

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 2016. 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 2016.

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 2016, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2017.

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 2017. 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 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.

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A7 Dividends Paid

A first and final single-tier dividend of 1.0 sen per share (2015: 1.0 sen per share) in respect of the financial year ended 31 December 2016 on 102,850,000 ordinary shares amounting to RM1,028,500 has been paid on 23 June 2017.

A8 Segmental information

Business segments information for the financial year ended 30 June 2017:-

	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)	43,585	26,236	72,777	660	(690)	142,568
Result						
Profit/(Loss) from Operations	6,052	1,512	(2,231)	(128)	-	5,205
Finance costs						(1,369)
Investing results						-
Profit before taxation						3,836
Taxation						(1,830)
Net profit for the period						2,006
Other information						
Segment assets	65,452	102,354	106,102	61,716	-	335,624
Segment liabilities	(14,536)	(31,758)	(47,358)	(133)	-	(93,785)
Capital expenditure on property, plant and equipment	61	1,898	12,176	-	-	14,135
Depreciation	557	1,090	2,029	-	-	3,676

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 second quarter ended 30 June 2017

The Group recorded revenue of RM72.0 million and pre-tax profit of RM2.0 million in the current quarter ended 30 June 2017 as compared to revenue of RM68.6 million and a pre-tax profit of RM2.7 million reported in the preceding year corresponding quarter.

The increase in revenue was mainly due to higher sales contribution from the bedding products and consumer foods divisions, which reported an increase in sales of 19% and 13% respectively due to improved demand during the quarter. However, building materials division reported a decrease of 14% attributable to lower completion of its project sales.

The decrease in the Group's pre-tax profit was mainly attributable to consumer foods division reporting a pre-tax loss of RM1.4 million as compared to pre-tax profit of RM0.1 million in the preceding year corresponding quarter due to lower margin.

Bedding products division reported a lower pre-tax profit of RM1.0 million for the current quarter under review as compared to RM2.0 million achieved during the preceding year corresponding quarter due to lower margin.

Building materials division registered a higher pre-tax profit of RM2.3 million for the current quarter under review compared to a pre-tax profit of RM0.7 million in the preceding year corresponding quarter mainly due to better profit margin on certain projects.

For the current financial year-to-date ended 30 June 2017

The Group recorded revenue of RM142.6 million and pre-tax profit of RM3.8 million in the current financial year-to-date ended 30 June 2017 as compared to revenue of RM135.8 million and pre-tax profit of RM3.4 million reported in the preceding year corresponding period.

Building materials and consumer foods divisions registered an increase in revenue of 11% and 3% respectively, while bedding products division reported a flat revenue of RM26.2 million.

Building materials division registered a substantial increase in its pre-tax profit to RM5.8 million compared to RM1.4 million in the preceding year corresponding period. However, bedding products division reported a lower pre-tax profit of RM1.0 million as compared to pre-tax profit of RM3.2 million in the preceding year corresponding period.

Similarly, consumer foods products division posted a higher pre-tax loss of RM2.8 million for the current year-to-date as compared to a pre-tax loss of RM1.0 million in the preceding year corresponding period due to lower margin.

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In the opinion of the Board of Directors of the Company, the results of the financial year ended 30 June 2017 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 RM72.0 million and pre-tax profit of RM2.0 million in the current quarter ended 30 June 2017 as compared to revenue of RM70.5 million and a pre-tax profit of RM1.8 million reported in the immediate preceding quarter.

The higher revenue was attributable to improvement in sales of 31% and 7% registered by the bedding products and consumer foods divisions respectively. However, building materials division reported a drop in sales of 20%.

The bedding products division posted a higher pre-tax profit of RM1.0 million for the quarter ended 30 June 2017 as compared to a pre-tax profit of RM45,000 in the immediate preceding quarter.

Consumer foods division registered a lower pre-tax loss of RM1.4 million as opposed to a pre-tax loss of RM1.5 million in the immediate preceding quarter.

Building materials division reported a lower pre-tax profit of RM2.3 million as compared to a pre-tax profit of RM3.4 million in the immediate preceding quarter.

B3 Future prospects

The Board of Directors of the Company anticipates the performance of the Group for the 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 30/06/17 RM'000	Current financial year ended 30/06/17 RM'000
Current Taxation	934	1,788
(Over)/Under Taxation	-	-
Deferred Taxation – Current	42	42
Deferred Taxation – Prior	-	-
	976	1,830

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

The total bank borrowings of the Group are as follows:-

	As at the end of quarter ended 30 June 2017					
	Short term		Long term		Total borrowings	
	Denominated in SGD	Denominated in RM	Denominated in SGD	Denominated in RM	Denominated in SGD	Denominated in RM
Secured						
Hire purchase creditors	-	565	-	502	-	1,067
Bank overdrafts	-	416	-	-	-	416
Banker acceptances/ trust receipts	-	6,032	-	-	-	6,032
Term loans	205	3,024	2,540	23,803	2,745	29,572
Total	205	10,037	2,540	24,305	2,745	34,342
Unsecured						
Bank overdrafts	-	588	-	-	-	588
Banker acceptances/ trust receipts	-	10,008	-	-	-	10,008
Total	-	10,596	-	-	-	10,596

	As at the end of quarter ended 30 June 2016					
	Short term		Long term		Total borrowings	
	Denominated in SGD	Denominated in RM	Denominated in SGD	Denominated in RM	Denominated in SGD	Denominated in RM
Secured						
Hire purchase creditors	-	966	-	891	-	1,857
Bank overdrafts	-	9,452	-	-	-	9,452
Banker acceptances/ trust receipts	-	12,150	-	-	-	12,150
Term loans	130	3,046	2,687	11,735	2,817	14,781
Total	130	25,614	2,687	12,626	2,817	38,240
Unsecured						
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/ trust receipts	-	9,092	-	-	-	9,092
Total	-	9,092	-	-	-	9,092

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.

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 30/06/2017 RM'000	Preceding year corresponding quarter 30/06/2016 RM'000	Current year-to-date 30/06/2017 RM'000	Preceding year-to-date 30/06/2016 RM'000
Net profit attributable to equity holders of the parent	1,010	1,536	2,006	1,815
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings per share (Sen)	0.98	1.49	1.95	1.76

(II) Diluted earnings per share

Not applicable.

B11 Notes to the Statement of Comprehensive Income

Profit/(loss) of the period/year is arrived at after charging/(crediting):-

	Current year quarter 30/06/2017 RM'000	Current year ended 30/06/2017 RM'000
Interest income	(25)	(40)
Depreciation and amortisation	2,038	3,751
Provision for and write-off of receivables	96	375
Provision for and write-off of inventories	-	98
(Gain)/Loss on disposal of quoted investment or properties	-	-
Property, plant & equipment written-off	-	-
Provision for fire insurance compensation	-	-
Foreign exchange (gain)/loss	-	-
(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 30/06/2017 RM'000	Group 30/06/2016 RM'000
Realised	140,455	135,760
Unrealised	(1,985)	(1,445)
Total	138,470	134,315

Date: 29 August 2017
Petaling Jaya
Selangor Darul Ehsan