

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 audited Financial Statements of OCB Berhad (“OCB” or “the Company”) 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 Investment in associate

	Current year quarter ended 30 June 2019 RM’000	Preceding year quarter ended 30 June 2018 RM’000
At cost	250	-

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A6 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.

A7 Debt and equity securities

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

A8 Dividends Paid

No dividend was paid during the current quarter under review.

A9 Segmental information

Business segments information for the six (6) months period ended 30 June 2019 are as follows:

	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)	19,845	29,773	62,870	588	(618)	112,458
Results						
Profit/(Loss) from Operations	(1,002)	(340)	756	(249)	-	(835)
Finance costs						(1,164)
Investing results						-
Profit/(Loss) before taxation						(1,999)
Taxation						(354)
Net Profit/(Loss) for the period						(2,353)
Other information						
Segment assets	46,877	100,884	92,450	37,618	-	277,829
Segment liabilities	(7,668)	(24,027)	(35,721)	(22)	-	(67,438)
Capital expenditure on property, plant and equipment	658	877	1,435	-	-	2,970
Depreciation	574	1,201	2,415	23	-	4,213

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Business segments information for the six (6) months period ended 30 June 2018 are as follows:

	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 before taxation						(230)
Taxation						(410)
Net profit 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

A10 Revaluations

There were no amendments in the valuation amount of revalued assets brought forward to the current quarter under review.

A11 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.

A12 Changes in composition of the Group

On 15 April 2019, Agrow Corporation Sdn Bhd, a wholly-owned indirect subsidiary of OCB, incorporated a joint-venture company known as LKL Agrow Healthtech Sdn Bhd (“LKLAH”), with Medik Gen Sdn Bhd, a wholly-owned subsidiary of LKL International Berhad. The intended principal activity of LKLAH is promoting, marketing, distributing and sales of selected branded medical devices to the healthcare sector and consumer markets within Malaysia.

On 25 June 2019, Agrow Malaysia Sdn Bhd incorporated a wholly-owned subsidiary company in Singapore known as Acrowyn Singapore Pte Ltd (“ASPL”). The intended principal activity of ASPL is buying, selling, fabricating spare parts and equipment in industries.

Save for the above, there were no changes in the composition of the Group during the current quarter under review.

A13 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

Second Quarter ended 30 June 2019 (“Q2, 2019”) versus Second Quarter ended 30 June 2018 (“Q2, 2018”)

The Group recorded a revenue of RM53.9 million and a loss before taxation of RM2.1 million in Q2, 2019 as compared to a revenue of RM61.0 million and a loss before taxation of RM1.1 million in Q2, 2018.

The decrease in revenue was mainly due to lower sales contribution from the consumer foods division which reported a decrease in sales of 25%. Bedding products division sales remained flat for the quarter under review. However, building materials division reported an increase of 19% due to higher project and retail sales.

The higher loss before taxation reported by the Group for Q2, 2019 was mainly attributable to the loss before taxation of RM1.0 million registered by the bedding products division as compared to a profit before taxation of RM0.4 million achieved in Q2, 2018 due to higher operating expenses. Similarly, consumer foods division reported a loss before taxation of RM0.4 million in Q2, 2019 as opposed to a profit before taxation of RM0.4 million in Q2, 2018.

However, building materials division recorded a lower loss before taxation of RM0.6 million in Q2, 2019 as against a loss before taxation of RM1.6 million in Q2, 2018 as a result of lower operating expenses.

In the opinion of the Board of Directors of the Company, the results of Q2, 2019 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

For the current financial year-to-date ended 30 June 2019

The Group recorded revenue of RM112.4 million and a loss before taxation of RM2.0 million in the current financial year-to-date ended 30 June 2019 as compared to revenue of RM121.2 million and a loss before taxation of RM0.2 million reported in the preceding year corresponding period.

Building materials and consumer foods divisions registered a drop in revenue of 14% and 8% respectively, while bedding products division reported a marginal increase in revenue of 0.2% at RM29.8 million.

Bedding products division reported a loss before taxation of RM0.7 million as compared to profit before taxation of RM1.1 million in the preceding year corresponding period due to lower margin and higher operating expenses.

Building materials division, on the other hand, registered a lower loss before taxation of RM1.2 million for the current financial year-to-date ended 30 June 2019 compared to loss before taxation of RM1.4 million in the preceding year corresponding period.

Consumer foods products division posted a flat profit before taxation of RM0.2 million for the current financial year-to-date as compared to the preceding year corresponding period.

B2 Financial review of second quarter ended 30 June 2019 (“Q2, 2019”) versus immediate preceding quarter ended 31 March 2019 (“Q1, 2019”)

The Group reported a revenue of RM53.9 million and a loss before taxation of RM2.1 million for the Q2, 2019 compared to revenue of RM58.6 million and a profit before taxation of RM0.1 million in Q1, 2019.

The lower revenue was attributable to the decrease in sales of 30% registered by the consumer foods division. However, sales of bedding products and building materials divisions increased 4% and 32% respectively.

For the current quarter under review, the bedding products division reported a loss before taxation of RM1.0 million as compared to a profit before taxation of RM0.2 million in Q1, 2019.

Similarly, consumer foods division posted a loss before taxation of RM0.4 million in the current quarter under review as compared to profit before taxation of RM0.6 million in Q1, 2019.

However, building materials division recorded a flat loss before taxation of RM0.6 million for the current quarter under review as compared to 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 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.

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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 2019 RM'000	Current financial year-to-date ended 30 June 2019 RM'000
Current Taxation	26	354
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	26	354

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 2019		
	Short term	Long term	Total borrowings
	Denominated in RM ('000)	Denominated in RM ('000)	Denominated in RM ('000)
Secured			
Hire purchase creditors	208	199	407
Banker acceptances/trust receipts	9,588	-	9,588
Term loans	3,858	16,313	20,171
Total	13,654	16,512	30,166
Unsecured			
Bank overdrafts	467	-	467
Banker acceptances/trust receipts	5,676	-	5,676
Total	6,143	-	6,143

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	As at 30 June 2018		
	Short term	Long term	Total borrowings
	Denominated in RM ('000)	Denominated in RM ('000)	Denominated in RM ('000)
Secured			
Hire purchase creditors	354	262	616
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

B8 Derivative financial instruments

There were no outstanding derivatives as at 30 June 2019.

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 ended 30 June 2019.

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.

	Current year quarter ended 30 June 2019 RM'000	Preceding year quarter ended 30 June 2018 RM'000
Net (loss)/profit attributable to equity holders of the parent	(2,144)	(1,217)
Number of shares in issue	103,105	103,105
Basic (loss)/earnings per share (Sen)	(2.08)	(1.18)

(II) Diluted (loss)/earnings per share

Not applicable.

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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 2019 RM'000	Current financial year-to-date ended 30 June 2019 RM'000
Other income including investment and income	-	-
Interest expense	562	1,164
Interest income	(196)	(396)
Depreciation and amortisation	1,992	4,213
Provision for and write-off of receivables	12	149
Provision for and write-off of inventories	-	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 August 2019
Petaling Jaya
Selangor Darul Ehsan