

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 September 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)	34,151	50,327	103,333	1,298	(1,343)	187,766
Results						
Profit/(Loss) from Operations	(2,611)	4,762	1,717	(533)	-	3,335
Finance costs						(1,823)
Investing results						-
Profit/(Loss) before taxation						1,512
Taxation						(1,325)
Net Profit/(Loss) for the period						187
Other information						
Segment assets	50,271	108,794	99,231	39,184	-	297,480
Segment liabilities	(7,798)	(28,894)	(41,908)	(431)	-	(79,031)
Capital expenditure on property, plant and equipment	207	634	1,795	-	-	2,636
Depreciation	814	1,659	3,921	18	-	6,412

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Business segments information for the financial period ended 30 September 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)	60,419	40,593	100,846	4,688	(4,733)	201,813
Result						
Profit/(Loss) from Operations	6,489	2,524	(4,130)	(113)	-	4,770
Finance costs						(2,061)
Investing results						-
Profit before taxation						2,709
Taxation						(2,373)
Net profit for the period						336
Other information						
Segment assets	61,308	103,596	96,310	64,931	-	326,145
Segment liabilities	(15,729)	(30,069)	(40,117)	(61)	-	(85,976)
Capital expenditure on property, plant and equipment	444	2,567	13,249	-	-	16,260
Depreciation	829	1,826	3,269	-	-	5,924

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 third quarter ended 30 September 2018

The Group recorded a revenue of RM66.5 million and a profit before taxation of RM1.7 million in the current quarter ended 30 September 2018 as compared to a revenue of RM59.2 million and a loss before taxation of RM1.1 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 44% and 24% respectively. The increase in sales of bedding products was mainly due to the prior implementation of Sales and Service Tax (SST) 2018. However, building materials division has seen lower sales of 34% from both the project and retail segments.

The profit before taxation reported by the Group was mainly contributed by the bedding products division which reported a profit before taxation of RM2.7 million for the current quarter under review as opposed to a profit before taxation of RM0.8 million achieved in the preceding year corresponding quarter. This was attributable to higher margin and lower operating expenses.

Similarly, consumer foods division recorded a profit before taxation of RM0.6 million as compared to loss before taxation of RM2.2 million in the preceding year corresponding quarter as a result of lower operating expenses.

However, building materials division registered a loss before taxation of RM1.5 million for the current quarter under review as compared to a profit before taxation of RM0.3 million in the preceding year corresponding quarter mainly due to lower products margin and higher operating expenses.

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

The Group recorded revenue of RM187.8 million and a profit before taxation of RM1.5 million in the current financial year-to-date ended 30 September 2018 as compared to revenue of RM201.8 million and a profit before taxation of RM2.7 million reported in the preceding year corresponding period.

Building materials division registered a drop in revenue of 44%, while bedding products and consumer foods divisions reported an increase in revenue of 24% and 2% respectively.

Building materials division registered a loss before taxation of RM2.8 million compared to profit before taxation of RM6.1 million in the preceding year corresponding period due to lower margin and higher operating expenses.

However, bedding products division reported a higher profit before taxation of RM4.1 million as compared to profit before taxation of RM1.8 million in the preceding year corresponding period.

Similarly, consumer foods division posted a profit before taxation of RM0.8 million for the current year-to-date as compared to a loss before taxation of RM5.1 million in the preceding year corresponding period due to improved margin and lower operating expenses.

In the opinion of the Board of Directors of the Company, the results of the financial period ended 30 September 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 RM66.5 million and a profit before taxation of RM1.7 million in the current quarter ended 30 September 2018 as compared to revenue of RM61.0 million and a loss before taxation of RM1.1 million registered in the immediate preceding quarter.

The higher revenue was attributable to the increase in sales of 36% and 16% registered by the bedding products and building materials divisions respectively. However, the consumer foods division recorded a decrease in sales of 4% due to drop in demand for its products.

In the current quarter under review, the bedding products division reported a higher profit before taxation of RM2.7 million compared to a profit before taxation of RM0.4 million in the immediate preceding quarter.

Consumer foods division also reported a higher profit before taxation of RM0.6 million as compared to a profit before taxation of RM0.4 million in the immediate preceding quarter.

The building materials division reported a loss before taxation of RM1.5 million for the current quarter under review as compared to a loss before taxation of RM1.6 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.

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B5 Taxation

	Current quarter ended 30 September 2018 RM'000	Current financial year-to-date ended 30 September 2018 RM'000
Current Taxation	915	1,325
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	915	1,325

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 September 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	-	335	-	189	-	524
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/trust receipts	-	11,790	-	-	-	11,790
Term loans	-	3,222	-	20,367	-	23,589
Total	-	15,347	-	20,556	-	35,903
Unsecured						
Bank overdrafts	-	849	-	-	-	849
Banker acceptances/trust receipts	-	4,610	-	-	-	4,610
Total	-	5,459	-	-	-	5,459

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	As at 30 September 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	-	537	-	387	-	924
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/trust receipts	-	8,365	-	-	-	8,365
Term loans	205	3,024	2,484	23,134	2,689	26,158
Total	205	11,926	2,484	23,521	2,689	35,447
Unsecured						
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/trust receipts	-	10,936	-	-	-	10,936
Total	-	10,936	-	-	-	10,936

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 September 2018	Preceding year corresponding quarter ended 30 September 2017
	RM’000	RM’000
Net profit/(loss) attributable to equity holders of the parent	827	(1,670)
Number of shares in issue	103,105	103,105
Basic earnings/(loss) per share (Sen)	0.80	(1.62)

(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 September 2018 RM'000	Current financial year-to-date ended 30 September 2018 RM'000
Interest income	(127)	(244)
Depreciation and amortisation	2,045	6,525
Provision for and write-off of receivables	1,516	1,516
Provision for and write-off of inventories	(88)	117
(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 November 2018
Petaling Jaya
Selangor Darul Ehsan