

## **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 2022. 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 2022.

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 2022, as well as the new/revised standards mandatory for annual periods beginning on or after 1 January 2023.

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 2023. 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 2022 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.

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**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 2023 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)	11,648	33,860	99,327	2,346	(2,344)	144,837
<b>Results</b>						
Profit/(Loss) from Operations	(2,427)	3,501	5,894	(71)	-	6,897
Finance costs	(234)	(204)	(504)	-	-	(942)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(2,661)	3,297	5,390	(71)	-	5,955
Taxation	-	(974)	(355)	(12)	-	(1,341)
Net Profit/(Loss)	(2,661)	2,323	5,035	(83)	-	<b>4,614</b>
<b>Assets and Liabilities</b>						
Segment assets	32,356	86,908	105,782	78,326	-	303,372
Segment liabilities	(12,431)	(20,668)	(54,167)	(42,095)	-	(129,361)
<b>Other Information</b>						
Capital expenditure on property, plant and equipment	530	1,133	533	-	-	2,196
Depreciation	391	1,090	1,971	13	-	3,465

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	<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)
<b>Net Profit/(Loss)</b>	<b>(932)</b>	<b>1,785</b>	<b>(2,413)</b>	<b>(828)</b>		<b>(2,388)</b>
<b>Assets and Liabilities</b>						
Segment assets	35,517	84,313	97,735	78,233	-	295,788
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

**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 material 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.

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

There were no changes in the composition of the Group during the current quarter under review.

### **A12 Contingent liabilities or contingent asset**

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

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

Second quarter ended 30 June 2023 ("Q2, 2023") versus second quarter ended 30 June 2022 ("Q2, 2022")

The Group recorded a revenue of RM71.0 million and a profit before taxation of RM3.3 million in Q2, 2023 as compared to a revenue of RM64.7 million and a loss before taxation of RM1.8 million in Q2, 2022. The stronger revenue in Q2, 2023 was mainly attributable to the increase of 19% and 9% sales reported by bedding products and consumer foods divisions respectively, while building materials division reported lower sales of 9%.

Bedding products division witnessed higher revenue in Q2, 2023 due to higher retails and projects sales of RM15.5 million to RM18.4 million. Similarly, consumer foods division registered high demand for its noodles business. Sales of its noodles in Q2, 2023 increased to RM24.1 million (Q2, 2022: RM10.5 million).

Building materials division reported a decrease in its retail sales of RM1.4 million to RM0.6 million in Q2, 2023 compared to RM2.0 million in Q2, 2022. However, its completion of projects recorded an increase of RM0.7 million to RM6.1 million in Q2, 2023.

The Group posted a profit before taxation of RM3.3 million in Q2, 2023 compared to a loss before taxation of RM1.8 million in Q2, 2022 mainly attributable to a profit before taxation of amounting to RM2.5 million posted by consumer foods division in Q2, 2023 versus a loss before taxation of RM1.3 million in Q2, 2022. Consumer foods division profitability has benefited from higher sales and improved products margin.

Bedding products division also reported a higher profit before taxation of RM2.3 million in Q2, 2023 as compared to RM1.0 million in Q2, 2022 due to higher product margin and lower operating expenses ratio.

Building materials division, on the other hand, reported a flat loss before taxation of RM1.2 million in Q2, 2023 as compared to Q2, 2022 due to lower products margin although sales were slightly higher.

In the opinion of the Board of Directors of the Company ("Board"), the results of the Company for Q2, 2023 have not been affected by any transaction or event of a material or unusual nature other than that mentioned above.

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### Current financial year-to-date ended 30 June 2023 (“YTD FY 2023”) versus preceding financial year-to-date ended 30 June 2022 (“YTD FY 2022”)

The Group recorded a revenue of RM144.8 million and a profit before taxation of RM6.0 million for YTD FY 2023 as compared to a revenue of RM113.6 million and a loss before taxation of RM1.9 million for YTD FY 2022.

When compared to YTD FY 2022, consumer foods and bedding products divisions registered an increase in revenue of 48% and 6% respectively to RM99.3 million and RM33.9 million respectively in YTD FY 2023, whereas, building materials division recorded a decrease in revenue of 22% to RM11.6 million.

Consumer foods division registered a profit before taxation of RM5.4 million for YTD FY 2023 as against a loss before taxation of RM2.4 million for YTD FY 2022 in tandem with higher sales as well as lower operating expenses ratio.

Similarly, profit before taxation of bedding products division increased to RM3.3 million for YTD FY 2023 from RM2.2 million in YTD FY 2022 on the back of higher sales and better products margin.

However, building materials division suffered a higher loss before taxation of RM2.7 million in YTD FY 2023 as opposed to a loss before taxation of RM0.9 million in YTD FY 2022 attributable to lower margin and higher operating expenses ratio.

### **B2 Financial review of Q2, 2023 versus first quarter ended 31 March 2023 (“Q1, 2023”)**

The Group reported a lower revenue of RM71.0 million for Q2, 2023 compared to RM73.8 million in Q1, 2023 mainly contributed by consumer foods division.

Revenue of consumer foods division declined by 14% to RM45.8 million in Q2, 2023. However, bedding products and building materials divisions’ revenue in Q2, 2023 increased by 20% and 38% respectively to RM18.4 million and RM6.8 million respectively when compared to Q1, 2023.

The Group recorded a higher profit before taxation of RM3.3 million in Q2, 2023 as compared to a profit before taxation of RM2.6 million in Q1, 2023 due to higher profit from bedding products division. Bedding products division’s profit before taxation widened to RM2.3 million from RM1.0 million reported in Q1, 2023 due to improvement in products margin.

Building materials division’s loss before taxation narrowed to RM1.2 million in Q2, 2023 from RM1.5 million in Q1, 2023 due slightly lower operating expenses ratio.

Consumer foods division reported a slightly lower profit before taxation of RM2.5 million in Q2, 2023 as compared to a profit before taxation of RM 2.9 million in Q1, 2023 due to lower products margin.

### **B3 Future prospects**

The Board anticipates the performance of the Group for the remaining half of 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 30 June 2023 RM'000	Current year-to-date ended 30 June 2023 RM'000
Current Taxation	1,022	1,022
(Over)/Under Taxation	-	-
Deferred Taxation - Current	-	-
Deferred Taxation - Prior	-	-
	<b>1,341</b>	<b>1,341</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**

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 30 June 2023		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
<b>Secured</b>			
Banker acceptances/trust receipts	30,187	-	30,187
Bank Overdraft	2,537	-	2,537
Term loans	4,011	45,152	49,163
<b>Total</b>	<b>36,735</b>	<b>45,152</b>	<b>81,887</b>
<b>Secured</b>			
Lease liabilities	368	1,127	1,495
<b>Grand Total</b>	<b>37,103</b>	<b>46,279</b>	<b>83,382</b>

	As at 30 June 2022		
	Short term RM'000	Long term RM'000	Total borrowings 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>

**B8 Derivative financial instruments**

There were no outstanding derivatives as at 30 June 2023.

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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 financial period under review (YTD FY 2022: Nil).

**B11 Earnings/(Loss) per share****(I) Basic earnings/(loss) per share**

The basic earnings/(loss) per share was calculated by dividing the Group's net earnings/(loss) for the current quarter and financial period under review by the weighted number of ordinary shares in issue during the said quarter and financial year:

	Current year quarter ended 30 June 2023 RM'000	Preceding year quarter ended 30 June 2022 RM'000	Current year-to-date ended 30 June 2023 RM'000	Preceding year-to-date ended 30 June 2022 RM'000
Net profit/(loss) attributable to equity holders of the parent	2,322	(2,010)	4,610	(2,206)
Number of shares in issue	102,850	102,850	102,850	102,850
<b>Basic earnings/(loss) per share (Sen)</b>	<b>2.26</b>	<b>(1.95)</b>	<b>4.48</b>	<b>(2.14)</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 period under review were arrived at after charging/(crediting):

	Current quarter ended 30 June 2023 RM'000	Current financial year-to-date ended 30 June 2023 RM'000
Interest income	(174)	(319)
Interest expense	482	942
Depreciation and amortisation	1,658	3,465
Reversal of impairment loss on receivables	(313)	(313)
Provision for and write-off of inventories	39	39
Provision for and write-off of inventories no longer required	(574)	(574)
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	-	-

Date: 28 August 2023

Petaling Jaya

Selangor Darul Ehsan