

# 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 2019. 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 2019.

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 2019, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2020.

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 2020. 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 2019 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

	<b>Current year quarter ended 31 March 2020 RM’000</b>	<b>Preceding year quarter ended 31 March 2019 RM’000</b>
At cost	-	-

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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 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 under review.

**A8 Dividends Paid**

No dividend was paid during the current quarter under review.

**A9 Segmental information**

Business segments information for the first quarter ended 31 March 2020 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)	10,054	17,652	40,943	250	(265)	68,634
<b>Results</b>						
Profit/(Loss) from Operations	(592)	(302)	2,587	(129)	-	1,564
Finance costs	(88)	(156)	(263)	-	-	(507)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(680)	(458)	2,324	(129)		1,057
Taxation	-	(91)	(18)	(6)		(115)
<b>Net Profit/(Loss)</b>	<b>(680)</b>	<b>(549)</b>	<b>2,306</b>	<b>(135)</b>		<b>942</b>
<b>Assets and Liabilities</b>						
Segment assets	44,575	112,055	107,775	16,738	-	281,143
Segment liabilities	(8,272)	(34,349)	(51,207)	(252)	-	(94,080)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	5	4	338	-	-	347
Depreciation	275	594	1,034	12	-	1,915

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

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<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	(103)	(202)	(297)	-	-	(602)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(608)	239	604	(116)	-	119
Taxation	(8)	(275)	(41)	(4)	-	(328)
Net Profit/(Loss)	(616)	(36)	563	(120)	-	<b>(209)</b>
<b>Assets and Liabilities</b>						
Segment assets	45,858	103,578	100,890	37,880	-	288,206
Segment liabilities	(5,954)	(25,331)	(43,950)	(446)	-	(75,681)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	513	418	838	-	-	1,769
Depreciation	288	592	1,331	10	-	2,221

**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 current quarter under review up to the date of issuance of this report.

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

On 21 January 2020, Agrow Corporation Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a Mutual Termination Agreement with Medik Gen Sdn. Bhd. (“MGEN”) on the mutual termination of the Joint Venture Agreement in respect of LKL Agrow Healthtech Sdn. Bhd. (“LKLAH”) and to acquire the balance of 50% equity interest comprising 250,000 ordinary shares in LKLAH held by MGEN at a total consideration of RM213,833.

The aforesaid acquisition was completed on 21 January 2020 and LKLAH became an indirect wholly-owned subsidiary of the Company. On 3 February 2020, the name LKLAH was changed to Agrow Healthtech Sdn. Bhd.

### **A13 Contingent liabilities or contingent asset**

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

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

First quarter ended 31 March 2020 (“Q1, 2020”) versus first quarter ended 31 March 2019 (“Q1, 2019”)

The Group recorded a revenue of RM68.6 million and a profit before taxation of RM1.0 million in Q1, 2020 as compared to a revenue of RM58.6 million and a profit before taxation of RM0.1 million in Q1, 2019. The increase in revenue was mainly due to higher sales contribution from all the divisions.

The bedding products, building materials and consumer foods divisions reported increase in sales of 21%, 18% and 15% respectively in Q1, 2020. Bedding products division registered higher export sales of RM6.0 million in Q1, 2020 as compared to RM0.6 million in Q1, 2019. Similarly, building materials division registered a higher revenue due to higher completion of project sales. Consumer foods division experienced increase in purchase of its food products during the period of imposition of the Movement Control Order by the Government due to the Covid-19 pandemic.

The higher profit before taxation reported by the Group for Q1, 2020 was mainly attributable to the higher contribution reported by consumer foods division. Consumer foods division registered a higher profit before taxation of RM2.3 million in Q1, 2020 compared to profit before taxation of RM0.6 million in Q1, 2019.

However, building materials division reported a marginally higher loss before taxation of RM0.7 million in Q1, 2020 compared to a loss before taxation of RM0.6 million in Q1, 2019.

Similarly, bedding products division reported a loss before taxation of RM0.4 million as compared to profit before taxation of RM0.2 million in Q1, 2019.

In the opinion of the Board of Directors of the Company, the results of Q1, 2020 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

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### B2 Financial review of Q1, 2020 versus immediate preceding quarter ended 31 December 2019 (“Q4, 2019”)

The Group reported a revenue of RM68.6 million and a profit before taxation of RM1.0 million for the Q1, 2020 compared to revenue of RM71.8 million and a loss before taxation of RM23.2 million in Q4, 2019. The lower revenue was attributable to the decrease in sales of 27% and 20% in the building materials and bedding products divisions respectively. However, consumer foods division reported an increase in sales of 12% as compared to Q4, 2019.

The profit before taxation reported by the Group for Q1, 2020 was mainly attributable to the exclusion of impairment on goodwill and intangible assets by the bedding products division amounting to RM21.0 million and RM1.9 million respectively in Q4, 2019.

On the division level, consumer foods division posted a profit before taxation of RM2.3 million in Q1, 2020 as opposed to a loss before taxation of RM0.1 million in Q4, 2019. Bedding products division posted a lower loss before taxation of RM0.5 million as compared to loss before taxation of RM1.0 million in Q4, 2019.

However, building materials division also reported a higher loss before taxation of RM0.7 million as compared to a loss before taxation of RM0.3 million in Q4, 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.

### B5 Taxation

	Current quarter ended 31 March 2020 RM'000	Current financial year-to-date ended 31 March 2020 RM'000
Current Taxation	(115)	(115)
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	<b>(115)</b>	<b>(115)</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.

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**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 March 2020		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
<b>Secured</b>			
Hire purchase creditors	234	185	419
Banker acceptances/trust receipts	14,101	-	14,101
Term loans	3,882	13,053	16,925
<b>Total</b>	<b>18,217</b>	<b>13,238</b>	<b>21,445</b>
<b>Unsecured</b>			
Bank overdrafts	202	-	202
Banker acceptances/trust receipts	6,600	-	6,600
<b>Total</b>	<b>6,802</b>	<b>-</b>	<b>6,802</b>

	As at 31 March 2019		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
<b>Secured</b>			
Hire purchase creditors	266	74	340
Banker acceptances/trust receipts	13,082	-	13,082
Term loans	3,857	17,459	21,316
<b>Total</b>	<b>17,205</b>	<b>17,533</b>	<b>34,738</b>
<b>Unsecured</b>			
Bank overdrafts	718	-	718
Banker acceptances/trust receipts	4,364	-	4,364
<b>Total</b>	<b>5,082</b>	<b>-</b>	<b>5,082</b>

**B8 Derivative financial instruments**

There were no outstanding derivatives as at 31 March 2020.

**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.

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**B11 Earnings/(Loss) per share****(I) Basic earnings/(loss) per share**

The basic earnings 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 2020 RM'000</b>	<b>Preceding year quarter ended 31 March 2019 RM'000</b>
Net profit/(loss) attributable to equity holders of the parent	1,077	(209)
Number of shares in issue	102,850	102,850
<b>Basic earnings/(loss) per share (Sen)</b>	<b>1.02</b>	<b>(0.20)</b>

**(II) Diluted earnings/(loss) 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 2020 RM'000</b>	<b>Current financial year-to-date 31 March 2020 RM'000</b>
Interest income	(218)	(218)
Interest expense	507	507
Depreciation and amortisation	1,915	1,915
Provision for and write-off of receivables	-	-
Provision for and write-off of inventories	-	-
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	-	-

Date: 1 June 2020  
Petaling Jaya  
Selangor Darul Ehsan