

## **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 2018. 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 2018.

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 2018, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2019.

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 2019. 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 2018 was not qualified.

### **A3 Seasonal or cyclical factors**

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

### **A4 Unusual items**

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

### **A6 Debt and equity securities**

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

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**A7 Dividends Paid**

No dividend was paid during the current quarter under review.

**A8 Segmental information**

Business segments information for the quarter ended 31 March 2019 are as follows:

	<b>Building Materials RM'000</b>	<b>Bedding Products RM'000</b>	<b>Consumer Foods RM'000</b>	<b>Investments RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>						
External revenue/(Loss)	8,541	14,574	35,488	294	(309)	58,588
<b>Results</b>						
Profit/(Loss) from Operations	(505)	441	901	(116)	-	721
Finance costs						(602)
Investing results						-
Profit/(Loss) before taxation						119
Taxation						(328)
Net Profit/(Loss) for the period						<b>(209)</b>
<b>Other information</b>						
Segment assets	45,858	103,578	100,890	37,880	-	288,206
Segment liabilities	(5,954)	(25,331)	(43,950)	(446)	-	(75,681)
Capital expenditure on property, plant and equipment	513	418	838	-	-	1,769
Depreciation	288	592	1,331	10	-	2,221

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<b>Revenue</b>						
External revenue/(Loss)	13,601	14,581	32,063	294	(339)	60,200
<b>Results</b>						
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						<b>577</b>
<b>Other information</b>						
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

**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 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 current quarter under review.

**A12 Contingent liabilities or assets**

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

**B1 Review of Group performance**

First Quarter ended 31 March 2019 (“Q1, 2019”) versus First Quarter ended 31 March 2018 (“Q1, 2018”)

The Group recorded a revenue of RM58.6 million and a profit before taxation of RM0.1 million in Q1, 2019 as compared to a revenue of RM60.2 million and a profit before taxation of RM0.9 million in Q1, 2018.

The decrease in revenue was mainly due to lower sales contribution from the building materials division which reported a decrease in sales of 37%. The decrease in sales of building materials division was mainly attributable to lower project and retail sales. Sales of consumer foods division increased by 11% due to higher demand for its products while sale of bedding products division remained flat for the quarter under review.

The drop in the profit before taxation reported by the Group for Q1, 2019 was mainly attributable to the loss before taxation of RM0.6 million registered by the building materials division as compared to a profit before taxation of RM0.2 million achieved in Q1, 2018. Bedding products division reported a lower profit before taxation of RM0.2 million for Q1, 2019 compared to a profit before taxation of RM1.0 million achieved in Q1, 2018.

However, consumer foods division recorded a profit before taxation of RM0.6 million in Q1, 2019 as against a loss before taxation of RM0.3 million in Q1, 2018 as a result of lower operating expenses.

In the opinion of the Board of Directors of the Company, the results of Q1, 2019 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

**B2 Financial review of first quarter ended 31 March 2019 (“Q1, 2019”) versus immediate preceding quarter ended 31 December 2018 (“Q4, 2018”)**

The Group reported a revenue of RM58.6 million and a profit before taxation of RM0.1 million for the Q1, 2019 compared to revenue of RM59.0 million and a loss before taxation of RM4.7 million in Q4, 2018.

The lower revenue was attributable to the decrease in sales of 32% and 17% registered by the building materials and bedding products divisions respectively. However, the consumer foods division recorded an increase in sales of 19% due to higher demand for its products.

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For the current quarter under review, the building materials division reported a lower loss before taxation of RM0.6 million as compared to a loss before taxation of RM1.9 million in Q4, 2018.

Consumer foods division, on the other hand, posted an increase in its profit before taxation from RM0.4 million in Q4, 2018 to RM0.6 million in Q1, 2019. Bedding products division also recorded a profit before taxation of RM0.2 million as compared to loss before taxation of RM0.7 million in Q4, 2018.

**B3 Future prospects**

The Board of Directors of the Company expects the performance of the Group for the financial year ending 31 December 2019 to continue 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**

	<b>Current quarter ended 31 March 2019 RM'000</b>	<b>Current financial year-to-date ended 31 March 2019 RM'000</b>
Current Taxation	328	328
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	<b>328</b>	<b>328</b>

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 31 March 2019					
	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)
<b>Secured</b>						
Hire purchase creditors	-	266	-	74	-	340
Bank overdrafts	-	-	-	-	-	-
Banker acceptances/trust receipts	-	13,082	-	-	-	13,082
Term loans	-	3,857	-	17,459	-	21,316
<b>Total</b>	<b>-</b>	<b>17,205</b>	<b>-</b>	<b>17,533</b>	<b>-</b>	<b>34,738</b>
<b>Unsecured</b>						
Bank overdrafts	-	718	-	-	-	718
Banker acceptances/trust receipts	-	4,364	-	-	-	4,364
<b>Total</b>	<b>-</b>	<b>5,082</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,082</b>

	As at 31 March 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)
<b>Secured</b>						
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
<b>Total</b>	<b>202</b>	<b>16,503</b>	<b>2,246</b>	<b>24,992</b>	<b>2,448</b>	<b>41,495</b>
<b>Unsecured</b>						
Bank overdrafts	-	960	-	-	-	960
Banker acceptances/trust receipts	-	6,111	-	-	-	6,111
<b>Total</b>	<b>-</b>	<b>7,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,071</b>

**B8 Derivative financial instruments**

There were no outstanding derivatives as at 31 March 2019.

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**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 current quarter under review.

**B11 (Loss)/Earnings per share**

**(I) Basic (loss)/earnings per share**

The basic loss per share was calculated by dividing the Group's net loss for the current quarter under review by the weighted number of ordinary shares in issue during the said quarter.

	<b>Current year quarter ended 31 March 2019 RM'000</b>	<b>Preceding year quarter ended 31 March 2018 RM'000</b>
Net (loss)/profit attributable to equity holders of the parent	(209)	577
Number of shares in issue	103,105	103,105
<b>Basic (loss)/earnings per share (Sen)</b>	<b>(0.20)</b>	<b>0.56</b>

**(II) Diluted (loss)/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):

	<b>Current quarter ended 31 March 2019 RM'000</b>	<b>Current financial year-to-date ended 31 March 2019 RM'000</b>
Interest income	(200)	(200)
Depreciation and amortisation	2,221	2,221
Provision for and write-off of receivables	137	137
Provision for and write-off of inventories	302	302
(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: 27 May 2019  
Petaling Jaya  
Selangor Darul Ehsan