

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 2021. 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 2021.

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 2021, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2022.

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 2022. 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 2021 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 Dividend Paid

No dividend was paid during the current quarter under review.

A8 Segmental information

Business segments information for the first quarter ended 31 March 2022 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)	7,454	16,379	25,109	294	(309)	48,927
Results						
Profit/(Loss) from Operations	382	1,303	(892)	(95)	-	698
Finance costs	(89)	(98)	(146)	(412)	-	(745)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	293	1,205	(1,038)	(507)		(47)
Taxation	-	(215)	(34)	(6)		(255)
Net Profit/(Loss)	293	990	(1,072)	(513)		(302)
Assets and Liabilities						
Segment assets	36,735	86,228	86,584	78,315	-	287,862
Segment liabilities	(9,404)	(23,144)	(36,151)	(46,390)	-	(115,089)
Other Information						
Capital expenditure on property, plant and equipment	97	28	214	-	-	339
Depreciation	208	536	1,125	12	-	1,881

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	Building Materials RM'000	Bedding Products RM'000	Consumer Foods RM'000	Investments RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External	13,998	14,314	39,873	5,194	(5,209)	68,170
Revenue/(Loss)						
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

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 2022 ("Q1, 2022") versus first quarter ended 31 March 2021 ("Q1, 2021")

The Group recorded a revenue of RM48.9 million and a loss before taxation of RM47,000 in Q1, 2022 as compared to a revenue of RM68.2 million and a profit before taxation of RM0.6 million in Q1, 2021. The lower revenue in Q1, 2022 was mainly attributable to the drop in sales of 47% and 37% reported by building materials and consumer foods divisions respectively. Bedding products division posted however, an increase in revenue of 15% in Q1, 2022 mainly from higher demands due to the reopening of the economy by the Government.

Building materials division registered a revenue of RM7.4 million for Q1, 2022, a decrease of 47% or RM6.6 million when compared to Q1, 2021 of RM14.0 million due to lower sales of 48% and 42% reported by the project and retail segments respectively.

Similarly, consumer foods division witnessed lower demand across all its products categories in Q1, 2022. Hence, revenue of the division dropped to RM25.1 million in Q1, 2022 as compared RM39.9 million in Q1, 2021.

Bedding products division, on the other hand, witnessed higher demand in the current quarter under review mainly because of the reopening of economy by the Government. When compared with Q1, 2021, sales of bedding products division increased by 14% in Q1, 2022 to RM16.4 million, a net increase of RM2.1 million.

The Group posted a loss before taxation of RM47,000 in Q1, 2022 compared to a profit before taxation of RM0.6 million in Q1, 2021 mainly attributable to losses registered by the consumer foods division.

Consumer foods division posted a loss before taxation of RM1.0 million in Q1, 2022 as opposed to a profit before taxation of RM0.6 million in Q1, 2021 due to lower profit margin and higher operating expenses ratio.

However, building materials division posted a higher profit before taxation of RM0.3 million in Q1, 2022 compared to a profit before taxation of RM52,000 in Q1, 2021 due to higher margin of its products.

Bedding products division also reported a substantially higher profit before taxation of RM1.2 million for Q1, 2022 as compared to a profit before taxation of RM0.1 million in Q1, 2021 due to lower operating expenses ratio.

In the opinion of the Board of Directors of the Company ("Board"), the results of the Company for Q1, 2022 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

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B2 Financial review of Q1, 2022 versus immediate preceding quarter ended 31 December 2021 (“Q4, 2021”)

The Group reported a lower revenue of RM48.9 million for Q1, 2022 compared to RM70.7 million in Q4, 2021. The drop in revenue in Q1, 2022 was attributable to the decrease in sales of all the 3 divisions.

Building materials division registered a decrease in revenue of 48% to RM7.4 million, while consumer foods division reported a decrease in revenue of 35% to RM25.1 million. Bedding products division also reported a decrease in revenue of 8% to RM16.4 million in Q1, 2022 compared to Q4, 2021.

The Group posted a lower loss before taxation of RM47,000 in Q1, 2022 as against a loss before taxation of RM9.0 million in Q4, 2021 due to inclusion of the impairment loss on intangible assets of RM10.4 million in Q4, 2021.

Bedding products division, posted a higher profit before taxation of RM1.2 million in Q1, 2022 compared to a loss before taxation of RM8.9 million in Q4, 2021 due to impairment loss on intangible assets of RM10.4 million recorded in Q4, 2021.

Similarly, building materials division reported a profit before taxation of RM0.3 million in Q1, 2022 as against a loss before taxation of RM1.0 million in Q4, 2021 due to higher products margin.

However, consumer foods division registered a loss before taxation of RM1.0 million in Q1, 2022 as against a profit before taxation of RM1.6 million in Q4, 2021. This was attributable to the lower margin recorded in sales and the higher operating expenses ratio.

B3 Future prospects

The Board anticipates the performance of the Group for the remaining period of 2022 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 2022 RM'000	Current Year-to-date ended 31 March 2022 RM'000
Current Taxation	255	255
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	255	255

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.

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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 31 March 2022		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
Secured			
Banker acceptances/trust receipts	27,486	-	27,486
Bank Overdraft	2,156	-	2,156
Term loans	5,653	49,940	55,593
Total	35,295	49,940	85,235
Secured			
Lease liabilities	264	495	759
Grand Total	35,559	50,435	85,994

	As at 31 March 2021		
	Short term	Long term	Total borrowings
	RM'000	RM'000	RM'000
Secured			
Banker acceptances/trust receipts	22,326	-	22,326
Bank Overdraft	615	-	615
Term loans	3,663	9,445	13,108
Total	26,604	9,445	36,049
Secured			
Lease liabilities	855	3,000	3,855
Grand Total	27,459	12,445	39,904

B8 Derivative financial instruments

There were no outstanding derivatives as at 31 March 2022.

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.

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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 31 March 2021 RM'000	Preceding year quarter ended 31 March 2020 RM'000
Net (loss)/profit attributable to equity holders of the parent	(196)	612
Number of shares in issue	102,850	102,850
Basic (loss)/earnings per share (Sen)	(0.19)	0.60

(II) Diluted earnings/(loss) per share

Not applicable.

B12 Notes to the Statement of Comprehensive Income

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

	Current quarter ended 31 March 2021 RM'000	Current financial year-to-date ended 31 March 2021 RM'000
Interest income	(107)	(107)
Interest expense	745	745
Depreciation and amortisation	1,881	1,881
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 May 2022
Petaling Jaya
Selangor Darul Ehsan