

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 2017. 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 2017.

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 2017, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2018.

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 2018. 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.

A7 Dividends Paid

No dividend was paid during the quarter under review.

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A8 Segmental information

Business segments information for the quarter ended 31 March 2018:

	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)	13,601	14,581	32,063	294	(339)	60,200
Result						
Profit/(Loss) from Operations	272	1,273	59	(129)	-	(1,475)
Finance costs						(608)
Investing results						-
Profit before taxation						867
Taxation						(290)
Net profit for the period						577
Other information						
Segment assets	56,582	108,555	99,606	39,428	-	304,171
Segment liabilities	(11,057)	(30,943)	(43,200)	(156)	-	(85,356)
Capital expenditure on property, plant and equipment	28	510	447	-	-	985
Depreciation	271	652	1,323	6	-	2,252

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Business segments information for the quarter ended 31 March 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)	24,191	11,358	34,993	330	(345)	70,527
Result						
Profit/(Loss) from Operations	3,590	294	(1,156)	(165)	-	2,563
Finance costs						(713)
Investing results						-
Profit before taxation						1,850
Taxation						(854)
Net profit for the period						996
Other information						
Segment assets	70,341	99,910	104,957	65,020	-	340,228
Segment liabilities	(20,953)	(32,846)	(44,418)	(163)	-	(98,380)
Capital expenditure on property, plant and equipment	29	1,035	10,886	-	-	11,950
Depreciation	279	543	854	-	-	1,676

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 under review up to 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 first quarter ended 31 March 2018

The Group recorded revenue of RM60.2 million and pre-tax profit of RM0.9 million in the current quarter ended 31 March 2018 as compared to revenue of RM70.5 million and a pre-tax profit of RM1.9 million reported in the preceding year corresponding quarter.

The decrease in revenue was mainly due to lower sales contribution from the building materials and consumer foods divisions, which reported a decrease in sales of 44% and 8% respectively. Building materials division has seen lower sales from both project and retail segments, where consumer foods division experienced weaker demand during the quarter under review. However, bedding products reported an increase of 28% in sales at RM14.6 million.

The lower pre-tax profit reported by the Group was mainly attributable to building materials division where reported a lower pre-tax profit of RM0.2 million for the current quarter under review as compared to RM3.4 million achieved during the preceding year corresponding quarter due to lower margin and higher operating expenses.

However, consumer foods division had reported a lower pre-tax loss of RM0.3 million as compared to pre-tax loss of RM1.5 million in the preceding year corresponding quarter as a result of improved margin.

In addition to that, bedding products division registered a higher pre-tax profit of RM1.0 million for the current quarter under review as opposed to a pre-tax profit of RM45,000 in the preceding year corresponding quarter mainly due to better profit margin on certain products.

In the opinion of the Board of Directors of the Company, the results of the financial period ended 31 March 2018 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 reported a revenue of RM60.2 million and pre-tax profit of RM0.9 million in the current quarter ended 31 March 2018 as compared to revenue of RM70.1 million and a pre-tax loss of RM21.3 million reported in the immediate preceding quarter.

The lower revenue was attributable to the decrease in sales of 18%, 16% and 10% registered by the consumer foods, building materials and bedding products divisions respectively.

The immediate preceding pre-tax loss reported by the Group was mainly attributable to impairment loss on goodwill which amounted to RM22.1 million. The Group had impaired 58% of its goodwill from consumer foods division during the year ended 31 December 2017 based on the impairment test to reflect the fair value of the business in line with the current highly competitive and uncertain environment of the consumer foods industry.

In the current quarter, bedding products division reported a lower pre-tax profit of RM1.0 million as compared to a pre-tax profit of RM1.8 million in the immediate preceding quarter.

Similarly, building materials division reported lower pre-tax profit of RM0.2 million as compared to pre-tax profit of RM0.4 million in the immediate preceding quarter.

However, the consumer foods division reported pre-tax loss of RM0.3 million for the current quarter under review as compared to pre-tax loss of RM0.4 million in the immediate preceding quarter.

B3 Future prospects

The Board of Directors of the Company expects the performance of the Group for the financial year ending 31 December 2018 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 31/03/18 RM'000	Current financial year-to-date ended 31/03/18 RM'000
Current Taxation	290	290
(Over)/Under Taxation	-	-
Deferred Taxation – Current	-	-
Deferred Taxation – Prior	-	-
	290	290

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

Total Group borrowings are as follows:

	As at 31 March 2018					
	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	-	369	-	345	-	714
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/trust receipts	-	12,709	-	-	-	12,709
Term loans	202	3,425	2,246	24,647	2,448	28,072
Total	202	16,503	2,246	24,992	2,448	41,495
Unsecured						
Bank overdrafts	-	960	-	-	-	960
Banker acceptances/trust receipts	-	6,111	-	-	-	6,111
Total	-	7,071	-	-	-	7,071

	As at 31 March 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	-	598	-	521	-	1,119
Bank overdrafts	-	962	-	-	-	962
Banker acceptances/trust receipts	-	11,334	-	-	-	11,334
Term loans	205	3,024	2,634	15,615	2,839	18,639
Total	205	15,918	2,634	16,136	2,839	32,054
Unsecured						
Bank overdrafts	-	209	-	-	-	209
Banker acceptances/trust receipts	-	12,923	-	-	-	12,923
Total	-	13,132	-	-	-	13,132

B8 Derivative financial instruments

There were no outstanding derivatives as at the end of the reporting period.

B9 Material litigation

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

B10 Dividend

No dividend has been declared for the financial quarter under review.

B11 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.

	Current year quarter ended 31/03/18 RM'000	Preceding year corresponding quarter ended 31/03/17 RM'000
Net profit attributable to equity holders of the parent	577	996
Number of shares in issue	103,105	103,105
Basic earnings per share (Sen)	0.56	0.97

(II) Diluted earnings per share

Not applicable.

B12 Notes to the Statement of Comprehensive Income

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

	Current quarter ended 31/03/2018 RM'000	Current financial year-to-date ended 31/03/2018 RM'000
Interest income	(66)	(66)
Depreciation and amortisation	2,290	2,290
Provision for and write-off of receivables	693	693

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	Current quarter ended 31/03/2018 RM'000	Current financial year-to-date ended 31/03/2018 RM'000
Provision for and write-off of inventories	205	205
(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	-	-
Impairment loss on goodwill	-	-

Date: 22 May 2018
Petaling Jaya
Selangor Darul Ehsan