

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

No dividend was paid during the quarter under review.

A8 Segmental information

Business segments information for the quarter ended 30 September 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	48,259	43,344	103,502	6,800	(6,544)	195,361
Result						
Profit/(Loss) from Operations	1,679	5,169	1,516	206		8,570
Finance costs						(2,740)
Investing results						-
Profit before taxation						5,830
Taxation						(2,097)
Net profit for the period						3,733
Other information						
Segment assets	64,023	91,116	113,128	64,644	-	332,911
Segment liabilities	(29,409)	(33,848)	(40,158)	(304)	-	(103,719)
Capital expenditure on property, plant and equipment	1,696	957	729	-	-	3,382
Depreciation	1,231	2,277	3,613	26	-	7,147

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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 RM67.7 million and pre-tax profit of RM1.2 million in the current quarter ended 30 September 2014 as compared to revenue of RM62.7 million and a pre-tax profit of RM2.1 million reported in the preceding year corresponding quarter. The higher revenue recorded was mainly due to higher sales of 6% and 24% reported by consumer foods and bedding products divisions respectively attributable to new products launch and higher demand for its products. However, building materials division recorded a decrease of 2% as compared to the preceding year corresponding quarter.

The drop in pre-tax profit was mainly due to the lower profit of RM0.7 million reported by bedding products division compared to RM1.6 million in the preceding year corresponding quarter due to margin compression. Consumer foods division reported a pre-tax loss of RM0.4 million for the current quarter compared to pre-tax loss of RM0.1 million previously due to higher operating expenses. Building materials division reported a flat pre-tax profit of RM0.7 million which was comparable with the preceding year corresponding quarter.

For the current financial year to date

The Group recorded revenue of RM195.4 million and pre-tax profit of RM5.8 million in the current financial year to date ended 30 September 2014 as compared to revenue of RM204.2 million and pre-tax profit of RM6.9 million reported in the preceding year corresponding period. Both the building materials and consumer foods divisions suffered decrease in revenue of 8% and 9% respectively, while bedding products division recorded higher revenue of 12%.

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Building materials division registered a pre-tax profit of RM0.7 million compared to RM2.1 million in the preceding year corresponding period. Consumer foods division reported a pre-tax profit of RM0.8 million as compared to pre-tax loss of RM0.2 million in the preceding year corresponding period due to lower operating expenses.

Bedding products division posted a pre-tax profit of RM4.1 million for the current year to date compared to RM5.1 million the preceding year corresponding period.

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

The Group recorded revenue of RM67.7 million and pre-tax profit of RM1.2 million in the current quarter ended 30 September 2014 as compared to revenue of RM67.8 million and a pre-tax profit of RM2.2 million reported in the immediate preceding quarter.

The marginal decrease in revenue was attributable to decrease in sales of 6% of both the building materials and consumer foods divisions. However, there was an increase in sales of 19% registered by bedding products division.

The drop in pre-tax profit was due to lower profit contribution from bedding products division and pre-tax loss from consumer foods division. Bedding products division had a pre-tax profit of RM0.7 million compared to pre-tax profit of RM1.6 million in the preceding quarter. Consumer foods division registered a pre-tax loss of RM0.4 million compared with pre-tax profit of RM87,000 the immediate preceding quarter.

Building materials division posted a higher pre-tax profit of RM0.7 million compared to pre-tax loss of RM0.5 million in the immediate preceding quarter.

B3 Future prospects

The Group remains optimistic on the outlook for the financial year ending 31 December 2014. All the divisions are very focused on their process improvements, while at the same time maintaining their cost to the best levels. The revenue however is very much subject to the market demand. The Group is expected to perform satisfactorily in the current financial year.

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
	30/09/14	year to date
	RM'000	30/09/14
		RM'000
Current Taxation	717	2,097
(Over)/under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>717</u>	<u>2,097</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	1,256
Bank overdrafts	12,928
Banker acceptances/trust receipts	22,816
Term loans	3,220
	<u>40,220</u>
Long Term Borrowings	
Hire purchase creditors	1,388
Term loans	18,452
	<u>19,840</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	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30/09/14 RM'000	30/09/13 RM'000	30/09/14 RM'000	30/09/13 RM'000
Net profit attributable to equity holders of the parent	525	1,370	3,733	4,592
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	0.51	1.33	3.63	4.46

(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 30/09/2014 RM'000	Current year To date 30/09/2014 RM'000
Interest income	27	77
Depreciation and amortisation	2,432	7,147
Provision for and write off of receivables	-	553
Provision for and write off of inventories	-	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 30/09/2014 RM'000	Group 30/09/2013 RM'000
Realised	127,478	125,777
Unrealised	(1,501)	(2,026)
Total	125,977	123,751

Dated: 21 November 2014
Petaling Jaya