

# **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 year ended 31 December 2013:-

	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	69,212	53,123	144,315	1,350	(1,410)	266,590
<b>Result</b>						
Profit/(Loss) from Operations	2,291	7,656	1,394	(882)		10,459
Finance costs						(3,732)
Investing results						-
Profit before taxation						6,727
Taxation						(2,097)
Net profit for the period						<b>4,630</b>
<b>Other information</b>						
Segment assets	62,236	96,315	114,062	61,219	-	333,832
Segment liabilities	(27,498)	(38,329)	(40,246)	(745)	-	(106,818)
Capital expenditure on property, plant and equipment	79	4,339	2,626	-	-	7,044
Depreciation	1,809	2,906	4,189	36	-	8,940

### 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 forth quarter

The Group recorded revenue of RM62.4 million and pre-tax loss of RM167,000 in the current quarter ended 31 December 2013 as compared to revenue of RM71.7 million and a pre-tax loss of RM1.6 million reported in the preceding year corresponding quarter. The lower revenue recorded was mainly due to lower revenue registered from consumer foods and bedding products divisions. It has reported lower sales of 23% and 9% respectively. However, building materials division reported higher sales of 7%.

The improvement in results were mainly due to consumer foods division where it registered a pre-tax profit of RM0.5 million compared to pre-tax loss of RM1.0 million in the preceding year corresponding quarter. However, building materials division reported a pre-tax loss of RM1.1 million as compared to pre-tax profit of RM42,000. Bedding products division has also reported a 38% lower in its pre-tax profit of RM1.2 million for the quarter under review as compared to the preceding year corresponding quarter.

### For the current financial year to date

The Group recorded revenue of RM266.6 million and pre-tax profit of RM6.7 million in the current financial year to date ended 31 December 2013 as compared to revenue of RM267.1 million and a pre-tax profit of RM13.1 million reported in the preceding year corresponding period. The lower revenue recorded was mainly due to lower revenue registered from bedding products division. Bedding products division reported a decrease of 13%. Whereas building materials and consumer foods divisions reported higher revenue of 7% and 2% respectively as compared to preceding 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 and building materials divisions. However, consumer foods division has reported a pre-tax profit of RM0.3 million as compared to as compared to pre-tax loss of RM1.7 million in the preceding year corresponding period due to improvement in both sales volume and margin.

In the opinion of the Board of Directors, the results of the quarter ended 31 December 2013 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 RM62.4 million and pre-tax loss of RM167,000 in the current quarter ended 31 December 2013 as compared to revenue of RM62.7 million and a pre-tax profit of RM2.1 million reported in the immediate preceding quarter.

The flat revenue recorded was mainly due to marginal lower sales registered by consumer foods and building materials division. It has reported lower sales of 2% and 3% as compared to the immediate preceding quarter. Bedding products division has reported higher sales volume of 8%.

The decrease in pre-tax profit was mainly due to lower profit contribution from the bedding products division. Beside, building materials division also reported a pre-tax loss of RM1.1 million for the quarter under review. However, consumer foods division registered pre-tax profit of RM0.5 million as compared to pre-tax loss of RM0.1 million in the immediate preceding quarter.

## **B3 Future prospects**

The Board expects the performance of the Group for the next financial year ending 31 December 2014 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 for its various divisions.

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

Not applicable.

## **B5 Taxation**

	<b>Current quarter</b>	<b>Cumulative current</b>
	<b>31/12/13</b>	<b>year to date</b>
	<b>RM'000</b>	<b>31/12/13</b>
		<b>RM'000</b>
Current Taxation	51	2,353
(Over)/under Taxation	-	-
Deferred Taxation – Current	(256)	(256)
Deferred Taxation – Prior	-	-
	<u>(205)</u>	<u>2,097</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 24 February 2014.

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## B7 Group borrowings and debts securities

Bank borrowings as at the end of the year:-

	<b>Secured RM'000</b>
<b>Short Term Borrowings</b>	
Hire purchase creditors	985
Bank overdrafts	11,784
Banker acceptances/trust receipts	27,080
Term loans	3,098
	<u>42,947</u>
<b>Long Term Borrowings</b>	
Hire purchase creditors	1,456
Term loans	21,022
	<u>22,478</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 2013 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. The date of payment shall be advised later.

## 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>31/12/13 RM'000</b>	<b>31/12/12 RM'000</b>	<b>31/12/13 RM'000</b>	<b>31/12/12 RM'000</b>
Net profit attributable to equity holders of the parent	38	(1,026)	4,630	11,442

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Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	0.04	(0.99)	4.50	11.13

### (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 31/12/2013 RM'000	Current year To date 31/12/2013 RM'000
Interest income	(82)	(82)
Depreciation and amortization	2,065	8,940
Provision for and write off of receivables	851	851
Provision for and write off of inventories	329	329
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 31/12/2013 RM'000	Group 31/12/2012 RM'000
Realised	127,131	124,044
Unrealised	(3,342)	(3,342)
<b>Total</b>	<b>123,789</b>	<b>120,702</b>

Dated: 24 February 2014  
Petaling Jaya