

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 year ended 31 December 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	74,452	57,729	142,289	7,138	(6,896)	274,712
Result						
Profit/(Loss) from Operations	5,569	7,164	2,550	(571)		14,712
Finance costs						(3,760)
Investing results						-
Profit before taxation						10,952
Taxation						(3,506)
Net profit for the period						7,446
Other information						
Segment assets	70,511	97,591	114,113	61,488	-	343,703
Segment liabilities	(33,184)	(36,870)	(40,138)	(606)	-	(110,798)
Capital expenditure on property, plant and equipment	2,982	1,205	2,396	-	-	6,583
Depreciation	1,504	2,226	4,785	35	-	8,550

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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 fourth quarter

The Group recorded revenue of RM79.4 million and pre-tax profit of RM5.1 million in the current quarter ended 31 December 2014 as compared to revenue of RM62.7 million and a pre-tax loss of RM109,000 reported in the preceding year corresponding quarter. The higher revenue recorded was mainly due to higher sales of building materials and consumer foods divisions. Building materials reported higher increase of 53% as compared to preceding year corresponding quarter due to higher completion of projects. Similarly, consumer foods division reported an increase of 27% attributable to new products launch and higher demand for its products. However, bedding products division reported a decrease of 1% as compared to preceding year corresponding quarter.

The increase in pre-tax profit was mainly due to the improvement in profit by building materials division of RM3.5 million compared to a loss of RM1.1 million in the preceding year corresponding quarter as a result of high profit margin recorded for the current quarter projects. Bedding products division has also reported a higher pre-tax profit of RM1.6 million as compared to RM1.2 million in the preceding year corresponding quarter due to higher products margin. Similarly, consumer foods division reported a pre-tax profit of RM0.8 million for the current quarter compared to pre-tax profit of RM0.5 million previously due to lower operating expenses.

For the current financial year to date

The Group recorded revenue of RM274.7 million and pre-tax profit of RM11.0 million in the current financial year to date ended 31 December 2014 as compared to revenue of RM266.9 million and pre-tax profit of RM6.8 million reported in the preceding year corresponding year. Both the building materials and bedding products divisions reported increase in revenue of 8% and 9% respectively, while consumer foods division recorded lower revenue of 1%.

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Building materials division registered a pre-tax profit of RM4.2 million compared to RM1.0 million in the preceding year corresponding year. Consumer foods division reported a pre-tax profit of RM1.6 million as compared to pre-tax profit of RM0.3 million in the preceding year corresponding year due to lower operating expenses.

However, bedding products division has reported a lower pre-tax profit of RM5.7 million for the current year to date and as compared to RM6.3 million in the preceding year corresponding year mainly due to higher operating expenses.

In the opinion of the Board of Directors, the results of the year ended 31 December 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 RM79.4 million and pre-tax profit of RM5.1 million in the current quarter ended 31 December 2014 as compared to revenue of RM67.7 million and a pre-tax profit of RM1.2 million reported in the immediate preceding quarter.

The higher revenue was attributable to increase in sales of 52% and 14% registered by building materials and consumer foods divisions. However, bedding products division reported a decrease in sales of 14%.

The higher pre-tax profit was due to higher profit contribution from all the divisions. Building materials division posted a higher pre-tax profit of RM3.5 million compared to pre-tax profit of RM0.7 million in the immediate preceding quarter.

Bedding products division also reported a stronger pre-tax profit of RM1.6 million as against pre-tax profit of RM0.7 million in the preceding quarter. Consumer foods division turned in a pre-tax profit of RM0.8 million as opposed to a pre-tax loss of RM395,000 the immediate preceding quarter.

B3 Future prospects

The Board expects the performance of the Group for the next financial year ending 31 December 2015 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
	31/12/14	year to date
	RM'000	31/12/14
		RM'000
Current Taxation	1,732	3,829
(Over)/under provision of Taxation	-	-
Deferred Taxation – Current	(323)	(323)
Deferred Taxation – Prior	-	-
	<u>1,409</u>	<u>3,506</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 year:-

	Secured
	RM'000
Short Term Borrowings	
Hire purchase creditors	812
Bank overdrafts	12,464
Banker acceptances/trust receipts	19,600
Term loans	3,288
	<u>36,164</u>
Long Term Borrowings	
Hire purchase creditors	1,788
Term loans	17,583
	<u>19,371</u>

B8 Material litigation

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

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B9 Dividend

A final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2014 of 2.0% [(2.0 sen per share) (2013 : 1.5 sen)] on 102,850,000 ordinary shares of RM1.00 each, amounting to dividend of RM2,057,000 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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/12/14 RM'000	31/12/13 RM'000	31/12/14 RM'000	31/12/13 RM'000
Net profit attributable to equity holders of the parent	3,713	27	7,446	4,619
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	3.61	0.03	7.24	4.49

(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 31/12/2014 RM'000	Current year To date 31/12/2014 RM'000
Interest income	(32)	(109)
Depreciation and amortisation	1,403	8,550
Provision for and write off of receivables	77	625
Provision for and write off of inventories	58	79
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 31/12/2014 RM'000	Group 31/12/2013 RM'000
Realised	131,191	125,804
Unrealised	(1,501)	(2,026)
Total	129,690	123,778

Dated: 27 February 2015
Petaling Jaya