

## **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 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 under review 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 under review 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 under review and financial period under review.

**OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

("OCB" or "the Company")

**A7 Dividend Paid**

No dividend was paid during the financial period under review.

**A8 Segmental information**

Business segments information for the financial period ended 30 June 2022 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)	14,877	31,850	66,912	1,193	(1,223)	113,609
<b>Results</b>						
Profit/(Loss) from Operations	(763)	2,404	(2,067)	14	-	(412)
Finance costs	(169)	(192)	(295)	(829)	-	(1,485)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(932)	2,212	(2,362)	(815)		(1,897)
Taxation	-	(427)	(51)	(13)		(491)
Net Profit/(Loss)	(932)	1,785	(2,413)	(828)		<b>(2,388)</b>
<b>Assets and Liabilities</b>						
Segment assets	35,517	84,313	97,735	78,233	-	295,798
Segment liabilities	(9,958)	(20,469)	(48,929)	(45,757)	-	(125,113)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	160	792	547	-	-	1,499
Depreciation	416	1,064	2,250	25	-	3,755

**OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

("OCB" or "the Company")

Business segments information for the financial period ended 30 June 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)	22,808	23,191	74,794	5,439	(5,469)	120,763
<b>Results</b>						
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)		<b>(2,001)</b>
<b>Assets and Liabilities</b>						
Segment assets	38,863	100,870	93,340	28,170	-	261,243
Segment liabilities	(9,268)	(24,154)	(40,891)	(26)	-	(74,339)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	422	100	935	-	-	1,457
Depreciation	461	1,148	2,334	25	-	3,968

**A9 Revaluations**

There were no amendments in the valuation amount of revalued assets brought forward to the current quarter under review and financial period 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 except for the Corporate Proposals as disclosed in Note B6 in Page 6 of this quarterly announcement.

## **OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

(“OCB” or “the Company”)

### **A11 Changes in composition of the Group**

On 28 July 2022, the Company announced the termination of the Shareholders’ Agreement dated 20 February 2020 between KaiserCorp Sdn Bhd (“KKSBB”), a wholly-owned subsidiary of OCB, and IO Sene IO Co., Limited (“IO SENE”), to establish and operate a joint venture company, Ultima Beddington Sdn Bhd (“UBSB”) following the completion of the acquisition by KKSBB on even date of the entire shareholding of IO SENE in UBSB comprising 49 ordinary shares representing 49% of the issued shares in UBSB, at a total consideration of Ringgit Malaysia Forty Nine (RM49.00) only.

Henceforth, UBSB became a wholly-owned subsidiary of KKSBB.

### **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 and financial period under review.

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

Second quarter ended 30 June 2022 (“Q2, 2022”) versus second quarter ended 30 June 2021 (“Q2, 2021”)

The Group recorded a revenue of RM64.7 million and a loss before taxation of RM1.8 million in Q2, 2022 as compared to a revenue of RM52.6 million and a loss before taxation of RM2.5 million in Q2, 2021. The stronger revenue in Q2, 2022 was mainly attributable to the increase in of 74% and 20% reported by bedding products and consumer foods divisions respectively while building materials division suffered a drop in revenue of 16% in Q2, 2022 mainly due to weak retail sales.

Following the reopening of the economy by the Government, bedding products division witnessed high demand for its products, and achieved a net increase in revenue of RM6.6 million to RM15.5 million in Q2, 2022.

Consumer foods division, similarly, registered high demand for its creamers and mayonnaise. Sales of its creamers and mayonnaise in Q2, 2022 increased to RM20.0 million (Q2, 2021: RM13.5 million) and RM10.9 million (Q2, 2021: RM9.6 million) respectively.

However, building materials division registered a decrease of 16% or RM1.4 million in revenue to RM7.4 million in Q2, 2022 compared to RM8.8 million in Q2, 2021 due to decrease in sales of 52% and 1% reported by its retail and project segments respectively.

Consequently, the Group posted a loss before taxation of RM1.8 million in Q2, 2022 compared to a loss before taxation of RM2.5 million in Q2, 2021 mainly attributable to profit registered by the bedding products division.

The bedding products division staged a turnaround to post a profit before taxation of RM1.0 million in Q2, 2022 as against a loss before taxation of RM1.3 million in Q2, 2021 due to higher margin and lower operating expenses ratio.

However, consumer foods division reported a loss before taxation of RM1.3 million in Q2, 2022 compared to a loss before taxation of RM0.5 million in Q2, 2021 as rising raw materials cost eroded its profit margin.

## **OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

(“OCB” or “the Company”)

Building materials division also posted a loss before taxation of RM1.2 million in Q2, 2022 compared to a loss before taxation of RM0.6 million in Q2, 2021 due to higher operating expenses ratio.

In the opinion of the Board of Directors of the Company (“Board”), the results of the Company for Q2, 2022 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 2022 (“YTD FY 2022”) versus preceding financial year-to-date ended 30 June 2021 (“YTD FY 2021”)

The Group reported a lower revenue of RM113.6 million for YTD FY 2022 compared to a revenue of RM120.8 million for YTD FY 2021, and a loss before taxation of RM1.9 million which was similar to the preceding financial period.

Revenue of building materials and consumer foods divisions decreased by 35% to RM14.9 million, and by 10% to RM66.9 million respectively in YTD FY 2022 when compared to YTD FY 2021. Bedding products division, on the other hand, posted an increase of 37% in revenue to RM31.8 million.

Bedding products division registered a profit before taxation of RM2.2 million for YTD FY 2022 as against a loss before taxation of RM1.2 million for YTD 2021 in tandem with higher sales as well as lower operating expenses ratio.

Loss before taxation of building materials division widened to RM0.9 million for YTD FY 2022 from RM0.6 million in YTD FY 2021 on the back of lower sales and higher operating expenses ratio.

Consumer foods division also reported a loss before taxation of RM2.4 million in YTD FY 2022 as opposed to a profit before taxation of RM74,000 in YTD FY 2021 attributable to lower margin and higher operating expenses ratio.

## **B2 Financial review of Q2, 2022 versus first quarter ended 31 March 2022 (“Q1, 2022”)**

The Group reported a higher revenue of RM64.7 million for Q2, 2022 compared to RM48.9 million in Q1, 2022 mainly contributed by consumer foods division.

Revenue of consumer foods division rose by 66% to RM41.8 million in Q2, 2022 while building materials division’s revenue was flat at RM7.4 million when compared to Q1, 2022. However, a drop of 6% in revenue to RM15.5 million was registered by bedding products division.

The Group suffered a loss before taxation of RM1.8 million in Q2, 2022 compared to a loss before taxation of RM47,000 million in Q1, 2022 due to losses from consumer foods and building materials divisions.

Building materials division’s loss before taxation widened to RM1.2 million in Q2, 2022 from RM0.3 million in Q1, 2022 due to lower products margin.

Consumer foods division’s loss before taxation also increased to RM1.3 million in Q2, 2022 from RM1.0 million in Q1, 2022 attributable to lower margin recorded in sales and higher operating expenses ratio.

Bedding products division’s profit before taxation contracted to RM1.0 million in Q2, 2022 from RM1.2 million in Q1, 2022 due to higher operating expenses ratio.

## OCB BERHAD

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

(“OCB” or “the Company”)

### B3 Future prospects

The Board anticipates the performance of the Group for the remaining half 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 30 June 2022 RM'000	Current Year-to-date Ended 30 June 2022 RM'000
Current Taxation	236	491
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	<b>236</b>	<b>491</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 proposals

#### I. Proposed joint venture between Enigma Sinar Sdn Bhd (“ESSB”), an 80%-owned subsidiary of OCB, and Worldklang Group Property Development Sdn Bhd (“WKGPD”), for the proposed development of a piece of land situated in Mukim Kapar, Daerah Klang, Negeri Selangor which is owned by ESSB (“Proposed Joint Venture”)

On 30 May 2022, UOB Kay Hian Securities (M) Sdn Bhd (“UOBKH”), on behalf of the Board, announced that ESSB had on even date entered into a development agreement with WKGPD (“Development Agreement”) to collaborate with each other in the implementation of the Proposed Development (as hereinafter defined) on a piece of vacant freehold land identified as H.S.(D) 165116, PT 84453, Mukim Kapar, Daerah Klang, Negeri Selangor (“Land”) which is owned by ESSB, through the contribution of their respective resources, expertise, skills, knowledge and technical know-how as a property developer, on the terms and conditions set out in the Development Agreement.

The proposed development on the Land will consist of 34 units of semi-detached factory together with all infrastructure, amenities, public utilities and other complementary development appropriate for or incidental to such development, as may be approved by the relevant authorities (“Proposed Development”).

## OCB BERHAD

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

(“OCB” or “the Company”)

### II. Proposed Diversification of the existing business operations of the Company and its subsidiaries to include the business of property development (“Proposed Diversification”)

On 1 July 2022, UOBKH, on behalf of the Board, announced OCB’s intention to diversify the existing business operation of OCB and its subsidiaries to include the business of property development.

An extraordinary general meeting of OCB will be convened on 7 September 2022 to obtain shareholders’ approval in respect of the abovementioned proposals.

### B7 Group borrowings and debts securities

Total Group borrowings are as follows:

	As at 30 June 2022		
	Short term	Long term	Total borrowings
	RM’000	RM’000	RM’000
<b>Secured</b>			
Banker acceptances/trust receipts	22,701	-	22,701
Bank Overdraft	3,778	-	3,778
Term loans	5,129	48,911	54,040
<b>Total</b>	<b>31,608</b>	<b>48,911</b>	<b>80,519</b>
<b>Secured</b>			
Lease liabilities	378	758	1,136
<b>Grand Total</b>	<b>31,986</b>	<b>49,669</b>	<b>81,655</b>

	As at 30 June 2021		
	Short term	Long term	Total borrowings
	RM’000	RM’000	RM’000
<b>Secured</b>			
Banker acceptances/trust receipts	23,442	-	23,442
Bank Overdraft	1,518	-	1,518
Term loans	3,810	8,229	12,039
<b>Total</b>	<b>28,770</b>	<b>8,229</b>	<b>36,999</b>
<b>Secured</b>			
Lease liabilities	969	2,670	3,639
<b>Grand Total</b>	<b>29,739</b>	<b>10,899</b>	<b>40,638</b>

### B8 Derivative financial instruments

There were no outstanding derivatives as at 30 June 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 financial period under review (YTD FY 2021: Nil).

**OCB BERHAD**

[Registration No: 195901000114 (3465-H)]

(Incorporated in Malaysia)

("OCB" or "the Company")

**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/ financial period under review by the weighted number of ordinary shares in issue during the said quarter/ financial period:

	Current year quarter ended 30 June 2022 RM'000	Preceding year quarter ended 30 June 2021 RM'000	Current Year-to-date ended 30 June 2022 RM'000	Preceding year Year-to-date ended 30 June 2021 RM'000
Net (loss)/profit attributable to equity holders of the parent	(2,010)	(2,424)	(2,206)	(1,812)
Number of shares in issue	102,850	102,850	102,850	102,850
<b>Basic (loss)/earnings per share (Sen)</b>	<b>(1.95)</b>	<b>(2.36)</b>	<b>(2.14)</b>	<b>(1.76)</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/financial year-to-date were arrived at after charging/ (crediting):

	Current quarter ended 30 June 2022 RM'000	Current financial year-to-date ended 30 June 2022 RM'000
Interest income	(90)	(197)
Interest expense	740	1,485
Depreciation and amortisation	1,874	3,755
Reversal of impairment loss on receivables	(235)	(235)
Provision for and write-off of receivables	-	-
Provision for and write-off of inventories	-	-
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	-	-

Date: 29 August 2022

Petaling Jaya

Selangor Darul Ehsan