

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 Paid

A first and final tax exempt (single-tier) dividend of 1.5% (1.5 sen) per ordinary share in respect of the financial year ended 31 December 2013, amounting to RM1.543 million, which was approved at the Company's Annual General Meeting on 20 May 2014, was paid on 27 June 2014.

A8 Segmental information

Business segments information for the quarter ended 30 June 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	30,897	26,688	70,123	675	(705)	127,678
Result						
Profit/(Loss) from Operations	643	4,097	1,732	(81)		6,391
Finance costs						(1,803)
Investing results						-
Profit before taxation						4,588
Taxation						(1,380)
Net profit for the period						3,208
Other information						
Segment assets	63,996	96,374	112,451	61,158	-	333,979
Segment liabilities	(29,849)	(36,599)	(38,418)	(446)	-	(105,312)
Capital expenditure on property, plant and equipment	813	957	436	-	-	2,206
Depreciation	798	1,495	2,404	18	-	4,715

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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 second quarter

The Group recorded revenue of RM67.8 million and pre-tax profit of RM2.2 million in the current quarter ended 30 June 2014 as compared to revenue of RM72.1 million and a pre-tax profit of RM2.5 million reported in the preceding year corresponding quarter. The lower revenue recorded was mainly due to lower sales of 4% and 13% reported by building materials and consumer foods divisions respectively attributable to decrease in projects works and decline in demand for its products. However, bedding products division recorded improvement of 15% as compared to the preceding year corresponding quarter.

The marginal drop in pre-tax profit was mainly due to the decline in profit suffered by building materials division of RM0.5 million compared to RM1.8 million in the preceding year corresponding quarter as a result of lower profit margin recorded for the current quarter sales. Consumer foods division reported a pre-tax profit of RM87,000 for the current quarter compared to pre-tax loss of RM0.9 million previously due to lower operating expenses. Bedding products division reported pre-tax profit of RM1.6 million which was comparable with the preceding year corresponding quarter.

For the current financial year to date

The Group recorded revenue of RM127.7 million and pre-tax profit of RM4.6 million in the current financial year to date ended 30 June 2014 as compared to revenue of RM141.5 million and pre-tax profit of RM4.8 million reported in the preceding year corresponding period. Both the building materials and consumer foods divisions reported decrease in revenue of 10% and 15% respectively, while bedding products division recorded higher revenue of 6%.

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Building materials division registered a pre-tax profit of RM26,000 compared to RM1.5 million in the preceding year corresponding period. Consumer foods division reported a pre-tax profit of RM1.2 million as compared to pre-tax loss of RM65,000 in the preceding year corresponding period due to lower operating expenses.

Bedding products division has reported a flat pre-tax profit of RM3.4 million for the current year to date and the preceding year corresponding period.

In the opinion of the Board of Directors, the results of the quarter ended 30 June 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 RM67.8 million and pre-tax profit of RM2.2 million in the current quarter ended 30 June 2014 as compared to revenue of RM59.9 million and a pre-tax profit of RM2.4 million reported in the immediate preceding quarter.

The higher revenue was attributable to increase in sales of 2%, 9% and 47% registered by consumer foods, bedding products and building materials divisions respectively.

The slight decrease in pre-tax profit was due to lower profit contribution from consumer foods and bedding products divisions. Consumer foods division registered lower pre-tax profit of RM87,000 compared with RM1.2 million the immediate preceding quarter whereas bedding products division's pre-tax profit was RM1.6 million from RM1.8 million the preceding quarter.

Building materials division posted a pre-tax profit of RM0.5 million compared to pre-tax loss of RM0.5 million in the immediate preceding quarter.

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 of the three (3) divisions.

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

Not applicable.

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B5 Taxation

	Current quarter	Cumulative current year to date
	30/06/14	30/06/14
	RM'000	RM'000
Current Taxation	667	1,380
(Over)/under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>667</u>	<u>1,380</u>

The effective tax rate on the Group's profit was higher than the statutory rate due to certain expenses disallowed by the Inland Revenue Board and there was 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 the date of this report.

B7 Group borrowings and debts securities

Bank borrowings as at the end of the quarter:-

	Secured RM'000
Short Term Borrowings	
Hire purchase creditors	1,182
Bank overdrafts	13,410
Banker acceptances/trust receipts	26,667
Term loans	3,219
	<u>44,478</u>
Long Term Borrowings	
Hire purchase creditors	1,475
Term loans	19,336
	<u>20,811</u>

B8 Material litigation

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

B9 Dividend

No dividend has been declared for the current quarter.

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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 30/06/14 RM'000	Preceding year corresponding quarter 30/06/13 RM'000	Current year to date 30/06/14 RM'000	Preceding year corresponding period 30/06/13 RM'000
Net profit attributable to equity holders of the parent	1,492	1,536	3,208	3,222
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	1.45	1.49	3.12	3.13

(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 30/06/2014 RM'000	Current year To date 30/06/2014 RM'000
Interest income	(50)	(50)
Depreciation and amortisation	2,409	4,715
Provision for and write off of receivables	120	553
Provision for and write off of inventories	21	21
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 30/06/2014 RM'000	Group 30/06/2013 RM'000
Realised	126,953	125,950
Unrealised	(1,501)	(2,026)
Total	125,452	123,924

Dated: 25 August 2014
Petaling Jaya