

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 2014. 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 2014.

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 2014, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2015.

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 2015. 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 31 March 2015:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue	22,327	17,611	31,665	338	(353)	71,588
Result						
Profit/(Loss) from Operations	1,785	2,160	(668)	(26)		3,251
Finance costs						(912)
Investing results						-
Profit before taxation						2,339
Taxation						(1,169)
Net profit for the period						1,170
Other information						
Segment assets	68,887	105,749	108,601	61,520	-	344,757
Segment liabilities	(31,109)	(43,208)	(36,247)	(424)	-	(110,988)
Capital expenditure on property, plant and equipment	4	1,388	301	-	-	1,693
Depreciation	289	537	1,213	8	-	2,047

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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 first quarter

The Group recorded revenue of RM71.6 million and pre-tax profit of RM2.3 million in the current quarter ended 31 March 2015 as compared to revenue of RM59.9 million and a pre-tax profit of RM2.4 million reported in the preceding year corresponding quarter. The increase in revenue was mainly due to higher sales contributed by the building materials and bedding products divisions. Building materials division reported a substantial increase of 78% in revenue due to higher completion of projects. Revenue of the bedding products division increased by 38% attributable to higher demand for its products but the consumer foods division suffered a decrease of 9% in revenue.

The marginal decrease in the Group's pre-tax profit was attributable to the pre-tax loss from the consumer foods division of RM0.9 million compared to a pre-tax profit of RM1.2 million in the preceding year corresponding quarter due to lower profit margin and higher operating expenses. The building materials division turned-in a pre-tax profit of RM1.4 million as opposed to a pre-tax loss of RM492,000 in the preceding year corresponding quarter due to higher sales volume and lower operating expenses. The bedding products division posted marginally higher pre-tax profit of RM1.9 million for the current quarter compared to pre-tax profit of RM1.8 million previously due to better profit margin.

In the opinion of the Board of Directors, the results of the quarter ended 31 March 2015 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 reported revenue of RM71.6 million and pre-tax profit of RM2.3 million in the current quarter ended 31 March 2015 as compared to revenue of RM79.4 million and a pre-tax profit of RM5.1 million in the immediate preceding quarter.

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The lower revenue was attributable to decrease in sales of 22% and 15% registered by the consumer foods and building materials divisions respectively. However, the bedding products division enjoyed an increase in sales of 22%.

The decrease in pre-tax profit was due to lower profit contribution from the building materials division of RM1.4 million compared to pre-tax profit of RM3.5 million in the immediate preceding quarter.

The consumer foods division suffered a pre-tax loss of RM0.9 million as against pre-tax profit of RM0.8 million in the immediate preceding quarter. However, bedding products division registered a higher pre-tax profit of RM1.9 million compared to RM1.6 million the immediate preceding quarter.

B3 Future prospects

The Board expects the performance of the Group for the current 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) operating divisions.

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

Not applicable.

B5 Taxation

	Current quarter	Cumulative current
	31/03/15	year to date
	RM'000	31/03/15
		RM'000
Current Taxation	1,169	1,169
(Over)/Under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	1,169	1,169

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.

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B7 Group borrowings and debts securities

Bank borrowings as at the end of the year:-

	Secured RM'000
Short Term Borrowings	
Hire purchase creditors	921
Bank overdrafts	17,350
Banker acceptances/trust receipts	24,320
Term loans	3,419
	<u>46,010</u>
Long Term Borrowings	
Hire purchase creditors	2,069
Term loans	16,598
	<u>18,667</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.

The Directors had on 27 February 2015 recommended a first and final tax exempt (single-tier) dividend of 2.0% (2.0 sen per share) for the financial year ended 31 December 2014 and the shareholders had at the Company's Fifty-Sixth Annual General Meeting on 26 May 2015, 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 31/03/15 RM'000	Preceding year corresponding quarter 31/03/14 RM'000	Current year to date 31/03/15 RM'000	Preceding year corresponding period 31/03/14 RM'000
Net profit attributable to equity holders of the parent	1,170	1,716	1,170	1,176
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	<u>1.14</u>	<u>1.67</u>	<u>1.14</u>	<u>1.67</u>

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(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 31/03/2015 RM'000	Current year To date 31/03/2015 RM'000
Interest income	(28)	(28)
Depreciation and amortisation	2,237	2,237
Provision for and write off of receivables	190	190
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 31/03/2015 RM'000	Group 31/03/2014 RM'000
Realised	131,939	126,883
Unrealised	(1,380)	(1,380)
Total	130,559	125,503

Dated: 26 May 2015
Petaling Jaya