

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 this interim financial statements.

A2 Audit report

The audit report of the Company’s audited Financial Statements for the financial year ended 31 December 2017 was not qualified.

A3 Seasonal or cyclical factors

The Group’s operations were not significantly affected by any seasonal or cyclical factors during the financial period under review.

A4 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

A5 Changes in estimates

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

A6 Debt and equity securities

There were no issues, cancellations, repurchases, resale and repayments of debts and equity securities during the financial period under review.

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A7 Dividends Paid

No dividend was paid during the financial period under review.

A8 Segmental information

Business segments information for the financial period ended 30 June 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)	23,104	29,704	68,470	588	(618)	121,248
Results						
Profit/(Loss) from Operations	(1,218)	1,875	788	(450)	-	995
Finance costs						(1,225)
Investing results						-
Profit/(Loss) before taxation						(230)
Taxation						(410)
Net Profit/(Loss) for the period						(640)
Other information						
Segment assets	51,438	102,829	103,759	39,108	-	297,134
Segment liabilities	(7,651)	(24,938)	(46,919)	(21)	-	(79,529)
Capital expenditure on property, plant and equipment	82	519	1,395	-	-	1,996
Depreciation	542	1,216	2,635	12	-	4,405

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Business segments information for the financial period 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 financial period under review.

A10 Material events subsequent to the end of the interim period

There were no materials events subsequent to the end of the financial period 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 financial period under review.

A12 Contingent liabilities or assets

There were no third party contingent liabilities entered into by the Company during the financial period under review.

B1 Review of performance

For the current second quarter ended 30 June 2018

The Group recorded a revenue of RM61.0 million and a loss before taxation of RM1.1 million in the current quarter ended 30 June 2018 as compared to a revenue of RM72.0 million and a profit before taxation of RM2.0 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 51% and 4% respectively. Building materials division has seen lower sales from both the project and retail segments, while consumer foods division experienced weaker demand. However, bedding products division reported an increase of 2% in sales at RM15.1 million.

The loss before taxation reported by the Group was mainly attributable to building materials division which reported a loss before taxation of RM1.6 million for the current quarter under review as opposed to a profit before taxation of RM2.3 million achieved in the preceding year corresponding quarter. This was attributable to lower margin and higher operating expenses.

Bedding products division registered a lower a profit before taxation of RM0.4 million for the current quarter under review as compared to a profit before taxation of RM1.0 million in the preceding year corresponding quarter mainly due to higher operating expenses.

However, consumer foods division recorded a profit before taxation of RM0.4 million as compared to loss before taxation of RM1.4 million in the preceding year corresponding quarter as a result of lower operating expenses.

For the current financial year-to-date ended 30 June 2018

The Group recorded revenue of RM121.2 million and a loss before taxation of RM0.2 million in the current financial year-to-date ended 30 June 2018 as compared to revenue of RM142.6 million and a profit before taxation of RM3.8 million reported in the preceding year corresponding period.

Building materials and consumer foods divisions registered a drop in revenue of 47% and 6% respectively, while bedding products division reported an increase in revenue of 13% at RM29.7 million.

Building materials division registered a loss before taxation of RM1.4 million compared to profit before taxation of RM5.8 million in the preceding year corresponding period due to lower margin and higher operating expenses.

However, consumer foods products division posted a profit before taxation of RM0.2 million for the current year-to-date as compared to a loss before taxation of RM2.8 million in the preceding year corresponding period due to improved margin and lower operating expenses. Similarly, bedding products division reported a higher profit before taxation of RM1.4 million as compared to profit before taxation of RM1.0 million in the preceding year corresponding period.

In the opinion of the Board of Directors of the Company, the results of the financial period ended 30 June 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 RM61.0 million and a loss before taxation of RM1.1 million in the current quarter ended 30 June 2018 as compared to revenue of RM60.2 million and a profit before taxation of RM0.9 million reported in the immediate preceding quarter.

The higher revenue was attributable to the increase in sales of 12% and 4% registered by the consumer foods and bedding products divisions respectively. However, the building materials division recorded a decrease in sales of 30% due to drop in both retail and project sales.

In the current quarter, building materials division reported a loss before taxation of RM1.6 million as opposed to a profit before taxation of RM0.2 million in the immediate preceding quarter.

Bedding products division reported a lower profit before taxation of RM0.4 million as compared to profit before taxation of RM1.0 million in the immediate preceding quarter.

However, the consumer foods division reported a profit before taxation of RM0.4 million for the current quarter under review as compared to a loss before taxation of RM0.3 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 30 June 2018 RM'000	Current financial year-to-date ended 30 June 2018 RM'000
Current Taxation	120	410
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	120	410

The effective taxation 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 30 June 2018					
	Short term		Long term		Total borrowings	
	Denominated in SGD (‘000)	Denominated in RM (‘000)	Denominated in SGD (‘000)	Denominated in RM (‘000)	Denominated in SGD (‘000)	Denominated in RM (‘000)
Secured						
Hire purchase creditors	-	354	-	262	-	616
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/trust receipts	-	11,118	-	-	-	11,118
Term loans	-	3,222	-	21,482	-	24,704
Total	-	14,694	-	21,744	-	36,438
Unsecured						
Bank overdrafts	-	980	-	-	-	980
Banker acceptances/trust receipts	-	4,624	-	-	-	4,624
Total	-	5,604	-	-	-	5,604

	As at 30 June 2017					
	Short term		Long term		Total borrowings	
	Denominated in SGD (‘000)	Denominated in RM (‘000)	Denominated in SGD (‘000)	Denominated in RM (‘000)	Denominated in SGD (‘000)	Denominated in RM (‘000)
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	26,827
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

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 period 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 30 June 2018	Preceding year corresponding quarter ended 30 June 2017
	RM'000	RM'000
Net profit/(loss) attributable to equity holders of the parent	(1,217)	1,010
Number of shares in issue	103,105	103,105
Basic earnings/(loss) per share (Sen)	(1.18)	0.98

(II) Diluted earnings per share

Not applicable.

B12 Notes to the Statement of Comprehensive Income

Profit/(loss) of the current quarter/financial year-to-date is arrived at after charging/(crediting):

	Current quarter ended 30 June 2018	Current financial year-to-date ended 30 June 2018
	RM'000	RM'000
Interest income	(51)	(117)
Depreciation and amortisation	2,190	4,480
Provision for and write-off of receivables	(693)	-
Provision for and write-off of inventories	-	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	-	-