

# **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 RM11.2 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 has received offer of RM1.0 million as the first interim payment for the fire consequential loss on 22 November 2016. The final outcome of the fire consequential loss claim is pending finalisation.

## OCB BERHAD

(Company No: 3465-H)  
(Incorporated in Malaysia)

### 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

No dividend was paid during the quarter under review.

### A8 Segmental information

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

	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/(Loss)	63,171	42,094	104,078	10,606	(10,651)	209,298
<b>Result</b>						
Profit/(Loss) from Operations	4,161	4,236	(704)	9,339	(9,622)	7,410
Finance costs						(2,568)
Investing results						-
Profit before taxation						4,842
Taxation						(1,922)
Net profit for the period						<b>2,920</b>
<b>Other information</b>						
Segment assets	71,596	98,096	114,169	61,470	-	345,331
Segment liabilities	(31,733)	(31,114)	(43,595)	(122)	-	(106,564)
Capital expenditure on property, plant and equipment	28	2,306	7,151	-	-	9,485
Depreciation	843	1,578	2,818	6	-	5,245

## **OCB BERHAD**

(Company No: 3465-H)  
(Incorporated in Malaysia)

### **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 September 2016

The Group recorded revenue of RM73.5 million and pre-tax profit of RM1.5 million in the current quarter ended 30 September 2016 as compared to revenue of RM71.4 million and a pre-tax profit of RM2.4 million reported in the preceding year corresponding quarter. The increase revenue was mainly due to higher sales contribution from building materials and bedding products divisions. Building materials division reported an increase in sales of 21% quarter-on-quarter due to higher completion of project sales while bedding products division reported an increase of 12% attributable to higher demand for its products. However, revenue of consumer foods division decreased by 10% due to lower demand for its products.

The decrease in the Group's pre-tax profit was mainly attributable to lower profits contribution from the consumer foods and bedding products divisions. Consumer foods division suffered a pre-tax loss of RM0.3 million for the current quarter under review opposed to a pre-tax profit of RM0.2 million in the preceding year corresponding quarter due to higher operating expenses.

Bedding products division generated a lower pre-tax profit of RM0.1 million as against a pre-tax profit of RM1.0 million in the preceding year corresponding quarter due to higher operating expenses.

Building materials division on the other hand, reported a higher pre-tax profit of RM1.7 million as compared to RM1.3 million in the preceding year corresponding quarter in tandem with improved sales.

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 has received offer of RM1.0 million as the first interim payment for the fire consequential loss on 22 November 2016. The final outcome of the fire consequential loss 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 RM11.2 million.

# OCB BERHAD

(Company No: 3465-H)  
(Incorporated in Malaysia)

## For the current financial year-to-date

The Group recorded revenue of RM209.3 million and pre-tax profit of RM4.8 million in the current financial year-to-date ended 30 September 2016 as compared to revenue of RM210.5 million and pre-tax profit of RM6.2 million reported in the preceding year corresponding period. Building materials and consumer foods divisions registered an increase in revenue of 7% and 2% respectively, while bedding products division reported a drop in revenue of 16%.

Building materials division registered improved pre-tax profit of RM3.1 million compared to RM2.5 million in the preceding year corresponding period while consumer foods division reported a lower pre-tax loss of RM1.3 million as compared to pre-tax loss of RM1.5 million in the preceding year corresponding period.

However, bedding products division posted a lower pre-tax profit of RM3.3 million for the current year-to-date as compared to RM5.0 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 September 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 RM73.5 million and pre-tax profit of RM0.5 million in the current quarter ended 30 September 2016 as compared to revenue of RM68.6 million and a pre-tax profit of RM2.7 million reported in the immediate preceding quarter.

The higher revenue was attributable to increase in sales of 27% and 6% registered by the bedding products and building materials divisions respectively. The consumer foods division, on the other hand, reported flat sales comparable to that in the immediate preceding quarter.

The building materials division reported a higher pre-tax profit of RM1.7 million for the quarter ended 30 September 2016 as compared to a pre-tax profit of RM0.7 million in the immediate preceding quarter. However, consumer foods division registered a pre-tax loss of RM0.3 million as opposed to pre-tax profit of RM0.1 million in the immediate preceding quarter. Bedding products division reported a drop in pre-tax profit to RM0.1 million as compared to RM2.0 million in the immediate preceding quarter.

## **B3 Future prospects**

The Board of Directors of the Company expects the performance of the Group for the fourth quarter 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 forecast and shortfall in profit guarantee.**

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

## OCB BERHAD

(Company No: 3465-H)  
(Incorporated in Malaysia)

### B5 Taxation

	<b>Current quarter ended 30/09/16 RM'000</b>	<b>Current financial year-to-date ended 30/09/16 RM'000</b>
Current Taxation	371	1,922
(Over)/Under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	<u>371</u>	<u>1,922</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 September 2016:-

	<b>Secured RM'000</b>
<b>Short Term Borrowings</b>	
Hire purchase creditors	954
Bank overdrafts	11,399
Banker acceptances/trust receipts	20,702
Term loans	3,176
	<u>36,231</u>
<b>Long Term Borrowings</b>	
Hire purchase creditors	747
Term loans	13,625
	<u>14,372</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.

# OCB BERHAD

(Company No: 3465-H)  
(Incorporated in Malaysia)

## 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-to-date
	30/09/16 RM'000	30/09/15 RM'000	30/09/16 RM'000	30/09/15 RM'000
Net profit attributable to equity holders of the parent	1,105	1,558	2,920	3,568
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	1.07	1.51	2.84	3.47

### (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 30/09/2016 RM'000	Current year-to-date 30/09/2016 RM'000
Interest income	(19)	(81)
Depreciation and amortisation	1,410	5,358
Provision for and write-off of receivables	1,749	1,749
Provision for and write-off of inventories	(456)	3,625
(Gain)/Loss on disposal of quoted investment or properties	-	-
Property, plant & equipment written-off	(411)	7,868
Provision for fire insurance compensation	(1,142)	(15,476)
Foreign exchange (gain)/loss	27	(39)
(Gain)/Loss on derivatives	-	-
Exceptional items	-	-

## OCB BERHAD

(Company No: 3465-H)  
(Incorporated in Malaysia)

### B12 Retained earnings

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

	<b>Group 30/09/2016 RM'000</b>	<b>Group 30/09/2015 RM'000</b>
Realised	136,865	132,280
Unrealised	(1,445)	(1,380)
<b>Total</b>	<b>135,420</b>	<b>130,900</b>

Dated: 24 November 2016  
Petaling Jaya  
Selangor Darul Ehsan