

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 2015. 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 2015.

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 2015, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2016.

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 2016. 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

Save for the below, there were no unusual items during this quarter affecting assets, liabilities, equity, net income or cash flow.

The Company had on 29 February 2016 announced that a fire incident had occurred on 28 February 2016 at one (1) of the factory cum warehouse buildings located at Semenyih, Selangor Darul Ehsan. The factory building belonged to Spices & Seasonings Specialities Sdn Bhd, (“SSSSB”) an indirect subsidiary company of OCB Berhad.

The net book value of the damages including amongst others, factory building, plant and machineries and inventories amounted to RM12.4 million. SSSSB had on 29 July 2016 and 10 August 2016 received RM14.2 million and RM0.3 million respectively as full payment for fire compensation claim. Meanwhile, SSSSB is in the midst of preparing the fire consequential loss claim. The final outcome of the claim is pending finalisation in due course.

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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.

A7 Dividends Paid

A first and final tax-exempt (single-tier) dividend of 1.0% (1.0 sen per ordinary share) (2014: 2.0 sen) in respect of the financial year ended 31 December 2015 on 102,850,000 ordinary shares of RM1.00 each, amounting to RM1,028,500 has been paid on 24 June 2016.

A8 Segmental information

Business segments information for the financial period ended 30 June 2016:-

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue/(Loss)	39,116	26,213	70,504	3,742	(3,772)	135,803
Result						
Profit/(Loss) from Operations	2,084	3,817	(588)	2,841	(3,082)	5,072
Finance costs						(1,706)
Investing results						-
Profit before taxation						3,366
Taxation						(1,551)
Net profit for the period						1,815
Other information						
Segment assets	70,576	96,687	108,425	61,151	-	336,839
Segment liabilities	(31,931)	(30,452)	(36,686)	(135)	-	(99,204)
Capital expenditure on property, plant and equipment	13	1,831	548	-	-	2,392
Depreciation	561	1,061	2,245	6	-	3,873

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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 quarter ended 30 June 2016

The Group recorded revenue of RM68.6 million and pre-tax profit of RM2.7 million in the current quarter ended 30 June 2016 as compared to revenue of RM67.5 million and a pre-tax profit of RM1.4 million reported in the preceding year corresponding quarter. The increase in revenue was mainly due to higher sales contribution from building materials and consumer foods divisions. Building materials division reported an increase in sales of 37% quarter-on-quarter due to higher completion of project sales while consumer foods division reported an increase of 2% attributable to higher demand for its creamer products. However, revenue of bedding products division decreased by 31% due to lower demand for its products.

The increase in the Group's pre-tax profit was mainly attributable to higher profits posted by the building materials and consumer foods divisions. Building materials division recorded a pre-tax profit of RM0.7 million for the current quarter under review compared to a pre-tax loss of RM0.2 million in the preceding year corresponding quarter due to lower operating expenses.

Consumer foods division generated a pre-tax profit of RM0.1 million as against a pre-tax loss of RM0.8 million in the preceding year corresponding quarter due to a gain from fire compensation claim of RM2.1 million compared to net book value of assets written off.

Bedding products division on the other hand, reported a lower pre-tax profit of RM2.0 million as compared to RM2.2 million in the preceding year corresponding quarter as a result of higher operating expenses.

The Group's operating subsidiary, SSSSB had on 29 July 2016 and 10 August 2016 received RM14.2 million and RM0.3 million respectively as full payment for fire compensation claim. Meanwhile, SSSSB is in the midst of preparing the fire consequential loss claim. The final outcome of the claim is pending finalisation in due course. The net book value of the damages including amongst others, factory building, plant and machineries and inventories amounted to RM12.4 million.

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For the current financial year-to-date ended 30 June 2016

The Group recorded revenue of RM135.8 million and pre-tax profit of RM3.4 million for the current financial year-to-date ended 30 June 2016 as compared to revenue of RM139.1 million and pre-tax profit of RM3.7 million in the preceding year corresponding period. Bedding products division registered a drop in revenue of 27% while building materials and consumer foods divisions reported increase in revenue of 1% and 9% respectively.

Building materials division registered improved pre-tax profit of RM1.4 million compared to RM1.2 million in the preceding year corresponding period. Consumer foods division reported a lower pre-tax loss of RM1.0 million as compared to pre-tax loss of RM1.7 million in the preceding year corresponding period due to gain from fire compensation claim.

However, bedding products division posted a lower pre-tax profit of RM3.2 million for the current year-to-date as compared to RM4.0 million in the preceding year corresponding period due to higher operating expenses.

In the opinion of the Board of Directors of the Company, the results of the financial quarter ended 30 June 2016 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 RM68.6 million and pre-tax profit of RM2.7 million in the current quarter ended 30 June 2016 as compared to revenue of RM67.2 million and a pre-tax profit of RM0.7 million reported in the immediate preceding quarter.

The higher revenue was attributable to increase in sales of 37% registered by building materials division. Bedding products and consumer foods divisions, on the other hand, reported a decrease in sales of 9% and 11% respectively.

Bedding products division reported a higher pre-tax profit of RM2.0 million for the quarter ended 30 June 2016 as compared to a pre-tax profit of RM1.2 million in the immediate preceding quarter.

Consumer foods division registered a pre-tax profit of RM0.1 million as opposed to pre-tax loss of RM1.1 million in the immediate preceding quarter. Building materials division reported a flat pre-tax profit of RM0.7 million for the two (2) consecutive quarters.

B3 Future prospects

The Board of Directors of the Company expects the performance of the Group for the 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.

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

No profit forecast or profit guarantee was issued by the Company.

B5 Taxation

	Current quarter ended 30/06/16 RM'000	Current financial year-to-date ended 30/06/16 RM'000
Current Taxation	1,139	1,551
(Over)/Under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>1,139</u>	<u>1,551</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 current quarter ended 30 June 2016:-

	Secured RM'000
Short Term Borrowings	
Hire purchase creditors	966
Bank overdrafts	9,452
Banker acceptances/trust receipts	21,242
Term loans	3,176
	<u>34,836</u>
Long Term Borrowings	
Hire purchase creditors	891
Term loans	14,422
	<u>15,313</u>

B8 Material litigation

There was no material litigation nor pending material litigation against the Group as at the date of this report.

B9 Dividend

No dividend has been declared for the current period under review.

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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 30/06/16 RM'000	Preceding year corresponding quarter 30/06/15 RM'000	Current year-to-date 30/06/16 RM'000	Preceding year-to-date 30/06/15 RM'000
Net profit attributable to equity holders of the parent	1,536	840	1,815	2,010
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	1.49	0.82	1.76	1.95

(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 30/06/2016 RM'000	Current year-to-date 30/06/2016 RM'000
Interest income	(55)	(62)
Depreciation and amortisation	1,973	3,948
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	4,081
(Gain)/Loss on disposal of quoted investment or properties	-	-
Property, plant & equipment written off	(1,974)	8,279
Provision for fire insurance compensation	(142)	(14,476)
Foreign exchange (gain)/loss	(20)	(66)
(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 30/06/2016 RM'000	Group 30/06/2015 RM'000
Realised	135,760	130,722
Unrealised	(1,445)	(1,380)
Total	134,315	129,342

Dated: 25 August 2016
Petaling Jaya
Selangor Darul Ehsan