

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 2020. 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 2020.

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 2020, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2021.

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 2021. 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 2020 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 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.

A6 Debt and equity securities

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

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A7 Dividends Paid

No dividend was paid during the current quarter under review.

A8 Segmental information

Business segments information for the first quarter ended 31 March 2021 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)	13,998	14,314	39,873	5,194	(5,209)	68,170
Results						
Profit/(Loss) from Operations	125	263	720	(99)	-	1,009
Finance costs	(73)	(120)	(169)	-	-	(362)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	52	143	551	(99)		647
Taxation	17	(49)	(96)	(6)		(134)
Net Profit/(Loss)	69	94	455	(105)		513
Assets and Liabilities						
Segment assets	42,000	106,813	98,568	28,220	-	275,601
Segment liabilities	(11,795)	(28,461)	(45,762)	(165)	-	(86,183)
Other Information						
Capital expenditure on property, plant and equipment	300	89	523	-	-	912
Depreciation	229	596	1,154	12	-	1,991

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Business segments information for the first quarter ended 31 March 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)	10,054	17,652	40,943	250	(265)	68,634
Results						
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)
Net Profit/(Loss)	(680)	(549)	2,306	(135)		942
Assets and Liabilities						
Segment assets	44,575	112,055	107,775	16,738	-	281,143
Segment liabilities	(8,272)	(34,349)	(51,207)	(252)	-	(94,080)
Other Information						
Capital expenditure on property, plant and equipment	5	4	338	-	-	347
Depreciation	275	594	1,034	12	-	1,915

A9 Revaluations

There were no amendments in the valuation amount of revalued assets brought forward to the current quarter under review.

A10 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, that have not been reflected in this quarterly financial statements.

A11 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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A12 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 2021 ("Q1, 2021") versus First quarter ended 31 March 2020 ("Q1, 2020")

The Group recorded a revenue of RM68.2 million and a profit before taxation of RM0.6 million in Q1, 2021 as compared to a revenue of RM68.6 million and a profit before taxation of RM1.0 million in Q1, 2020. The drop in revenue in Q1, 2021 was mainly due to decrease in sales contribution from the bedding products and consumer foods divisions. When compared with the preceding year corresponding quarter, sales of bedding products and consumer foods divisions dropped by 19% and 3% respectively, while building materials division registered an increase of 39% in revenue.

Bedding products division witnessed lower demand from the United States ("US") during the quarter under review. Similarly, consumer foods division experienced a decrease in demand for its products especially noodles as consumer reacted differently in subsequent lockdowns due to the Covid-19 pandemic.

The profit before taxation reported by the Group in Q1, 2021 was contributed by all the divisions. Consumer foods division posted a profit before taxation of RM0.6 million in Q1, 2021 as against to a profit before taxation of RM2.3 million in Q1, 2020 due to lower margin and higher operating expenses.

Bedding products division turned in a profit before taxation of RM0.1 million in Q1, 2021 compared to a loss before taxation of RM0.4 million in Q1, 2020. The profit before taxation in Q1, 2021 was due to higher profit margin recorded in the quarter under review.

Building materials division posted a profit before taxation of RM52,000 in Q1, 2021 as compared to a loss before taxation of RM0.7 million in Q1, 2020 due to lower operating expenses.

In the opinion of the Board of Directors of the Company ("Board"), the results of Q1, 2021 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

B2 Financial review of Q1, 2021 versus immediate preceding quarter ended 31 December 2020 ("Q4, 2020")

The Group reported a higher revenue of RM68.2 million in Q1, 2021 compared to RM63.2 million in Q4, 2020. The higher revenue was attributable to the increase in sales of 30% and 10% registered by the building materials and consumer foods divisions respectively. However, bedding products division recorded a decrease of 14% in sales for the quarter under review.

Consequently, the Group posted a marginally higher profit before taxation of RM0.6 million in Q1, 2021 compared to profit before taxation of RM0.5 million in Q4, 2020.

Consumer foods division registered a profit before taxation of RM0.6 million in Q1, 2021 as against a loss before taxation of RM0.8 million in Q4, 2020. This was attributable to the higher margin recorded in sales and the preferable change in sales mix with better margin.

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Bedding products division posted a lower profit before taxation of RM0.1 million in Q1, 2021 compared to profit before taxation of RM2.1 million in Q4, 2020 due to lower sales volume.

Building materials division reported a profit before taxation of RM52,000 in Q1, 2021 against loss before taxation of RM0.4 million in Q4, 2020 due to higher sales volume and better margin.

B3 Future prospects

The Board anticipates the performance of the Group for the 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

	Current quarter ended 31 March 2021 RM'000	Current financial year-to-date ended 31 March 2021 RM'000
Current Taxation	(134)	(134)
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	(134)	(134)

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 March 2021		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
Hire purchase creditors	141	119	260
Banker acceptances/trust receipts	16,000	-	16,000
Term loans	3,663	9,445	13,108
Total	19,804	9,564	29,367
Unsecured			
Bank overdrafts	615	-	615
Banker acceptances/trust receipts	6,326	-	6,326
Total	6,941	-	6,941

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	As at 31 March 2020		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
Secured			
Hire purchase creditors	234	185	419
Banker acceptances/trust receipts	14,101	-	14,101
Term loans	3,882	13,053	16,925
Total	18,217	13,238	21,445
Unsecured			
Bank overdrafts	202	-	202
Banker acceptances/trust receipts	6,600	-	6,600
Total	6,802	-	6,802

B8 Derivative financial instruments

There were no outstanding derivatives as at 31 March 2021.

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

No dividend has been declared for the current quarter under review.

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 31 March 2021 RM'000	Preceding year quarter ended 31 March 2020 RM'000
Net profit/(loss) attributable to equity holders of the parent	612	1,077
Number of shares in issue	102,850	102,850
Basic earnings/(loss) per share (Sen)	0.60	1.05

(II) Diluted earnings/(loss) per share

Not applicable.

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B12 Notes to the Statement of Comprehensive Income

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

	Current quarter ended 31 March 2021 RM'000	Current financial year-to-date 31 March 2021 RM'000
Interest income	(68)	(68)
Interest expense	362	362
Depreciation and amortisation	1,991	1,991
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 May 2021

Petaling Jaya

Selangor Darul Ehsan