

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

	Current year quarter ended 30 September 2020 RM’000	Preceding year quarter ended 30 September 2019 RM’000
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 September 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
Revenue						
External Revenue/(Loss)	25,685	60,264	124,548	2,816	(2,846)	210,467
Results						
Profit/(Loss) from Operations	(2,332)	1,096	8,002	(566)	-	6,200
Finance costs	(198)	(440)	(709)	-	-	(1,347)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(2,530)	656	7,293	(566)		4,853
Taxation	-	(408)	(147)	(18)		(573)
Net Profit/(Loss)	(2,530)	248	7,146	(584)		4,280
Assets and Liabilities						
Segment assets	41,527	110,501	109,817	22,402	-	284,247
Segment liabilities	(9,078)	(34,375)	(50,382)	(14)	-	(93,849)
Other Information						
Capital expenditure on property, plant and equipment	92	1,592	3,954	5,629	-	11,267
Depreciation	823	1,736	3,290	37	-	5,886

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Business segments information for the financial period ended 30 September 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)	36,151	46,322	91,160	867	(912)	173,588
Results						
Profit/(Loss) from Operations	(651)	(111)	756	(423)	-	(429)
Finance costs	(302)	(562)	(850)	-		(1,714)
Investing results	-	-	-	-		-
Profit/(Loss) before taxation	(953)	(673)	(94)	(423)		(2,143)
Taxation	(8)	(162)	(77)	(18)		(265)
Net Profit/(Loss)	(961)	(835)	(171)	(441)		(2,408)
Assets and Liabilities						
Segment assets	48,172	102,912	92,195	41,192	-	284,471
Segment liabilities	(10,713)	(26,131)	(37,272)	(25)	-	(74,141)
Other Information						
Capital expenditure on property, plant and equipment	691	896	2,504	-	-	4,091
Depreciation	858	1,806	3,648	35	-	6,347

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, that have not been reflected in this quarterly financial statements.

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

Third quarter ended 30 September 2020 ("Q3, 2020") versus Third quarter ended 30 September 2019 ("Q3, 2019")

The Group recorded a revenue of RM89.5 million and a profit before taxation of RM5.0 million in Q3, 2020 as compared to a revenue of RM61.1 million and a loss before taxation of RM0.1 million in Q3, 2019. The increase in revenue was mainly due to higher sales contribution from the consumer foods and bedding products divisions. Sales of consumer foods and bedding products divisions rose by 72% and 79% respectively when compared with the preceding year corresponding quarter. However, building materials division registered a decrease of 31% as compared to the preceding year corresponding quarter.

Consumer foods division experienced an increase in demand for its food products during the Recovery Movement Control Order period due to the Covid-19 pandemic. Similarly, bedding products division registered increase in demand from the United States ("US").

The profit before taxation reported by the Group in Q3, 2020 was contributed by the consumer foods and bedding products divisions. Consumer foods division turned in a profit before taxation of RM3.3 million in Q3, 2020 compared to a loss before taxation of RM0.3 million in Q3, 2019. The higher profit before taxation was due to higher margin and lower operating expenses as a result of higher sales volume. Similarly, bedding products division posted a higher profit before taxation of RM2.4 million in Q3, 2020 as compared to a profit before taxation of RM0.05 million in Q3, 2019 due to lower operating expenses.

However, building materials division suffered a loss before taxation of RM0.4 million in Q3, 2020 as opposed to a profit before taxation of RM0.2 million in Q3, 2019 due to lower margin and higher operating expenses.

In the opinion of the Board of Directors of the Company, the results of Q3, 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 September 2020 ("YTD FY 2020") versus preceding financial year-to-date ended 30 September 2019 ("YTD FY 2019")

The Group recorded a revenue of RM210.5 million and a profit before taxation of RM4.8 million for YTD FY 2020 compared to a revenue of RM173.6 million and a loss before taxation of RM2.1 million for YTD FY 2019.

Consumer foods and bedding products divisions registered an increase in revenue of 37% and 30% respectively, while building materials division reported a drop in revenue of 29% to RM25.7 million in YTD FY 2020 when compared to YTD FY 2019.

Consumer foods division posted a profit before taxation of RM7.3 million in YTD FY 2020 as opposed to a loss before taxation of RM0.09 million in YTD FY 2019 due to higher sales and better margin.

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Similarly, bedding products division registered a profit before taxation of RM0.6 million in YTD FY 2020 versus a loss before taxation of RM0.7 million in YTD FY 2019.

However, building materials division suffered a higher loss before taxation of RM2.5 million for YTD FY 2020 as compared to a loss before taxation of RM1.0 million in YTD FY 2019.

B2 Financial review of Q3, 2020 versus immediate preceding quarter ended 30 June 2020 (“Q2, 2020”)

The Group reported a revenue of RM89.5 million and a profit before taxation of RM5.0 million for Q3, 2020 compared to revenue of RM52.6 million and a loss before taxation of RM1.2 million in Q2, 2020. The higher revenue in Q3, 2020 was attributable to the increase in sales of 159%, 127% and 28% in the building materials, bedding products and consumer foods divisions respectively.

Consumer foods division posted a higher profit before taxation of RM3.3 million in Q3, 2020 compared to a profit before taxation of RM1.7 million in Q2, 2020 due to lower operating expenses as a result of a 28% increase in sales coupled with better product margin. Similarly, bedding products division registered a profit before taxation of RM2.4 million in Q3, 2020 as against a loss before taxation of RM1.3 million in Q2, 2020. This was attributable to reduction in operating expenses due to a 127% increase in sales. In addition to that, the current quarter sales mix contributed better product margin.

Building materials division reported a lower loss before taxation of RM0.4 million in Q3, 2020 compared to a loss before taxation of RM1.4 million in Q2, 2020 due to a 159% increase in sales coupled with lower operating expenses and higher product margin.

B3 Future prospects

The Board of Directors of the Company anticipates the performance of the Group for the final quarter of financial year ending 31 December 2020 will continue to be challenging in view of the uncertain 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 September 2020 RM'000	Current financial year-to-date ended 30 September 2020 RM'000
Current Taxation	(440)	(573)
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	<u>(440)</u>	<u>(573)</u>

The effective taxation rate on the Group's profit was lower than the statutory rate due to utilization of reinvestment allowances brought forward at the consumer foods division.

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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 September 2020		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
Secured			
Hire purchase creditors	145	188	333
Banker acceptances/trust receipts	16,605	-	16,605
Term loans	3,102	11,784	14,886
Total	19,852	11,972	31,824
Unsecured			
Bank overdrafts	393	-	393
Banker acceptances/trust receipts	4,862	-	4,862
Total	5,255	-	5,255

	As at 30 September 2019		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
Secured			
Hire purchase creditors	156	408	564
Banker acceptances/trust receipts	10,458	-	10,458
Term loans	3,857	15,144	19,001
Total	14,471	15,552	30,023
Unsecured			
Bank overdrafts	536	-	536
Banker acceptances/trust receipts	6,687	-	6,687
Total	7,223	-	7,223

B8 Derivative financial instruments

There were no outstanding derivatives as at 30 September 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 financial period under review.

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

The basic earnings/(loss) per share was calculated by dividing the Group's net earnings/(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 September 2020 RM'000	Preceding year quarter ended 30 September 2019 RM'000
Net profit/(loss) attributable to equity holders of the parent	4,536	(55)
Number of shares in issue	102,850	102,850
Basic earnings/(loss) per share (Sen)	4.41	(0.05)

(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 were arrived at after charging/(crediting):

	Current quarter ended 30 September 2020 RM'000	Current financial year-to-date 30 September 2020 RM'000
Interest income	(169)	(614)
Interest expense	412	1,347
Depreciation and amortisation	1,960	5,886
Provision for and write-off of receivables	484	484
Provision for and write-off of inventories	-	-
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	-	-

Date: 30 November 2020

Petaling Jaya

Selangor Darul Ehsan