

# **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

A first and final tax exempt (single-tier) dividend of 2.0% (2.0 sen) per ordinary share in respect of the financial year ended 31 December 2014, amounting to RM2.057 million, which was approved at the Company's Annual General Meeting on 26 May 2015, was paid on 26 June 2015.

### A8 Segmental information

Business segments information for the quarter ended 30 June 2015:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>						
External revenue	38,876	35,743	64,483	675	(705)	139,072
<b>Result</b>						
Profit/(Loss) from Operations	1,953	4,808	(1,392)	223		5,592
Finance costs						(1,867)
Investing results						-
Profit before taxation						3,081
Taxation						(1,715)
Net profit for the period						<b>2,010</b>
<b>Other information</b>						
Segment assets	68,045	102,468	106,294	61,754	-	338,561
Segment liabilities	(31,167)	(39,271)	(35,497)	(74)	-	(106,009)
Capital expenditure on property, plant and equipment	8	1,776	489	-	-	2,273
Depreciation	578	1,080	2,321	16	-	3,995

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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 RM67.5 million and pre-tax profit of RM1.4 million in the current quarter ended 30 June 2015 as compared to revenue of RM67.8 million and a pre-tax profit of RM2.2 million reported in the preceding year corresponding quarter. The lower revenue recorded was mainly due to lower sales of building materials and consumer foods divisions. Building materials reported lower sales of 10% as compared to preceding year corresponding quarter due to a reduction in projects. Similarly, consumer foods division reported a decrease of 8% attributable to lower demand for its products. However, bedding products division reported an increase in revenue of 30% as compared, to the preceding year corresponding quarter due to higher domestic demands and projects sales.

The decrease in pre-tax profit was mainly due to the losses from consumer foods division of RM0.8 million as compared to a profit of RM87,000 in the preceding year corresponding quarter as a result of contraction in profit margin. Similarly, building materials division reported a pre-tax loss of RM192,000 as compared to profit of RM518,000 in the preceding year corresponding quarter due to lower turnover and higher operating expenses. However, bedding products division recorded a higher pre-tax profit of RM2.2 million for the current quarter compared to pre-tax profit of RM1.6 million previously due to better profit margins.

#### For the current financial year-to-date

The Group recorded revenue of RM139.1 million and pre-tax profit of RM3.7 million in the current financial year to date ended 30 June 2015 as compared to revenue of RM127.7 million and pre-tax profit of RM4.6 million reported in the preceding year corresponding period. Both the building materials and bedding products divisions reported increase in revenue of 26% and 34% respectively, while consumer foods division registered a drop in revenue of 8%.

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Building materials division registered a pre-tax profit of RM1.2 million compared to RM26,000 in the preceding year corresponding period. Bedding products division posted a pre-tax profit of RM4.0 million for the current year to date as compared to RM3.4 million in the preceding year corresponding period due to better margins.

However, consumer foods division reported a pre-tax loss of RM1.8 million as compared to pre-tax profit of RM1.2 million in the preceding year-to-date corresponding period due to lower profit margins.

In the opinion of the Board of Directors, the results of the year-to-date ended 30 June 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 recorded revenue of RM67.5 million and pre-tax profit of RM1.4 million in the current quarter ended 30 June 2015 as compared to revenue of RM71.6 million and a pre-tax profit of RM2.3 million reported in the immediate preceding quarter.

The lower revenue was attributable to decrease in sales of 26% registered by building materials divisions. The bedding products division and consumer food divisions, on the other hand, reported an increase in sales of 3% and 4%.

The lower pre-tax profit was due to losses from building materials division of RM192,000 compared to pre-tax profit of RM1.4 million in the immediate preceding quarter. Consumer foods division also registered a loss of RM0.8 million compared with loss of RM0.9 million in the immediate preceding quarter.

However, bedding products division reported a higher pre-tax profit of RM2.2 million when compared with RM1.9 million in the 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 weak domestic outlook. The performance of the Group will depend substantially on the market demands, 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
	30/06/15	year to date
	RM'000	30/06/15
		RM'000
Current Taxation	546	1,715
(Over)/Under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>546</u>	<u>1,715</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
<b>Short Term Borrowings</b>	
Hire purchase creditors	1,113
Bank overdrafts	14,334
Banker acceptances/trust receipts	22,455
Term loans	3,107
	<u>41,009</u>
<b>Long Term Borrowings</b>	
Hire purchase creditors	1,582
Term loans	16,114
	<u>17,696</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
	30/06/15 RM'000	30/06/14 RM'000	30/06/15 RM'000	30/06/14 RM'000
Net profit attributable to equity holders of the parent	840	1,492	2,010	3,208
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	0.82	1.45	1.95	3.12

### (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 30/06/2015 RM'000	Current year To date 30/06/2015 RM'000
Interest income	(27)	(55)
Depreciation and amortisation	1,985	4,070
Provision for and write off of receivables	147	337
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	-	-

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### B12 Retained earnings

The retained earnings as at reporting date may be analysed as follows:-

	<b>Group 30/06/2015 RM'000</b>	<b>Group 30/06/2014 RM'000</b>
Realised	130,722	126,832
Unrealised	(1,380)	(1,380)
<b>Total</b>	<b>129,342</b>	<b>125,452</b>

Dated: 27 August 2015  
Petaling Jaya