

## **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 of companies ("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 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 2020 RM'000</b>	<b>Preceding year quarter ended 31 December 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 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 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)	36,431	76,982	160,291	3,060	(3,120)	273,644
<b>Results</b>						
Profit/(Loss) from Operations	(3,036)	3,381	7,395	(1,013)	-	6,727
Finance costs	(261)	(591)	(883)	-	-	(1,735)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(3,297)	2,790	6,512	(1,013)		4,992
Taxation	(19)	(972)	(1,470)	(24)		(2,485)
Net Profit/(Loss)	(3,316)	1,818	5,042	(1,037)		<b>2,507</b>
<b>Assets and Liabilities</b>						
Segment assets	40,593	110,731	102,376	22,616	-	276,316
Segment liabilities	(8,899)	(33,233)	(45,078)	(279)	-	(87,489)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	398	2,020	5,667	5,629	-	13,714
Depreciation	1,054	2,554	4,404	50	-	8,062

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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	(1,208)	245,407
<b>Results</b>						
Profit/(Loss) from Operations	(902)	(945)	853	(22,108)	-	(23,102)
Finance costs	(388)	(737)	(1,086)	(72)		(2,283)
Investing results	-	-	-	-		-
Profit/(Loss) before taxation	(1,290)	(1,682)	(233)	(22,180)		(25,385)
Taxation	(11)	(755)	(446)	(22)		(1,234)
Net Profit/(Loss)	(1,301)	(2,437)	(679)	(22,202)		<b>(26,619)</b>
<b>Assets and Liabilities</b>						
Segment assets	47,844	114,477	93,935	20,250	-	276,506
Segment liabilities	(10,865)	(39,447)	(39,685)	(388)	-	(90,385)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	691	2,192	2,859	-	-	5,742
Depreciation	1,141	2,760	4,868	48	-	8,817

**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.

**A12 Changes in composition of the Group**

There were no changes in the composition of the Group during the financial year 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 financial year under review.

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

Fourth quarter ended 31 December 2020 ("Q4, 2020") versus Fourth quarter ended 31 December 2019 ("Q4, 2019")

The Group recorded a revenue of RM63.2 million and a profit before taxation of RM0.1 million in Q4, 2020 as compared to a revenue of RM71.8 million and a loss before taxation of RM23.2 million in Q4, 2019. The drop in revenue in Q4, 2020 was mainly due to decrease in sales contribution from the bedding products and building materials divisions. When compared with the preceding year corresponding quarter, sales of bedding products and consumer foods divisions dropped by 25% and 22% respectively, while consumer foods division registered a flat revenue.

Bedding products division witnessed lower demand from the United States ("US") during the quarter under review. Similarly, building materials division experienced a decrease in demand for its products during the Recovery Movement Control Order period due to the Covid-19 pandemic.

The profit before taxation reported by the Group in Q4, 2020 was contributed by the bedding products divisions. Bedding products division turned in a profit before taxation of RM2.1 million in Q4, 2020 compared to a loss before taxation of RM1.0 million in Q4, 2019. The higher profit before taxation in Q4, 2020 was due to lower operating expenses in the quarter under review and inclusion of impairment of intangible assets of RM1.9 million in Q4, 2019.

Consumer foods division suffered a loss before taxation of RM0.8 million in Q4, 2020 as opposed to a loss before taxation of RM0.1 million in Q4, 2019 due to lower margin and higher operating expenses.

Similarly, building materials division posted a higher loss before taxation of RM0.8 million in Q4, 2020 as compared to a loss before taxation of RM0.3 million in Q4, 2019 due to lower margin.

In the opinion of the Board of Directors of the Company ("Board"), the results of Q4, 2020 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 2020 ("FY 2020") versus preceding financial year ended 31 December 2019 ("FY 2019")

The Group recorded a revenue of RM273.6 million and a profit before taxation of RM5.0 million for FY 2020 compared to a revenue of RM245.4 million and a loss before taxation of RM25.4 million for FY 2019.

Consumer foods and bedding products divisions registered an increase in revenue of 26% and 12% respectively in FY 2020. Instant noodle sales from consumer foods division increased by RM27.0 million compared to the previous financial year due to higher demand and OEM business. Bedding products division registered increase in its export sales to RM25.0 million as compared to RM8.1 million previously. However, building materials division reported a drop in revenue of 27% to RM36.4 million in FY 2020 compared to FY 2019 due to lower completion of project sales.

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Consumer foods division posted a profit before taxation of RM6.5 million in FY 2020 as opposed to a loss before taxation of RM0.2 million in FY 2019 due to higher sales and better margin.

Bedding products division also registered a profit before taxation of RM2.8 million in FY 2020 versus a loss before taxation of RM1.7 million in FY 2019 due lower operating expenses and inclusion of impairment of intangible assets of RM1.9 million in FY 2019.

However, building materials division suffered a higher loss before taxation of RM3.3 million for FY 2020 as compared to a loss before taxation of RM1.3 million in FY 2019 due to lower margin and sales.

### **B2 Financial review of Q4, 2020 versus immediate preceding quarter ended 30 September 2020 (“Q3, 2020”)**

The Group reported a lower revenue of RM63.2 million for Q4, 2020 compared to RM89.5 million in Q3, 2020. The lower revenue was attributable to the decrease in sales of 43%, 36% and 5% registered by the bedding products, consumer foods and building materials divisions respectively.

The Group posted a profit before taxation of RM0.1 million in Q4, 2020 against profit before taxation of RM5.0 million in Q3, 2020.

Bedding products division posted a profit before taxation of RM2.1 million in Q4, 2020 compared to profit before taxation of RM2.4 million in Q3, 2020. Consumer foods division, on the other hand, registered a loss before taxation of RM0.8 million in Q4, 2020 as against a profit before taxation of RM3.3 million in Q3, 2020. This was attributable to a reduction of 36% in sales and the change in sales mix which contributed lower margin.

Building materials division suffered a higher loss before taxation of RM0.8 million in Q4, 2020 as compared to RM0.4 million in Q3, 2020 due to lower margin and higher operating expenses.

### **B3 Future prospects**

The Board anticipates the performance of the Group for the next financial year ending 31 December 2021 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**

	<b>Current quarter ended 31 December 2020 RM'000</b>	<b>Current year ended 31 December 2020 RM'000</b>
Current Taxation	(574)	(1,147)
(Over)/Under Taxation	-	-
Deferred Taxation - Current	(1,338)	(1,338)
Deferred Taxation - Prior	-	-
	<b>(1,912)</b>	<b>(2,485)</b>

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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.

**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 31 December 2020		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
<b>Secured</b>			
Hire purchase creditors	143	152	295
Banker acceptances/trust receipts	17,968	-	17,968
Term loans	3,869	10,396	14,265
<b>Total</b>	<b>21,980</b>	<b>10,548</b>	<b>32,528</b>
<b>Unsecured</b>			
Bank overdrafts	373	-	373
Banker acceptances/trust receipts	4,091	-	4,091
<b>Total</b>	<b>4,464</b>	<b>-</b>	<b>4,464</b>

	As at 31 December 2019		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
<b>Secured</b>			
Hire purchase creditors	190	295	485
Banker acceptances/trust receipts	10,955	-	10,955
Term loans	3,975	13,725	17,700
<b>Total</b>	<b>15,120</b>	<b>14,020</b>	<b>29,140</b>
<b>Unsecured</b>			
Bank overdrafts	553	-	553
Banker acceptances/trust receipts	5,513	-	5,513
<b>Total</b>	<b>6,066</b>	<b>-</b>	<b>6,066</b>

**B8 Derivative financial instruments**

There were no outstanding derivatives as at 31 December 2020.

**B9 Material litigation**

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

**B10 Dividend**

The Board is recommending a first and final single-tier dividend of 1.5 sen per share amounting to RM1,542,750 in respect of the financial year ended 31 December 2020 (2019: Nil) for approval by shareholders at the forthcoming Annual General Meeting of the Company.

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

The basic (loss)/earnings per share was calculated by dividing the Group's net (loss)/earnings 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 2020 RM'000</b>	<b>Preceding year quarter ended 31 December 2019 RM'000</b>	<b>Current year ended 31 December 2020 RM'000</b>	<b>Preceding year ended 31 December 2019 RM'000</b>
Net (loss)/profit attributable to equity holders of the parent	(1,773)	(24,067)	2,507	(26,475)
Number of shares in issue	102,850	102,850	102,850	102,850
<b>Basic (loss)/earnings per share (Sen)</b>	<b>(1.72)</b>	<b>(23.40)</b>	<b>2.44</b>	<b>(25.74)</b>

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

Not applicable.

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

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

	<b>Current quarter ended 31 December 2020 RM'000</b>	<b>Current year ended 31 December 2020 RM'000</b>
Interest income	(154)	(768)
Interest expense	388	1,735
Depreciation and amortisation	2,176	8,062
Provision for and write-off of receivables	630	1,114
Provision for and write-off of inventories	-	-
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	-	-

Date: 22 February 2021

Petaling Jaya

Selangor Darul Ehsan