

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 and financial year 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 year 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 year 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 year 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 financial year ended 31 December 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)	30,615	66,040	157,249	4,156	(4,216)	253,844
Results						
Profit/(Loss) from Operations	(3,545)	5,746	(1,454)	(608)	-	139
Finance costs	(373)	(344)	(700)	(688)	-	(2,105)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(3,918)	5,402	(2,154)	(1,296)		(1,966)
Taxation	119	(2,200)	214	(33)		(1,900)
Net Profit/(Loss)	(3,799)	3,202	(1,940)	(1,329)		(3,866)
Assets and Liabilities						
Segment assets	35,015	87,618	98,731	78,575	-	299,939
Segment liabilities	(12,445)	(23,200)	(50,058)	(44,848)	-	(130,551)
Other Information						
Capital expenditure on property, plant and equipment	258	636	2,044	-	-	2,938
Depreciation	813	2,142	4,419	46	-	7,420

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Business segments information for the financial year ended 31 December 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)	43,509	48,140	147,334	7,224	(7,314)	238,893
Results						
Profit/(Loss) from Operations	(2,201)	(10,269)	1,463	(1,137)	-	(12,144)
Finance costs	(368)	(464)	(676)	(246)		(1,754)
Investing results	-	-	-	-		-
Profit/(Loss) before taxation	(2,569)	(10,733)	787	(1,383)		(13,898)
Taxation	3	(41)	(357)	(3)		(398)
Net Profit/(Loss)	(2,566)	(10,774)	430	(1,386)		(14,296)
Assets and Liabilities						
Segment assets	42,794	89,524	90,626	79,651	-	302,595
Segment liabilities	(15,756)	(27,462)	(43,135)	(43,167)	-	(129,520)
Other Information						
Capital expenditure on property, plant and equipment	577	359	1,203	2	-	2,141
Depreciation	890	3,294	4,548	53	-	8,785

A9 Revaluations

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

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the financial year under review up to the date of issuance of this report, that have not been reflected in this quarterly financial statements.

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A11 Changes in composition of the Group

The Company had on 28 July 2022, 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.

Save for the above, there were no changes in the composition of the Group during the financial year under review.

A12 Contingent liabilities or contingent asset

There were no third party contingent liabilities or assets undertaken/acquired by the Company during the financial year under review.

B1 Review of Group performance

Fourth quarter ended 31 December 2022 (“Q4, 2022”) versus fourth quarter ended 31 December 2021 (“Q4, 2021”)

The Group recorded a revenue of RM72.8 million and a loss before taxation of RM0.1 million in Q4, 2022 as compared to a revenue of RM70.6 million and a loss before taxation of RM9.1 million in Q4, 2021. The stronger revenue in Q4, 2022 was mainly attributable to the increase in of 26% reported by consumer foods division. Bedding products and building materials divisions reported lower sales of 3% and 54% respectively.

Consumer foods division registered high demand for its noodles and creamers business. Sales of its noodles and creamers in Q4, 2022 increased to RM22.4 million (Q4, 2021: RM13.6 million) and RM14.9 million (Q4, 2021: RM12.7 million) respectively.

However, bedding products division witnessed slightly lower sales due to lower dealers resulted a decrease in revenue of RM0.5 million to RM9.1 million in Q4, 2022.

Building materials division, similarly, witnessed a decrease in both its retail and projects sales. Retail segment registered a decrease of RM4.8 million to RM1.0 million in Q4, 2022 compared to RM5.8 million in Q4, 2021, and its completion of projects also recorded a decrease of RM2.9 million to RM5.6 million in Q4, 2022.

The Group posted a lower loss before taxation of RM0.1 million in Q4, 2022 compared to a loss before taxation of RM9.1 million in Q4, 2021 mainly attributable to inclusion of impairment of intangible assets amounting to RM10.4 million in Q4, 2021.

The bedding products division staged a turnaround to post a profit before taxation of RM1.0 million in Q4, 2022 as against a loss before taxation of RM8.9 million in Q4, 2021 due to inclusion of impairment of intangible assets amounting to RM10.4 million in Q4, 2021.

However, consumer foods division reported a slightly lower profit before taxation of RM1.0 million in Q4, 2022 as compared to RM1.5 million in Q4, 2021 due to higher operating expenses ratio despite its revenue increased by 26% to RM48.8 million while building materials division posted a higher loss before taxation of RM2.5 million in Q4, 2022 compared to a loss before taxation of RM0.4 million in Q4, 2021 due to higher operating expense ratio.

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In the opinion of the Board of Directors of the Company (“Board”), the results of the Company for Q4, 2022 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

Financial year ended 31 December 2022 (“FY 2022”) versus preceding financial year ended 31 December 2021 (“FY 2021”)

The Group reported a higher revenue of RM253.8 million for FY 2022 compared to a revenue of RM238.9 million for FY 2021, and consequently, a lower loss before taxation of RM2.0 million as compared to loss before taxation of RM13.9 million in Q4, 2021.

When compared to FY 2021, both the bedding products and consumer foods divisions registered an increase in revenue of 37% and 7% respectively to RM66.0 million and RM157.2 million respectively in FY 2022. However, building materials division reported a decrease in revenue of 30% to RM30.6 million in FY 2022.

Bedding products division posted a profit before taxation of RM5.4 million for FY 2022 as opposed to a loss before taxation of RM10.7 million for FY 2021 due to inclusion of impairment of intangible assets amounting to RM10.4 million in Q4, 2021 as well as higher products margin and lower operating expenses ratio due to surge in sales.

Consumer foods division reported a loss before taxation of RM2.2 million in FY 2022 as against a profit before taxation of RM0.8 million in FY 2021 attributable to rising raw materials prices.

Loss before taxation of building materials division widened to RM3.9 million for FY 2022 compared to RM2.0 million in FY 2021 on the back of lower sales and higher operating expenses ratio.

B2 Financial review of Q4, 2022 versus third quarter ended 30 September 2022 (“Q3, 2022”)

The Group reported a higher revenue of RM72.8 million for Q4, 2022 compared to RM67.5 million in Q3, 2022 mainly contributed by consumer foods division.

Revenue of consumer foods and bedding products divisions rose by 17% and 3% to RM48.8 million and RM17.4 million respectively in Q4, 2022. However, building materials division’s revenue in Q4, 2022 decreased by 27% to RM6.6 million when compared to Q3, 2022.

The Group recorded a loss before taxation of RM0.1 million in Q4, 2022 as compared to profit before taxation of RM41,000 in Q3, 2022 due to higher loss from building materials division. Bedding products division also reported lower profit before taxation of RM1.0 million as compared to RM2.2 million in Q3, 2022 due to higher operating expenses ratio.

However, consumer foods division reported profit before taxation of RM1.0 million as compared to loss before taxation of RM0.8 million in Q3, 2022 due to improvement in products margin.

B3 Future prospects

The Board anticipates the performance of the Group for the next financial year ending 31 December 2023 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.

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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 December 2022 RM'000	Current year ended 31 December 2022 RM'000
Current Taxation	607	1,787
(Over)/Under Taxation	-	-
Deferred Taxation - Current	113	113
Deferred Taxation - Prior	-	-
	720	1,900

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

There was no corporate proposal announced which has not been completed as at date of this report.

B7 Group borrowings and debts securities

Total Group borrowings are as follows:

	As at 31 December 2022		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
Banker acceptances/trust receipts	30,877	-	30,877
Bank Overdraft	2,256	-	2,256
Term loans	4,126	46,829	50,955
Total	37,259	46,829	84,088
Secured			
Lease liabilities	321	722	1,043
Grand Total	37,580	47,551	85,131

	As at 31 December 2021		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
Banker acceptances/trust receipts	24,151	-	24,151
Bank Overdraft	2,172	-	2,172
Term loans	6,071	51,051	57,122
Total	32,394	51,051	83,445
Secured			
Lease liabilities	203	490	693
Grand Total	32,597	51,541	84,138

B8 Derivative financial instruments

There were no outstanding derivatives as at 31 December 2022.

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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 FY 2022 (FY 2021: Nil).

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 and financial year under review by the weighted number of ordinary shares in issue during the said quarter and financial year:

	Current year quarter ended 31 December 2022 RM'000	Preceding year quarter ended 31 December 2021 RM'000	Current year ended 31 December 2022 RM'000	Preceding year ended 31 December 2021 RM'000
Net (loss)/profit attributable to equity holders of the parent	(862)	(9,297)	(3,708)	(14,105)
Number of shares in issue	102,850	102,850	102,850	102,850
Basic (loss)/earnings per share (Sen)	(0.84)	(9.04)	(3.60)	(13.71)

(II) Diluted earnings/(loss) per share

Not applicable.

B12 Notes to the Statement of Comprehensive Income

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

	Current quarter ended 31 December 2022 RM'000	Current year ended 31 December 2022 RM'000
Interest income	(134)	(448)
Interest expense	217	2,105
Depreciation and amortisation	1,798	7,420
Reversal of impairment loss on receivables	1	(416)
Provision for and write-off of receivables	101	1,454
Provision for and write-off of inventories no longer required	(165)	(237)
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	137	137

Date: 27 February 2023

Petaling Jaya

Selangor Darul Ehsan