

## **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.

**OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

("OCB" or "the Company")

**A7 Dividend Paid**

A first and final single-tier dividend of 1.5 sen per ordinary share (2019: Nil) in respect of the financial year ended 31 December 2020 on 102,850,000 ordinary shares amounting to RM1,542,750 was paid on 30 July 2021.

**A8 Segmental information**

Business segments information for the financial period ended 30 September 2021 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)	29,191	30,327	108,761	6,233	(6,278)	168,234
<b>Results</b>						
Profit/(Loss) from Operations	(1,319)	(1,508)	(226)	(620)	-	(3,673)
Finance costs	(269)	(315)	(515)	-	-	(1,099)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(1,588)	(1,823)	(741)	(620)		(4,772)
Taxation	19	(56)	(39)	(18)		(94)
Net Profit/(Loss)	(1,569)	(1,879)	(780)	(638)		<b>(4,866)</b>
<b>Assets and Liabilities</b>						
Segment assets	35,270	92,801	91,939	60,504	-	280,514
Segment liabilities	(7,235)	(21,823)	(40,885)	(28,082)	-	(98,025)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	440	298	996	41,727	-	43,461
Depreciation	684	1,724	3,476	38	-	5,922

**OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

("OCB" or "the Company")

Business segments information for the financial period ended 30 September 2020 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)	25,685	60,264	124,548	2,816	(2,846)	210,467
<b>Results</b>						
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)	-	<b>4,280</b>
<b>Assets and Liabilities</b>						
Segment assets	41,527	110,501	109,817	22,402	-	284,247
Segment liabilities	(9,078)	(34,375)	(50,382)	(14)	-	(93,849)
<b>Other Information</b>						
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

**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.

## **OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

("OCB" or "the Company")

### **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**

Third quarter ended 30 September 2021 ("Q3, 2021") versus third quarter ended 30 September 2020 ("Q3, 2020")

The Group recorded a revenue of RM47.5 million and a loss before taxation of RM2.9 million in Q3, 2021 as compared to a revenue of RM89.5 million and a profit before taxation of RM5.0 million in Q3, 2020. The lower revenue in Q3, 2021 was mainly attributable to the decrease in sales contribution from all the divisions.

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 76% in Q3, 2021 to RM7.1 million, a net decrease of RM22.4 million.

Building materials division registered a revenue of RM6.4 million for Q3, 2021, a decrease of 43% or RM4.9 million in revenue when compared to Q3, 2020 of RM11.3 million due to lower percentage of completion of projects.

Similarly, consumer foods division experienced lower 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 RM34.0 million in Q3, 2021 as compared to RM48.6 million in Q3, 2020.

The loss before taxation of RM2.9 million reported by the Group in Q3, 2021 was attributed to losses registered by all the 3 divisions. Consumer foods division posted a loss before taxation of RM0.8 million in Q3, 2021 as opposed to a profit before taxation of RM3.3 million in Q3, 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 RM0.6 million for Q3, 2021 as compared to profit before taxation of RM2.4 million in Q3, 2020 due to higher operating expenses ratio on the back of lower revenue as a result of lockdown.

Building materials division posted a higher loss before taxation of RM1.0 million in Q3, 2021 as compared to a loss before taxation of RM0.4 million in Q3, 2020 due to higher operating expenses ratio.

In the opinion of the Board of Directors of the Company ("Board"), the results of the Company for Q3, 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 September 2021 ("YTD FY 2021") versus preceding financial year-to-date ended 30 September 2020 ("YTD FY 2020")

The Group recorded a revenue of RM168.2 million and a loss before taxation of RM4.8 million in YTD FY 2021 as compared to a revenue of RM210.5 million and a profit before taxation of RM4.8 million reported in YTD FY 2020.

## **OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

(“OCB” or “the Company”)

When compared to YTD FY 2020, both the bedding products and consumer foods divisions registered a decrease in revenue of 50% and 13% respectively in YTD FY 2021, while the building materials division reported increased revenue of 14% at RM29.2 million for YTD FY 2021.

Consumer foods division reported a loss before taxation of RM0.7 million in YTD FY 2021 as compared to a profit before taxation of RM7.3 million in the YTD FY 2020 due to lower margin and higher operating expenses ratio.

Similarly, bedding products division registered a loss before taxation of RM1.8 million for YTD FY 2021 compared to a profit before taxation of RM0.6 million in the preceding year corresponding period

On the other hand, building materials division posted a lower loss before taxation of RM1.6 million for YTD FY 2021 as compared to a loss before taxation of RM2.5 million in YTD FY 2020.

### **B2 Financial review of Q3, 2021 versus immediate preceding quarter ended 30 June 2021 (“Q2, 2021”)**

The Group reported a lower revenue of RM47.5 million for Q3, 2021 compared to RM52.6 million in Q2, 2021. The lower revenue in Q3, 2021 was attributable to the decrease in sales for all the three divisions followed by stricter lockdown rules. Building materials division registered a decrease in revenue of 28% to RM6.4 million, while the bedding products division reported a 20% drop in revenue to RM7.1 million. Consumer foods division also reported marginal decrease of 3% in revenue to RM34.0 million.

The Group posted a loss before taxation of RM2.9 million in Q3, 2021 as against a loss before taxation of RM2.5 million in Q2, 2021.

Consumer foods division registered a loss before taxation of RM0.8 million in Q3, 2021 as against a loss before taxation of RM0.5 million in Q2, 2021. This was attributable to the lower margin recorded in sales and the lower average product selling price.

Building materials division also reported a loss before taxation of RM1.0 million in Q3, 2021 as against a loss before taxation of RM0.6 million in Q2, 2021 due to higher operating expenses ratio.

Bedding products division, on the other hand, posted a lower loss before taxation of RM0.6 million in Q3, 2021 as compared to a loss before taxation of RM1.3 million in Q2, 2021 due to lower operating expenses ratio.

### **B3 Future prospects**

The Board anticipates the performance of the Group for the final quarter 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 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.

**OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

("OCB" or "the Company")

**B5 Taxation**

	Current quarter ended 30 September 2021 RM'000	Current Year-to-date ended 30 September 2021 RM'000
Current Taxation	(7)	94
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	<b>(7)</b>	<b>94</b>

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 September 2021		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
<b>Secured</b>			
Hire purchase creditors	105	83	188
Banker acceptances/trust receipts	14,560	-	14,560
Term loans	4,436	34,820	39,256
<b>Total</b>	<b>19,101</b>	<b>34,903</b>	<b>54,004</b>
<b>Unsecured</b>			
Bank overdrafts	1,532	-	1,532
Banker acceptances/trust receipts	5,520	-	5,520
<b>Total</b>	<b>7,052</b>	<b>-</b>	<b>7,052</b>

	As at 30 September 2020		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
<b>Secured</b>			
Hire purchase creditors	145	188	333
Banker acceptances/trust receipts	16,605	-	16,605
Term loans	3,102	11,784	14,886
<b>Total</b>	<b>19,852</b>	<b>11,972</b>	<b>31,824</b>
<b>Unsecured</b>			
Bank overdrafts	393	-	393
Banker acceptances/trust receipts	4,862	-	4,862
<b>Total</b>	<b>5,255</b>	<b>-</b>	<b>5,255</b>

**B8 Derivative financial instruments**

There were no outstanding derivatives as at 30 September 2021.

**OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

("OCB" or "the Company")

**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 and financial year-to-date by the weighted number of ordinary shares in issue during the said quarter and financial year-to-date:

	Current year quarter ended 30 September 2021 RM'000	Preceding year quarter ended 30 September 2020 RM'000	Current Year-to-date ended 30 September 2021 RM'000	Preceding Year-to-date ended 30 September 2020 RM'000
Net (loss)/profit attributable to equity holders of the parent	(2,996)	4,684	(4,808)	4,696
Number of shares in issue	102,850	102,850	102,850	102,850
<b>Basic (loss)/earnings per share (Sen)</b>	<b>(2.91)</b>	<b>4.55</b>	<b>(4.67)</b>	<b>4.56</b>

**(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 September 2021 RM'000	Current Year-to-date ended 30 September 2021 RM'000
Interest income	(198)	(302)
Interest expense	367	1,099
Depreciation and amortisation	1,954	5,922
Provision for and write-off of receivables	-	(343)
Provision for and write-off of inventories	-	90
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	-	-

Date: 29 November 2021

Petaling Jaya

Selangor Darul Ehsan