

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 9-month period ended 30 September 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	58,796	49,960	101,807	4,028	(4,078)	210,513
Result						
Profit/(Loss) from Operations	3,582	6,092	(978)	128		8,824
Finance costs						(2,667)
Investing results						-
Profit before taxation						6,157
Taxation						(2,589)
Net profit for the period						3,568
Other information						
Segment assets	67,981	100,170	112,092	61,663	-	341,906
Segment liabilities	(30,166)	(36,217)	(41,166)	(75)	-	(107,624)
Capital expenditure on property, plant and equipment	8	2,388	1,236	-	-	3,632
Depreciation	869	1,701	3,521	25	-	6,116

A9 Revaluations

There were no amendments in the valuation amount of revalued assets brought forward to the current quarter.

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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 RM71.4 million and pre-tax profit of RM2.4 million in the current quarter ended 30 September 2015 as compared to revenue of RM67.7 million and a pre-tax profit of RM1.2 million reported in the preceding year corresponding quarter. The higher revenue recorded was mainly due to higher sales contributed by building materials and consumer foods divisions. Building materials division reported higher sales of 15% as compared to preceding year corresponding quarter due to an increase in projects sales. Similarly, consumer foods division reported an increase of 12% attributable to higher demand for its products. However, bedding products division reported a decrease in revenue of 15% as compared to the preceding year corresponding quarter due to lower domestic demands and projects' sales.

The increase in pre-tax profit was mainly due to the improvements from all divisions. Building materials division reported a pre-tax profit of RM1.3 million as compared to profit of RM0.7 million in the preceding year corresponding quarter due to higher turnover and lower operating expenses. Bedding products division recorded a higher pre-tax profit of RM1.0 million for the current quarter compared to pre-tax profit of RM0.7 million previously due to better profit margins. In addition to that, consumer foods division reported pre-tax profit of RM0.2 million as opposed to pre-tax loss of RM0.4 million in the preceding year corresponding quarter as a result of lower operating expenses.

For the current financial year-to-date

The Group recorded revenue of RM210.5 million and pre-tax profit of RM6.2 million in the current financial year-to-date ended 30 September 2015 as compared to revenue of RM195.4 million and pre-tax profit of RM5.8 million reported in the preceding year corresponding period. Both the building materials and bedding products divisions reported increase in revenue of 22% and 15% respectively, while consumer foods division registered a drop in revenue of 2%.

Building materials division recorded a pre-tax profit of RM2.5 million compared to RM0.7 million in the preceding year corresponding period. Bedding products division posted a pre-tax profit of RM5.0 million for the current year-to-date as compared to RM4.1 million in the preceding year corresponding period due to better margins.

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However, consumer foods division reported a pre-tax loss of RM1.5 million as compared to pre-tax profit of RM0.8 million in the preceding year corresponding period due to lower profit margins.

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

The higher revenue was attributable to increase in sales of 20% and 12% registered by building materials and consumer foods divisions respectively. The bedding products division, on the other hand, reported a decrease in sales of 22%.

The higher pre-tax profit was due to profit contributions from building materials and consumer foods divisions. Building materials division posted a pre-tax profit of RM1.3 million as compared to pre-tax loss of RM0.2 million in the immediate preceding quarter. Consumer foods division also registered a pre-tax profit of RM0.2 million compared with pre-tax loss of RM0.9 million in the immediate preceding quarter.

However, bedding products division reported a lower pre-tax profit of RM1.0 million when compared with pre-tax profit of RM2.2 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 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.

B5 Taxation

	Current quarter 30/09/15 RM'000	Cumulative current year-to-date 30/09/15 RM'000
Current Taxation	874	2,589
(Over)/Under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	874	2,589

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The effective tax rate on the Group's profit for the current year-to-date 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 30 September 2015:-

	Secured RM'000
Short Term Borrowings	
Hire purchase creditors	1,113
Bank overdrafts	13,208
Banker acceptances/trust receipts	19,263
Term loans	3,107
	<u>36,691</u>
Long Term Borrowings	
Hire purchase creditors	1,467
Term loans	16,519
	<u>17,986</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 under review.

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.

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30/09/15 RM'000	Preceding year corresponding quarter 30/09/14 RM'000	Current year to-date 30/09/15 RM'000	Preceding year corresponding period 30/09/14 RM'000
Net profit attributable to equity holders of the parent	1,558	525	3,568	3,733
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	1.51	0.51	3.47	3.63

(II) Diluted earnings per share

Not applicable.

B 11 Notes to the Statement of Comprehensive Income

Profit/(loss) of the current quarter/year-to-date is arrived at after charging/(crediting):-

	Current year quarter 30/09/2015 RM'000	Current year to-date 30/09/2015 RM'000
Interest income	(1)	(56)
Depreciation and amortisation	2,159	6,229
Provision for and write-off of receivables	431	768
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:-

	Group 30/09/2015 RM'000	Group 30/09/2014 RM'000
Realised	132,280	127,357
Unrealised	(1,380)	(1,380)
Total	130,900	125,977

Dated: 26 November 2015
Petaling Jaya