

## **OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

### **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 and financial year under review.

#### **A4 Unusual items**

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

#### **A5 Investment in associate**

	<b>Current year quarter ended 31 December 2019 RM’000</b>	<b>Preceding year quarter ended 31 December 2018 RM’000</b>
At cost	250	-

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**A6 Changes in estimates**

There were no changes in estimates of amounts used in our previous reporting which have a material effect in the current quarter and financial year under review.

**A7 Debt and equity securities**

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

**A8 Dividends Paid**

No dividend was paid during the financial year under review.

**A9 Segmental information**

Business segments information for the financial year ended 31 December 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)	49,911	68,499	127,087	1,118	(1,178)	245,437
<b>Results</b>						
Profit/(Loss) from Operations	(902)	(813)	853	(22,183)	-	(23,045)
Finance costs	(388)	(870)	(1,086)	-	-	(2,344)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(1,290)	(1,683)	(233)	(22,183)		(25,389)
Taxation	(11)	(674)	(529)	(22)		(1,236)
Net Profit/(Loss)	(1,301)	(2,357)	(762)	(22,205)		<b>(26,625)</b>
<b>Assets and Liabilities</b>						
Segment assets	47,844	114,558	93,852	20,244	-	276,498
Segment liabilities	(10,865)	(39,341)	(39,685)	(387)	-	(90,278)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	694	2,192	2,863	-	-	5,749
Depreciation	1,141	2,701	4,858	48	-	8,748

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Business segments information for the financial year ended 31 December 2018 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)	46,697	67,946	132,164	1,592	(1,682)	246,717
<b>Results</b>						
Profit/(Loss) from Operations	(4,408)	4,376	(4,526)	3,795	-	(763)
Finance costs	(294)	(919)	(1,257)	-	-	(2,470)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(4,702)	3,457	(5,783)	3,795	-	(3,233)
Taxation	183	(1,817)	(90)	(28)	-	(1,752)
Net Profit/(Loss)	(4,519)	1,640	(5,873)	3,767	-	<b>4,985</b>
<b>Assets and Liabilities</b>						
Segment assets	50,134	109,703	96,913	37,657	-	294,407
Segment liabilities	(9,613)	(31,444)	(40,189)	(423)	-	(81,669)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	230	728	2,370	-	-	3,328
Depreciation	1,084	2,621	4,833	25	-	8,563

**A10 Revaluations**

There were no amendments in the valuation amount of revalued assets brought forward to the financial year 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 year under review up to the date of issuance of this report, that have not been reflected in this quarterly financial statements.

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### **A12 Changes in composition of the Group**

On 21 November 2019, Kaiserkorp Sdn Bhd, a wholly-owned subsidiary of OCB, had incorporated a company known as 'Ultima Beddington Sdn Bhd' ("UBSB") which is the joint-venture company with IO Sene IO Co., Limited. The principal activity of UBSB is to manufacture, promote, market, distribute and sell mattresses, fabric cotton, synthetic fibre, latex and synthetic foams including accessories for the bedding industry.

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

### **A13 Changes in contingent liabilities or contingent assets**

There were no changes in contingent liabilities or contingent assets since the end of the previous financial year.

### **B1 Review of Group performance**

#### Fourth quarter ended 31 December 2019 ("Q4, 2019") versus fourth quarter ended 31 December 2018 ("Q4, 2018")

The Group recorded a revenue of RM71.8 million and a loss before taxation of RM23.2 million in Q4, 2019 as compared to a revenue of RM59.0 million and a loss before taxation of RM4.7 million in Q4, 2018. The increase in revenue was mainly due to higher sales contribution from all the divisions. The bedding products, consumer foods and building materials divisions reported an increase in sales of 26%, 25% and 10% respectively in Q4, 2019.

The higher loss before taxation reported by the Group for Q4, 2019 was mainly attributable to the impairment on goodwill and intangible assets by the bedding products division amounting to RM21.0 million and RM1.9 million respectively due to the current highly competitive and uncertain environment faced by the bedding industry.

On the division level, the bedding products division reported a loss before taxation of RM1.0 million for Q4, 2019 as compared to loss before taxation of RM0.7 million in Q4, 2018. Consumer foods division registered a lower loss before taxation of RM0.1 million in Q4, 2019 compared to a loss before taxation of RM6.5 million reported in Q4, 2018. Similarly, building materials division reported a lower loss before taxation of RM0.3 million in Q4, 2019 compared to a loss before taxation of RM1.9 million in Q4, 2018.

In the opinion of the Board of Directors of the Company, the results of Q4, 2019 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

#### Financial year ended 31 December 2019 ("FYE 2019") versus financial year ended 31 December 2018 ("FYE 2018")

The Group recorded a revenue of RM245.4 million and a loss before taxation of RM25.4 million in FYE 2019 as compared to revenue of RM246.7 million and a loss before taxation of RM3.2 million reported in FYE 2018.

Consumer foods division registered a drop in revenue of 4%, while bedding products and building materials division reported an increase in revenue of 1% and 7% respectively.

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The higher loss before taxation reported by the Group for FYE 2019 was mainly attributable to the impairment on goodwill and intangible assets by the bedding products division amounting to RM21.0 million and RM1.9 million respectively due to the current highly competitive and uncertain environment faced by the bedding industry.

On the division level, bedding products division reported a loss before taxation of RM1.7 million in FYE 2019 as compared to profit before taxation of RM3.4 million FYE 2018. Consumer foods division registered a lower loss before taxation of RM0.2 million in FYE 2019 as compared to loss before taxation of RM5.8 million FYE 2018. Similarly, building materials division posted a lower loss before taxation of RM1.3 million for FYE 2019 as compared to loss before taxation of RM4.7 million in the preceding year.

### **B2 Financial review of Q4, 2019 versus immediate preceding quarter ended 30 September 2019 (“Q3, 2019”)**

The Group reported a revenue of RM71.8 million and a loss before taxation of RM23.2 million for the Q4, 2019 compared to revenue of RM61.1 million and a loss before taxation of RM0.1 million in Q3, 2019. The higher revenue was attributable to the increase in sales of 34% and 21% in the bedding products and consumer foods divisions respectively. However, building materials division reported a drop in sales of 16% as compared to the immediate preceding quarter at RM13.8 million.

The higher loss before taxation reported by the Group for FYE 2019 was mainly attributable to the impairment on goodwill and intangible assets by the bedding products division amounting to RM21.0 million and RM1.9 million respectively.

On the division level, the bedding products division posted a loss before taxation of RM1.0 in Q4, 2019 as compared to a profit before taxation of RM48,000 in the immediate preceding quarter. Consumer foods division posted a lower loss before taxation of RM0.1 million in Q4, 2019 compared to a loss before taxation of RM0.3 million in Q3, 2019. Building materials division also reported a loss before taxation of RM0.3 million as compared to a profit before taxation of RM0.2 million in Q3, 2019.

### **B3 Future prospects**

The Board of Directors of the Company expects the performance of the Group for the financial year ending 31 December 2020 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.

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**B5 Taxation**

	Current quarter ended 31 December 2019 RM'000	Current financial year ended 31 December 2019 RM'000
Current Taxation	(1,032)	(1,297)
(Over)/Under Taxation	-	-
Deferred Taxation - Current	61	61
Deferred Taxation - Prior	-	-
	<b>(971)</b>	<b>(1,236)</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 but 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 December 2019		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
<b>Secured</b>			
Hire purchase creditors	190	295	485
Banker acceptances/trust receipts	11,254	-	11,254
Term loans	3,988	14,019	18,007
<b>Total</b>	<b>15,432</b>	<b>14,314</b>	<b>29,746</b>
<b>Unsecured</b>			
Bank overdrafts	431	-	431
Banker acceptances/trust receipts	5,513	-	5,513
<b>Total</b>	<b>5,944</b>	<b>-</b>	<b>5,944</b>

	As at 31 December 2018		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
<b>Secured</b>			
Hire purchase creditors	296	141	437
Banker acceptances/trust receipts	12,641	-	12,641
Term loans	4,504	17,983	22,487
<b>Total</b>	<b>17,441</b>	<b>18,124</b>	<b>35,565</b>
<b>Unsecured</b>			
Bank overdrafts	735	-	735
Banker acceptances/trust receipts	4,807	-	4,807
<b>Total</b>	<b>5,542</b>	<b>-</b>	<b>5,542</b>

**B8 Derivative financial instruments**

There were no outstanding derivatives as at 31 December 2019.

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**B9 Material litigation**

There was no material litigation nor pending material litigation against the Group since the end of previous financial year up to the date of this report.

**B10 Dividend**

No dividend has been declared for the current financial year 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 December 2019 RM'000</b>	<b>Preceding year quarter ended 31 December 2018 RM'000</b>	<b>Current financial year ended 31 December 2019 RM'000</b>	<b>Preceding financial year ended 31 December 2018 RM'000</b>
Net (loss)/profit attributable to equity holders of the parent	(24,076)	(5,172)	(26,484)	(4,985)
Number of shares in issue	103,105	103,105	103,105	103,105
<b>Basic (loss)/earnings per share (Sen)</b>	<b>(23.35)</b>	<b>(5.02)</b>	<b>(25.69)</b>	<b>(4.83)</b>

**(II) Diluted (loss)/earnings per share**

Not applicable.

**B12 Notes to the Statement of Comprehensive Income**

Profit/(loss) of the current quarter and financial year under review is arrived at after charging/(crediting):

	<b>Current quarter ended 31 December 2019 RM'000</b>	<b>Current financial year ended 31 December 2019 RM'000</b>
Interest income	(194)	(812)
Interest expense	630	2,344
Depreciation and amortisation	2,401	8,748
Provision for and write-off of receivables	645	1,452
Provision for and write-off of inventories	255	296
Impairment loss on goodwill	21,054	21,054
Impairment loss on intangible assets	1,946	1,946

Date: 24 February 2020  
Petaling Jaya  
Selangor Darul Ehsan