

**OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

("OCB" or "the Company")

**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 and financial period 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 period under review.

**A5 Investment in associate**

	<b>Current year quarter ended 30 June 2020 RM'000</b>	<b>Preceding year quarter ended 30 June 2019 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 period 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 period under review.

**A8 Dividends Paid**

No dividend was paid during the current quarter under review.

**A9 Segmental information**

Business segments information for the financial period ended 30 June 2020 are as follows:

	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>						
External revenue/(Loss)	14,407	30,701	75,922	501	(531)	121,000
<b>Results</b>						
Profit/(Loss) from Operations	(1,982)	(1,455)	4,478	(229)	-	812
Finance costs	(144)	(303)	(488)	-	-	(935)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(2,126)	(1,758)	3,990	(229)		(123)
Taxation	-	(86)	(35)	(12)		(133)
Net Profit/(Loss)	(2,126)	(1,844)	3,955	(241)		<b>(256)</b>
<b>Assets and Liabilities</b>						
Segment assets	41,220	110,849	104,874	16,622	-	273,565
Segment liabilities	(6,368)	(34,670)	(46,571)	(79)	-	(87,688)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	5	1,454	2,675	-	-	4,134
Depreciation	550	1,165	2,186	25	-	3,926

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Business segments information for the financial period ended 30 June 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)	19,845	29,773	62,870	588	(618)	112,458
<b>Results</b>						
Profit/(Loss) from Operations	(1,002)	(340)	756	(249)	-	(835)
Finance costs	(200)	(382)	(582)	-	-	(1,164)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(1,202)	(722)	174	(249)	-	(1,999)
Taxation	(8)	(275)	(59)	(12)	-	(354)
Net Profit/(Loss)	(1,210)	(997)	115	(261)	-	<b>(2,353)</b>
<b>Assets and Liabilities</b>						
Segment assets	46,877	100,884	92,450	37,618	-	277,829
Segment liabilities	(7,668)	(24,027)	(35,721)	(22)	-	(67,438)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	658	877	1,435	-	-	2,970
Depreciation	574	1,201	2,415	23	-	4,213

**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**

The Company had on 17 August 2020 announced the proposed purchase of a vacant freehold land identified as Lot 3 which measures 36.919 acres (1,608,192.73 square feet) located at Jalan Akob, Kapar, Klang, Selangor Darul Ehsan by 80%-owned subsidiary, Enigma Sinar Sdn Bhd, from Golden Valley Industries Sdn Bhd, a subsidiary of Klanggroup Holdings Sdn Bhd, at a cash consideration of RM56,286,745.55 only inclusive of sales tax (if applicable).

Save for the above, there were no materials events subsequent to the end of the current quarter under review up to the date of issuance of this report.

**A12 Changes in composition of the Group**

There were no changes in the composition of the Group during the current quarter under review.

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### **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**

Second quarter ended 30 June 2020 ("Q2, 2020") versus Second quarter ended 30 June 2019 ("Q2, 2019")

The Group recorded a revenue of RM52.6 million and a loss before taxation of RM1.2 million in Q2, 2020 as compared to a revenue of RM53.9 million and a loss before taxation of RM2.1 million in Q2, 2019. The decrease in revenue was mainly due to lower sales contribution from building materials and bedding products divisions. Sales from building materials and bedding products divisions had reduced by 62% and 14% respectively as compared to the preceding year corresponding quarter. However, consumer foods division registered an increase of 28% as compared to the preceding year corresponding quarter. Consumer foods division experienced an increase in demand for its food products during the Movement Control Order due to the Covid-19 pandemic.

The lower loss before taxation reported by the Group for Q2, 2020 was mainly attributable to the higher contribution reported by consumer foods division. Consumer foods division registered a profit before taxation of RM1.7 million in Q2, 2020 compared to loss before taxation of RM0.4 million in Q2, 2019.

However, building materials division reported a higher loss before taxation of RM1.4 million in Q2, 2020 compared to a loss before taxation of RM0.6 million in Q2, 2019.

Similarly, bedding products division reported a loss before taxation of RM1.3 million as compared to loss before taxation of RM1.0 million in Q2, 2019.

In the opinion of the Board of Directors of the Company, the results of Q2, 2020 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

Current financial year-to-date ended 30 June 2020 ("YTD FY 2020") versus preceding financial year-to-date ended 30 June 2019 ("YTD FY 2019")

The Group recorded revenue of RM121.0 million and a loss before taxation of RM0.1 million during YTD FY 2020 as compared to revenue of RM112.4 million and a loss before taxation of RM2.0 million reported in the preceding year corresponding period.

Consumer foods and bedding products divisions registered an increase in revenue of 21% and 3% respectively, while building materials division reported a drop in revenue of 27% to RM14.4 million in YTD FY 2020 when compared to YTD FY 2019.

Consumer foods division reported a profit before taxation of RM4.0 million in YTD FY 2020 as compared to profit before taxation of RM0.2 million in the preceding year corresponding period due to higher sales and better margin.

On the other hand, bedding products division registered a higher loss before taxation of RM1.8 million in YTD FY 2020 compared to loss before taxation of RM0.7 million in the preceding year corresponding period.

Similarly, building materials division posted a loss before taxation of RM2.1 million for YTD FY 2020 as compared to a loss before taxation of RM1.2 million in YTD FY 2019.

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### B2 Financial review of Q2, 2020 versus immediate preceding quarter ended 31 March 2020 (“Q1, 2020”)

The Group reported a revenue of RM52.6 million and a loss before taxation of RM1.2 million for Q2, 2020 compared to revenue of RM68.6 million and a profit before taxation of RM1.0 million in Q1, 2020. The lower revenue in Q2, 2020 was attributable to the decrease in sales of 57%, 26% and 17% in the building materials, bedding products and consumer foods divisions respectively.

Consumer foods division posted a lower profit before taxation of RM1.7 million in Q2, 2020 against profit before taxation of RM2.3 million in Q1, 2020. Bedding products division suffered a higher loss before taxation of RM1.3 million in Q2, 2020 compared to loss before taxation of RM0.4 million in Q1, 2020. Similarly, building materials division reported a higher loss before taxation of RM1.4 million in Q2, 2020 as compared to a loss before taxation of RM0.7 million in Q1, 2020.

### B3 Future prospects

The Board of Directors of the Company anticipates the performance of the Group for the remaining half of 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 30 June 2020 RM'000	Current financial year-to-date ended 30 June 2020 RM'000
Current Taxation	(18)	(133)
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	<u>(18)</u>	<u>(133)</u>

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.

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**B7 Group borrowings and debts securities**

Total Group borrowings are as follows:

	As at 30 June 2020		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
<b>Secured</b>			
Hire purchase creditors	220	151	371
Banker acceptances/trust receipts	16,252	-	16,252
Term loans	3,882	12,042	15,924
<b>Total</b>	<b>20,354</b>	<b>12,193</b>	<b>32,547</b>
<b>Unsecured</b>			
Bank overdrafts	397	-	397
Banker acceptances/trust receipts	4,031	-	4,031
<b>Total</b>	<b>4,428</b>	<b>-</b>	<b>4,428</b>

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

**B8 Derivative financial instruments**

There were no outstanding derivatives as at 30 June 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.

**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.

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	<b>Current year quarter ended 30 June 2020 RM'000</b>	<b>Preceding year quarter ended 30 June 2019 RM'000</b>
Net (loss)/profit attributable to equity holders of the parent	(256)	(2,353)
Number of shares in issue	102,850	102,850
<b>Basic (loss)/earnings per share (Sen)</b>	<b>(0.25)</b>	<b>(2.28)</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 were arrived at after charging/(crediting):

	<b>Current quarter ended 30 June 2020 RM'000</b>	<b>Current financial year-to-date 30 June 2020 RM'000</b>
Interest income	(227)	(445)
Interest expense	427	935
Depreciation and amortisation	2,011	3,926
Provision for and write-off of receivables	-	-
Provision for and write-off of inventories	-	-
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	-	-

Date: 24 August 2020

Petaling Jaya

Selangor Darul Ehsan