared to RM2.2 million in the preceding year corresponding period attributable to improvements in sales volume and margin.

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In the opinion of the Board of Directors, the results of the quarter ended 30 September 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 preceding quarter

The Group recorded revenue of RM62.7 million and pre-tax profit of RM2.1 million in the current quarter ended 30 September 2013 as compared to revenue of RM72.1 million and a pre-tax profit of RM2.5 million reported in the immediate preceding quarter.

The lower revenue recorded was mainly due to decrease in sales of 30% and 8% registered by consumer foods and building materials division respectively. However, bedding products division reported higher sales volume of 12%.

The drop in pre-tax profit was mainly due to lower profit contribution from the building materials division. Consumer foods division registered pre-tax loss of RM0.1 million as compared to pre-tax profit of RM0.9 million in the immediate preceding quarter whereas, bedding products division reported a flat pre-tax profit for the quarter under review.

B3 Future prospects

The Board expects the performance of the Group for the current financial year ending 31 December 2013 to be challenging. 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
	30/09/13	year to date
	RM'000	30/09/13
		RM'000
Current Taxation	710	2,302
(Over)/under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	710	2,302

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 Status of corporate proposal

There was no corporate proposal announced which has not been completed as at 28 November 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	1,076
Bank overdrafts	11,510
Banker acceptances/trust receipts	28,643
Term loans	4,749
	<u>45,978</u>
Long Term Borrowings	
Hire purchase creditors	1,426
Term loans	17,484
	<u>18,910</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.

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30/09/13 RM'000	30/09/12 RM'000	30/09/13 RM'000	30/09/12 RM'000
Net profit attributable to equity holders of the parent	1,370	172	4,592	12,468
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	1.33	0.17	4.46	12.12

(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 30/09/2013 RM'000	Current year to date 30/09/2013 RM'000
Interest income	-	-
Depreciation and amortisation	2,285	6,875
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	-	-

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B12 Retained earnings

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

	Group 30/09/2013 RM'000	Group 30/09/2012 RM'000
Realised	125,777	124,805
Unrealised	(2,026)	(2,960)
Total	123,751	121,845

Dated: 28 November 2013
Petaling Jaya