

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 (“MASB”) 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 financial year ended 31 December 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	77,702	65,232	130,277	10,830	(10,902)	273,139
Result						
Profit/(Loss) from Operations	4,801	8,381	888	(689)		13,381
Finance costs						(3,699)
Investing results						-
Profit before taxation						9,682
Taxation						(3,855)
Net profit for the period						5,827
Other information						
Segment assets	67,504	100,034	102,358	61,704	-	331,600
Segment liabilities	(29,371)	(35,313)	(30,050)	(154)	-	(94,888)
Capital expenditure on property, plant and equipment	18	5,523	1,752	-	-	7,293
Depreciation	1,162	2,301	4,711	34	-	8,208

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 fourth quarter ended 31 December 2015

The Group recorded revenue of RM62.6 million and pre-tax profit of RM3.5 million in the current quarter ended 31 December 2015 as compared to revenue of RM87.6 million and a pre-tax profit of RM4.9 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 28% as compared to preceding year corresponding quarter due to lower completion of projects sales. Similarly, consumer foods division reported a decrease of 27% attributable to lower demand for its products. However, bedding products division reported an increase in revenue of 6% as compared to the preceding year corresponding quarter due to higher domestic demands and projects sales.

The decrease in the Group's pre-tax profit was mainly attributable to lower profit contributions from the building materials division. Building materials division reported a pre-tax profit of RM0.9 million as compared to profit of RM3.5 million in the preceding year corresponding quarter due to lower turnover and higher operating expenses. However, consumer foods division reported pre-tax profit of RM1.7 million as compared to RM0.8 million in the preceding year corresponding quarter as a result of lower operating expenses. Similarly, bedding products division recorded a higher pre-tax profit of RM1.8 million for the current quarter compared to pre-tax profit of RM1.6 million previously due to lower operating expenses.

For the current financial year ended 31 December 2015

The Group recorded revenue of RM273.1 million and pre-tax profit of RM9.7 million in the current financial year ended 31 December 2015 as compared to revenue of RM282.9 million and pre-tax profit of RM10.7 million reported in the preceding financial year. Both the bedding products and building materials divisions reported increase in revenue of 13% and 4% respectively, while consumer foods division registered a drop in revenue of 8%.

Bedding products division posted a pre-tax profit of RM6.8 million for the current financial year as compared to a profit of RM5.7 million in the preceding financial year to date due to better margins. Building materials division registered a pre-tax profit of RM3.4 million compared to a profit of RM4.2 million the preceding financial year due to lower margins.

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Consumer foods division reported a pre-tax profit of RM0.1 million as compared to pre-tax profit of RM1.6 million in the preceding financial year also due to lower profit margins.

In the opinion of the Board of Directors, the results of the financial year ended 31 December 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 RM62.6 million and pre-tax profit of RM3.5 million in the current quarter ended 31 December 2015 as compared to revenue of RM71.4 million and a pre-tax profit of RM2.4 million reported in the immediate preceding quarter.

The lower revenue was attributable to decrease in sales of 31% and 5% registered by consumer foods and building materials divisions. The bedding products division, on the other hand, reported an increase in sales of 8%.

The higher pre-tax profit reported by the Group was contributed by the consumer foods and bedding products divisions. Pre-tax profit of consumer foods division was RM1.7 million as compared to pre-tax profit of RM0.2 million in the immediate preceding quarter. Similarly, bedding products division reported a higher pre-tax profit of RM1.8 million compared with RM1.0 million in the preceding quarter.

However, building materials division registered a lower pre-tax profit of RM0.9 million compared with pre-tax profit of RM1.3 million in the immediate preceding quarter.

B3 Future prospects

The Board expects the performance of the Group for the next financial year ending 31 December 2016 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	Current year ended
	31/12/15	31/12/15
	RM'000	RM'000
Current Taxation	1,658	4,247
(Over)/Under Taxation	-	-
Deferred Taxation – Current	(392)	(392)
Deferred Taxation – Prior	-	-
	1,266	3,855

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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	1,090
Bank overdrafts	11,682
Banker acceptances/trust receipts	18,672
Term loans	3,176
	<u>34,620</u>
Long Term Borrowings	
Hire purchase creditors	1,270
Term loans	16,030
	<u>17,300</u>

B8 Material litigation

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

B9 Dividend

A first and final tax-exempt (single-tier) dividend in respect of the financial year ended 31 December 2015 of 1.0% (1.0 sen per ordinary share) (2014: 2.0 sen) on 102,850,000 ordinary shares of RM1.00 each, amounting to dividend of RM1,082,500 has been proposed by the Board of Directors for shareholders' approval at the forthcoming Annual General Meeting of the Company. 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.

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year ended	Preceding year ended
	31/12/15 RM'000	31/12/14 RM'000	31/12/15 RM'000	31/12/14 RM'000
Net profit attributable to equity holders of the parent	2,259	3,414	5,827	7,147
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	2.20	3.32	5.66	6.95

(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 31/12/2015 RM'000	Current year ended 31/12/2015 RM'000
Interest income	(6)	(62)
Depreciation and amortisation	2,129	8,358
Provision for and write off of receivables	(35)	733
Provision for and write off of inventories	518	518
Gain or loss on disposal of quoted investment or properties	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss	-	-
(Gain)/Loss on disposal of fixed assets	(53)	(53)
(Gain)/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 31/12/2015 RM'000	Group 31/12/2014 RM'000
Realised	134,539	130,769
Unrealised	(1,380)	(1,380)
Total	133,159	129,389

Dated: 26 February 2016
Petaling Jaya