

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. SSSSB received and accepted offer of RM1.0 million as the first interim payment for fire consequential loss on 22 November 2016. A subsequent amount of RM3,150,133.91 was received on 18 January 2017 as the balance and final payment for the fire consequential loss claim.

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A5 Changes in estimates of amount reported previously with a material effect in current financial year

There were no estimations of amount used in our previous reporting which have a material impact in the current financial year.

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 current quarter under review.

A8 Segmental information

Business segments information for the financial year ended 31 December 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)	90,997	58,269	143,398	17,470	(17,530)	292,604
Result						
Profit/(Loss) from Operations	5,362	6,002	2,274	15,150	(16,150)	12,638
Finance costs						(3,361)
Investing results						-
Profit before taxation						9,277
Taxation						(3,875)
Net profit for the period						5,402
Other information						
Segment assets	70,831	105,467	102,104	61,836	-	340,238
Segment liabilities	(24,077)	(38,150)	(36,595)	(143)	-	(98,965)
Capital expenditure on property, plant and equipment	30	5,133	10,652	-	-	15,815
Depreciation	1,124	2,083	3,437	6	-	6,644

A9 Revaluations

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

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 2016

The Group recorded revenue of RM83.3 million and pre-tax profit of RM4.4 million in the current quarter ended 31 December 2016 as compared to revenue of RM62.5 million and a pre-tax profit of RM3.5 million reported in the preceding year corresponding quarter. The increase in revenue was mainly due to higher sales contribution from the building materials, consumer foods and bedding products divisions. Building materials division reported an increase in sales of 47% quarter-on-quarter due to higher completion of project sales while consumer foods division reported an increase of 38% attributable to higher demand for its products. Lastly, revenue of bedding products division increased by 6% due to higher demand for its products.

The increase in the Group's pre-tax profit was mainly attributable to higher profits contribution from the consumer foods division. Consumer foods division registered a pre-tax profit of RM2.8 million for the current quarter under review as opposed to a pre-tax profit of RM1.7 million in the preceding year corresponding quarter mainly due to recognition of fire consequential loss claim of RM3.15 million.

Building materials division reported pre-tax profit of RM0.9 million for the current quarter under review which was comparable with that of the preceding year corresponding quarter.

However, bedding products division reported a decrease in pre-tax profit of RM1.5 million as opposed to RM1.8 million in the preceding year corresponding quarter due to 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. SSSSB subsequently received and accepted offer of RM1.0 million as the first interim payment for fire consequential loss claim on 22 November 2016. A further amount of RM3,150,133.91 was received on 18 January 2017 as the balance and final payment for the fire consequential loss claim. The net book value of the damages including amongst others, factory building, plant and machineries and inventories amounted to RM11.2 million.

For the current financial year ended 31 December 2016

The Group recorded revenue of RM292.6 million and pre-tax profit of RM9.3 million in the current financial year ended 31 December 2016 as compared to revenue of RM273.0 million and pre-tax profit of RM9.7 million reported in the preceding financial year. Building materials and consumer foods divisions registered an increase in revenue of 17% and 10% respectively, while bedding products division reported a drop in revenue of 11%.

Building materials division registered an improved pre-tax profit of RM4.0 million as compared to pre-tax profit of RM3.4 million in the preceding financial year. Consumer foods division reported a higher pre-tax profit of RM1.5 million as against a pre-tax profit of RM0.5 million in the preceding financial year.

Bedding products division posted a lower pre-tax profit of RM4.8 million for the current financial year as compared to RM6.8 million in the preceding financial year due to higher operating expenses.

In the opinion of the Board of Directors of the Company, the results of the financial year ended 31 December 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 RM83.3 million and pre-tax profit of RM4.4 million in the current quarter ended 31 December 2016 as compared to revenue of RM73.5 million and a pre-tax profit of RM1.5 million reported in the immediate preceding quarter.

The higher revenue was attributable to increase in sales of 16%, 15% and 2% registered by the building materials, consumer foods and bedding products divisions respectively.

The consumer foods division posted a higher pre-tax profit of RM2.8 million for the quarter ended 31 December 2016 as compared to a pre-tax loss of RM0.3 million in the immediate preceding quarter. Similarly, bedding products division reported a higher pre-tax profit of RM1.5 million as compared to RM0.1 million in the immediate preceding quarter.

However, building materials division registered a lower pre-tax profit of RM0.9 million as opposed to a pre-tax profit of RM1.7 million in the immediate preceding quarter.

B3 Future prospects

The Board of Directors of the Company expects the performance of the Group for the next financial year ending 31 December 2017 to be challenging in view of the weak domestic outlook and foreign exchange rate fluctuations. 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.

B5 Taxation

	Current quarter ended 31/12/16 RM'000	Current financial year ended 31/12/16 RM'000
Current Taxation	1,879	3,801
(Over)/Under Taxation	-	-
Deferred Taxation – Current	74	74
Deferred Taxation – Prior	-	-
	1,953	3,875

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 financial year ended 31 December 2016:-

	Secured RM'000
Short Term Borrowings	
Hire purchase creditors	856
Bank overdrafts	4,338
Banker acceptances/trust receipts	22,132
Term loans	2,466
	29,792
 Long Term Borrowings	
Hire purchase creditors	623
Term loans	13,087
	13,710

B8 Material litigation

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

B9 Dividend

A first and final single-tier dividend of 1.0 sen per share in respect of the financial year ended 31 December 2016 on 102,850,000 ordinary shares, amounting to RM1,082,500 (2015: 1.0 sen per share) 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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year ended	Preceding year ended
	31/12/16 RM'000	31/12/15 RM'000	31/12/16 RM'000	31/12/15 RM'000
Net profit attributable to equity holders of the parent	2,482	2,756	5,402	6,324
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	2.41	2.68	5.25	6.15

(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 31/12/2016 RM'000	Current year ended 31/12/2016 RM'000
Interest income	(28)	(109)
Depreciation and amortisation	1,286	6,644
Provision for and write-off of receivables	413	2,162
Provision for and write-off of inventories	(308)	3,317
(Gain)/Loss on disposal of quoted investment or properties	-	-
Property, plant & equipment written-off	-	7,868
Provision for fire insurance compensation	(3,150)	(18,626)
Foreign exchange (gain)/loss	70	31
(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 31/12/2016 RM'000	Group 31/12/2015 RM'000
Realised	139,347	134,908
Unrealised	(1,445)	(1,380)
Total	137,902	133,528

Date: 27 February 2017
Petaling Jaya
Selangor Darul Ehsan