

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 2013. 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 2013.

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 2013, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2014.

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 2014. 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 31 March 2014:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue	12,509	12,743	34,642	338	(352)	59,880
Result						
Profit/(Loss) from Operations	(174)	2,156	1,454	(21)		3,415
Finance costs						(986)
Investing results						-
Profit before taxation						2,429
Taxation						(713)
Net profit for the period						1,716
Other information						
Segment assets	58,373	93,757	116,445	61,570	-	330,145
Segment liabilities	(24,233)	(34,628)	(42,058)	(508)	-	(101,427)
Capital expenditure on property, plant and equipment	4	-	65	-	-	69
Depreciation	394	786	1,117	9	-	2,306

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.

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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 first quarter

The Group recorded revenue of RM59.9 million and pre-tax profit of RM2.4 million in the current quarter ended 31 March 2014 as compared to revenue of RM69.4 million and a pre-tax profit of RM2.3 million reported in the preceding year corresponding quarter. Consumer foods, building materials and bedding products divisions reported lower sales of 16%, 17% and 2% respectively mainly due to lower demand for products and decrease in project works.

The improvement in pre-tax profit were mainly attributable to consumer foods division which registered a higher pre-tax profit of RM1.2 million compared to RM0.8 million the preceding year corresponding quarter. This was mainly due to lower operating expenses incurred in the quarter under review. However, building materials division reported an increase in pre-tax loss of RM0.5 million as compared to RM0.3 million the preceding year corresponding quarter as a result of higher operating expenses. Bedding products division reported a pre-tax profit of RM1.8 million for the quarter under review which was comparable with the preceding year corresponding quarter.

In the opinion of the Board of Directors, the results of the quarter ended 31 March 2014 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 RM59.9 million and pre-tax profit of RM2.4 million in the current quarter ended 31 March 2014 as compared to revenue of RM62.4 million and a pre-tax loss of RM0.2 million reported in the immediate preceding quarter.

The lower revenue recorded was mainly due to lower sales of 27% and 13% registered by the building materials and bedding products divisions respectively. Consumer foods division on the other hand, reported higher sales volume of 12%.

The increase in pre-tax profit of the Group was mainly due to higher profit contribution from all the divisions. Consumer foods division registered pre-tax profit of RM1.2 million as compared to RM0.5 million in the immediate preceding quarter. Similarly, bedding products division registered pre-tax profit of RM1.8 million as compared to RM1.2 million in the immediate preceding quarter.

In addition to that, building materials division reported a lower pre-tax loss of RM0.5 million for the quarter under review as compared to pre-tax loss of RM1.1 million in the immediate preceding quarter.

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B3 Future prospects

The Board expects the performance of the Group for the current 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 control measures for 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
	31/03/14	year to date
	RM'000	31/03/14
		RM'000
Current Taxation	713	713
(Over)/under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>713</u>	<u>713</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 26 May 2014.

B7 Group borrowings and debts securities

Bank borrowings as at the end of the quarter:-

	Secured
	RM'000
Short Term Borrowings	
Hire purchase creditors	1,150
Bank overdrafts	12,227
Banker acceptances/trust receipts	28,250
Term loans	3,220
	<u>44,847</u>
Long Term Borrowings	
Hire purchase creditors	1,156
Term loans	20,203
	<u>21,359</u>

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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.

The Directors had on 28 February 2014 recommended a first and final tax exempt (single-tier) dividend of 1.5% (1.5 sen per share) for the financial year ended 31 December 2013 and the shareholders had on the Company's Fifty-Fifth Annual General Meeting held on 20 May 2014 approved the payment of the said dividend.

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
	31/03/14 RM'000	31/03/13 RM'000	31/03/14 RM'000	31/03/13 RM'000
Net profit attributable to equity holders of the parent	1,716	1,686	1,716	1,686
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	1.67	1.64	1.67	1.64

(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 31/03/2014 RM'000	Current year To date 31/03/2014 RM'000
Interest income	-	-
Depreciation and amortisation	2,306	2,306
Provision for and write off of receivables	433	433
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 31/03/2014 RM'000	Group 31/03/2013 RM'000
Realised	127,004	124,414
Unrealised	(1,501)	(2,026)
Total	125,503	122,388

Dated: 26 May 2014
Petaling Jaya