

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 September 2023 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)	19,394	49,820	146,502	5,693	(5,721)	215,688
Results						
Profit/(Loss) from Operations	(3,223)	4,964	8,809	(372)	-	10,178
Finance costs	(374)	(269)	(740)	-	-	(1,383)
Investing results	-	-	-	-	-	-
Profit/(Loss) before taxation	(3,597)	4,695	8,069	(372)		8,795
Taxation	-	(1,422)	(488)	(18)		(1,928)
Net Profit/(Loss)	(3,597)	3,273	7,581	(390)		6,867
Assets and Liabilities						
Segment assets	32,860	86,658	100,625	78,370	-	298,513
Segment liabilities	(13,872)	(20,426)	(45,293)	(42,671)	-	(122,262)
Other Information						
Capital expenditure on property, plant and equipment	556	1,373	1,201	-	-	3,130
Depreciation	583	1,646	3,039	20	-	5,288

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Business segments information for the financial period ended 30 September 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)	23,980	48,682	108,459	3,762	(3,807)	181,076
Results						
Profit/(Loss) from Operations	(1,721)	4,672	(2,679)	(240)	-	32
Finance costs	(273)	(273)	(494)	(848)		(1,888)
Investing results	-	-	-	-		-
Profit/(Loss) before taxation	(1,994)	4,399	(3,173)	(1,088)		(1,856)
Taxation	136	(1,238)	(61)	(17)		(1,180)
Net Profit/(Loss)	(1,858)	3,161	(3,234)	(1,105)		(3,036)
Assets and Liabilities						
Segment assets	36,764	84,327	93,792	79,165	-	294,048
Segment liabilities	(12,339)	(19,960)	(46,432)	(45,109)	-	(123,840)
Other Information						
Capital expenditure on property, plant and equipment	160	1,041	1,002	-	-	2,203
Depreciation	619	1,608	3,357	38	-	5,622

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.

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 undertaken/acquired by the Company during the current quarter under review and financial period under review.

B1 Review of Group performance

Third quarter ended 30 September 2023 ("Q3, 2023") versus third quarter ended 30 September 2022 ("Q3, 2022")

The Group recorded a revenue of RM70.8 million and a profit before taxation of RM2.8 million in Q3, 2023 as compared to a revenue of RM67.5 million and a profit before taxation of RM41,000 in Q3, 2022. The stronger revenue in Q3, 2023 was mainly attributable to the increase of 14% sales reported by consumer foods division. While bedding products and building materials divisions reported a lower sales of 5% and 15% respectively.

Consumer foods division registered high demand for its noodles, creamers and mayonnaise businesses. Sales of its noodles, creamers and mayonnaise in Q3, 2023 increased by RM3.0 million, RM1.6 million and RM1.3 million respectively.

However, bedding products division witnessed a lower revenue in Q3, 2023 due to lower retail sales by RM1.6 million. Building materials division's retail and project sales also reported a decrease by RM0.7 million and RM0.6 million respectively in Q3, 2023.

The Group posted a higher profit before taxation of RM2.8 million in Q3, 2023 compared to a profit before taxation of RM41,000 in Q3, 2022 mainly attributable to a profit before taxation of amounting to RM2.7 million posted by consumer foods division in Q3, 2023 versus a loss before taxation of RM0.8 million in Q3, 2022. Consumer foods division profitability has benefited from higher sales and improved products margin.

Bedding products division, on the other hand, reported a lower profit before taxation of RM1.4 million in Q3, 2023 as compared to RM2.2 million in Q3, 2022 due to lower sales and lower product margin.

Building materials division reported a lower loss before taxation of RM0.9 million in Q3, 2023 as compared to a loss before taxation of RM1.1 million in Q3, 2022 due to lower operating expenses ratio.

In the opinion of the Board of Directors of the Company ("Board"), the results of the Company for Q3, 2023 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 2023 ("YTD FY 2023") versus preceding financial year-to-date ended 30 September 2022 ("YTD FY 2022")

The Group recorded a revenue of RM215.7 million and a profit before taxation of RM8.8 million for YTD FY 2023 as compared to a revenue of RM181.1 million and a loss before taxation of RM1.8 million for YTD FY 2022.

When compared to YTD FY 2022, consumer foods and bedding products divisions registered an increase in revenue of 35% and 2% respectively to RM146.5 million and RM49.8 million respectively in YTD FY 2023, whereas, building materials division recorded a decrease in revenue of 19% to RM19.4 million.

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Consumer foods division registered a profit before taxation of RM8.1 million for YTD FY 2023 as against a loss before taxation of RM3.2 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 RM4.7 million for YTD FY 2023 from RM4.4 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 RM3.6 million in YTD FY 2023 as opposed to a loss before taxation of RM2.0 million in YTD FY 2022 attributable to lower margin and higher operating expenses ratio.

B2 Financial review of Q3, 2023 versus second quarter ended 30 June 2023 (“Q2, 2023”)

The Group reported a slightly lower revenue of RM70.8 million for Q3, 2023 compared to RM71.0 million in Q2, 2023 mainly contributed by bedding products division.

Revenue of bedding products division declined by 14% to RM16.0 million in Q3, 2023. However, building materials and consumer foods divisions’ revenue in Q3, 2023 increased by 15% and 3% respectively to RM7.7 million and RM47.2 million respectively when compared to Q2, 2023.

The Group recorded a lower profit before taxation of RM2.8 million in Q3, 2023 as compared to a profit before taxation of RM3.3 million in Q2, 2023 due to lower profit from bedding products division. Bedding products division posted a lower profit before taxation of RM1.4 million from RM2.3 million reported in Q2, 2023 due to lower product margin.

However, consumer foods division reported a slightly higher profit before taxation of RM2.7 million in Q3, 2023 as compared to a profit before taxation of RM2.5 million in Q2, 2023 due to higher products margin.

Building materials division’s loss before taxation narrowed to RM0.9 million from RM1.2 million in Q2, 2023 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 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.

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.

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B5 Taxation

	Current quarter ended 30 September 2023 RM'000	Current year-to-date ended 30 September 2023 RM'000
Current Taxation	584	1,925
(Over)/Under Taxation	-	-
Deferred Taxation - Current	3	3
Deferred Taxation - Prior	-	-
	587	1,928

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 the date of this report.

B7 Group borrowings and debts securities

Total Group borrowings are as follows:

	As at 30 September 2023		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
Banker acceptances/trust receipts	25,367	-	25,367
Bank Overdraft	2,417	-	2,417
Term loans	4,023	44,082	48,106
Total	31,807	44,082	75,889
Secured			
Lease liabilities	359	1,497	1,856
Grand Total	32,166	45,579	77,745

	As at 30 September 2022		
	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
Banker acceptances/trust receipts	29,341	-	29,341
Bank Overdraft	2,726	-	2,726
Term loans	4,623	47,881	52,504
Total	36,690	47,881	84,571
Secured			
Lease liabilities	358	772	1,130
Grand Total	37,048	48,653	85,701

B8 Derivative financial instruments

There were no outstanding derivatives as at 30 September 2023.

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.

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

	Current year quarter ended 30 September 2023 RM'000	Preceding year quarter ended 30 September 2022 RM'000	Current year-to-date ended 30 September 2023 RM'000	Preceding year-to-date ended 30 September 2022 RM'000
Net profit/(loss) attributable to equity holders of the parent	2,251	(640)	6,861	(2,846)
Number of shares in issue	102,850	102,850	102,850	102,850
Basic earnings/(loss) per share (Sen)	2.19	(0.62)	6.67	(2.77)

(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 period under review were arrived at after charging/(crediting):

	Current quarter ended 30 September 2023 RM'000	Current financial year-to-date ended 30 September 2023 RM'000
Interest income	(201)	(520)
Interest expense	441	1,383
Depreciation and amortisation	1,823	5,288
Reversal of impairment loss on receivables	-	(313)
Provision for and write-off of inventories	-	39
Provision for and write-off of inventories no longer required	-	(574)
Impairment loss on goodwill	-	-
Impairment loss on intangible assets	-	-

Date: 27 November 2023

Petaling Jaya

Selangor Darul Ehsan