

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 the 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 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 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.

A6 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.

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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 financial period ended 30 June 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)	22,808	23,191	74,794	5,439	(5,469)	120,763
Results						
Profit/(Loss) from Operations	(406)	(960)	417	(219)	-	(1,168)
Finance costs	(153)	(236)	(343)	-	-	(732)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(559)	(1,196)	74	(219)		(1,900)
Taxation	17	(46)	(59)	(13)		(101)
Net Profit/(Loss)	(542)	(1,242)	15	(232)		(2,001)
Assets and Liabilities						
Segment assets	38,863	100,870	93,340	28,170	-	261,243
Segment liabilities	(9,268)	(24,154)	(40,891)	(26)	-	(74,339)
Other Information						
Capital expenditure on property, plant and equipment	422	100	935	-	-	1,457
Depreciation	461	1,148	2,334	25	-	3,968

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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
Revenue						
External	14,407	30,701	75,922	501	(531)	121,000
Revenue/(Loss)						
Results						
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)		(256)
Assets and Liabilities						
Segment assets	41,220	110,849	104,874	16,622	-	273,565
Segment liabilities	(6,368)	(34,670)	(46,571)	(79)	-	(87,688)
Other Information						
Capital expenditure on property, plant and equipment	5	1,454	2,675	-	-	4,134
Depreciation	550	1,165	2,186	25	-	3,926

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

Second quarter ended 30 June 2021 ("Q2, 2021") versus second quarter ended 30 June 2020 ("Q2, 2020")

The Group recorded a revenue of RM52.6 million and a loss before taxation of RM2.5 million in Q2, 2021 as compared to a revenue of RM52.6 million and a loss before taxation of RM1.2 million in Q2, 2020. The flat revenue in Q2, 2021 was mainly attributable to the decrease in sales contribution from the bedding products division offset by the increase in sales contribution from the building materials division.

Bedding products division witnessed lower demand in the current quarter under review mainly because of the total lockdown imposed by the Government. When compared with the preceding year corresponding quarter, sales of bedding products division dropped by 32% in Q2, 2021, a net decrease of RM4.2 million.

Consumer foods division experienced stagnant demand for its products especially, noodles as consumers reacted differently in subsequent lockdowns due to the Covid-19 pandemic. Hence, consumer foods division reported a revenue of RM34.9 million in Q1, 2021 which is comparable with Q2, 2020.

Building materials division, on the other hand, registered an increase of 102% or RM4.4 million in revenue when compared to Q2, 2020 to RM8.8 million in Q2, 2021 due to higher percentage of completion of projects.

The loss before taxation of RM2.5 million reported by the Group in Q2, 2021 was attributed to losses registered by all the 3 divisions. Consumer foods division posted a loss before taxation of RM0.5 million in Q2, 2021 as opposed to a profit before taxation of RM1.7 million in Q2, 2020 due to lower profit margin caused by increase in raw materials price in the current quarter under review.

Bedding products division reported a loss before taxation of RM1.3 million for Q2, 2021 similar to Q2, 2020 due to higher operating expenses on the back of lower revenue.

Building materials division posted a lower loss before taxation of RM0.6 million in Q2, 2021 as compared to a loss before taxation of RM1.4 million in Q2, 2020 due to higher profit margin recorded in the current quarter under review.

In the opinion of the Board of Directors of the Company ("Board"), the results of the Company for Q2, 2021 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 2021 ("YTD FY 2021") versus preceding financial year-to-date ended 30 June 2020 ("YTD FY 2020")

The Group recorded a revenue of RM120.8 million and a loss before taxation of RM1.9 million in YTD FY 2021 as compared to a revenue of RM121.0 million and a loss before taxation of RM0.1 million reported in YTD FY 2020.

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When compared to YTD FY 2020, both the bedding products and consumer foods divisions registered a decrease in revenue of 24% and 2% respectively in YTD FY 2021, while the building materials division reported increased revenue of 58% at RM22.8 million for YTD FY 2021.

Consumer foods division reported a lower profit before taxation of RM74,000 in YTD FY 2021 as compared to a profit before taxation of RM4.0 million in the YTD FY 2020 due to lower margin and higher operating expenses.

On the other hand, building materials division posted a lower loss before taxation of RM0.6 million for YTD FY 2021 as compared to a loss before taxation of RM2.1 million in YTD FY 2020.

Similarly, bedding products division registered a lower loss before taxation of RM1.2 million for YTD FY 2021 compared to a loss before taxation of RM1.8 million in the preceding year corresponding period

B2 Financial review of Q2, 2021 versus immediate preceding quarter ended 31 March 2021 (“Q1, 2021”)

The Group reported a lower revenue of RM52.6 million for Q2, 2021 compared to RM68.2 million in Q1, 2021. The lower revenue was attributable to the decrease in sales of 32% registered by the bedding products division. However, building materials division recorded an increase of 102% in sales for the current quarter under review, while the consumer foods division reported a flat revenue of RM34.9 million.

The Group posted a loss before taxation of RM2.5 million in Q2, 2021 as against a profit before taxation of RM0.6 million in Q1, 2021.

Consumer foods division registered a loss before taxation of RM0.5 million in Q2, 2021 as against a profit before taxation of RM0.6 million in Q1, 2021. This was attributable to the lower margin recorded in sales and the lower average product selling price.

Bedding products division, on the other hand, posted a loss before taxation of RM1.3 million in Q2, 2021 as compared to a profit before taxation of RM0.1 million in Q1, 2021 due to lower sales volume.

Building materials division also reported a loss before taxation of RM0.6 million in Q2, 2021 as against a profit before taxation of RM52,000 in Q1, 2021 due to higher operating expenses.

B3 Future prospects

The Board anticipates the performance of the Group for the remaining half of 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.

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B5 Taxation

	Current quarter ended 30 June 2021 RM'000	Current Year-to-date ended 30 June 2021 RM'000
Current Taxation	33	(101)
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	33	(101)

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 30 June 2021		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
Hire purchase creditors	121	103	224
Banker acceptances/trust receipts	15,865	-	15,865
Term loans	3,810	8,229	12,039
Total	19,796	8,332	28,128
Unsecured			
Bank overdrafts	1,518	-	1,518
Banker acceptances/trust receipts	7,577	-	7,577
Total	9,095	-	9,095

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

B8 Derivative financial instruments

There were no outstanding derivatives as at 30 June 2021.

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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 period under review.

B11 (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.

	Current year quarter ended 30 June 2021 RM'000	Preceding year quarter ended 30 June 2020 RM'000	Current Year-to-date ended 30 June 2021 RM'000	Preceding Year-to-date ended 30 June 2020 RM'000
Net (loss)/profit attributable to equity holders of the parent	(2,424)	(1,331)	(1,812)	12
Number of shares in issue	102,850	102,850	102,850	102,850
Basic (loss)/earnings per share (Sen)	(2.36)	(1.29)	(1.76)	0.01

(II) Diluted earnings/(loss) per share

Not applicable.

B12 Notes to the Statement of Comprehensive Income

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

	Current quarter ended 30 June 2021 RM'000	Current Year-to-date ended 30 June 2021 RM'000
Interest income	(36)	(104)
Interest expense	370	732
Depreciation and amortisation	1,977	3,968
Provision for and write-off of receivables	-	-
Provision for and write-off of inventories	-	-
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	-	-

Date: 30 August 2021

Petaling Jaya

Selangor Darul Ehsan