

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31st DECEMBER 2013***

A. INFORMATION REQUIRED BY FRS 134

1. *Basis of Preparation*

The condensed interim financial report is unaudited and has been prepared in accordance with FRS 134 - Interim Financial Reporting and Part A of Appendix 9B of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements, and should be read in conjunction with the audited financial statements for the year ended 31 March 2013.

The accounting policies, methods of computation and basis of consolidation applied in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2013, except for the adoption of the following new/revised Financial Reporting Standard (“FRS”), amendments to published standards and interpretations to existing standards which are applicable to the Group as follows:

FRS 101	Presentation of Items of Other Comprehensive Income (Amendments to FRS 101)
Amendments to FRS 101	Presentation of Financial Statements (Improvements to FRSs (2012))
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interests in Other Entities
FRS 13	Fair Value Measurement
FRS 119	Employee Benefits
FRS 127	Separate Financial Statements
FRS 128	Investment in Associate and Joint Ventures
Amendment to IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to FRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 1	Government Loans
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards (Improvements to FRSs (2012))
Amendments to FRS 116	Property, Plant and Equipment (Improvements to FRSs (2012))
Amendments to FRS 132	Financial Instruments: Presentation (Improvements to FRSs (2012))
Amendments to FRS 134	Interim Financial Reporting (Improvements to FRSs (2012))
Amendments to FRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to FRS 11	Joint Arrangements: Transition Guidance
Amendments to FRS 12	Disclosure of Interests in Other Entities: Transition Guidance

The above amendments are not expected to have a material impact on the Group’s financial statements.

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called ‘Transitioning Entities’). Transitioning Entities are allowed to defer the adoption of the new MFRS Framework and may in the alternative, apply Financial Reporting Standards (FRS) as its financial reporting framework for annual periods beginning on or after 1 January 2014.

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1. *Basis of Preparation (continued)*

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will present its first set of MFRS financial statements when the MFRS Framework is mandated by the MASB. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

2. *Seasonal or Cyclical Factors*

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

3. *Exceptional / Extraordinary Items*

There were no exceptional / extraordinary items for the financial period under review.

4. *Changes in Estimates*

There were no changes to the estimates of amounts reported in prior financial years that may have a material effect in the current period.

5. *Debts and Equity Securities*

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current financial quarter.

6. *Dividend Paid*

A final single tier dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ended 31 March 2013 was approved during the 17th Annual General Meeting held on 28 August 2013 and was paid on 1 October 2013.

A first interim single tier dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ending 31 March 2014 was declared during the 55th Board of Directors Meeting held on 28 August 2013 and was paid on 1 October 2013.

7. *Segment Information*

Management has determined the operating segments based on the reports used to make strategic decisions.

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- i. Manufacturing and marketing of snack food and confectioneries
- ii. Property development
- iii. Investment holding

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31 December 2013	Manufacturing and marketing of snack food and confectioneries RM'000	Property development RM'000	Investment holding RM'000	Adjustments and eliminations RM'000	Notes	Per condensed consolidated financial statements RM'000
Revenue:						
External customers	170,363	1,128	-	-		171,491
Inter-segment	-	-	2,728	(2,728)	A	-
Total revenue	<u>170,363</u>	<u>1,128</u>	<u>2,728</u>	<u>(2,728)</u>		<u>171,491</u>
Results:						
Interest income	176	-	-	-		176
Depreciation of:						
- Property, plant and equipment	5,106	-	-	-		5,106
- Investment properties	12	-	-	-		12
Segment profit	<u>16,878</u>	<u>50</u>	<u>2,513</u>	<u>(2,513)</u>	B	<u>16,928</u>
Assets:						
Additions to non-current assets	3,991	-	-	-	C	3,991
Segment assets	<u>172,758</u>	<u>7,334</u>	<u>-</u>	<u>-</u>	D	<u>180,092</u>
Segment liabilities	<u>36,296</u>	<u>940</u>	<u>-</u>	<u>-</u>	E	<u>37,236</u>

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	Manufacturing and marketing of snack food and confectioneries	Property development	Investment holding	Adjustments and eliminations	Notes	Per condensed consolidated financial statements
31 December 2012	RM'000	RM'000	RM'000	RM'000		RM'000
Revenue:						
External customers	154,106	3,838	-	-		157,944
Inter-segment	-	-	4,911	(4,911)	A	-
Total revenue	<u>154,106</u>	<u>3,838</u>	<u>4,911</u>	<u>(4,911)</u>		<u>157,944</u>
Results:						
Interest income	172	-	-	-		172
Depreciation of:						
- Property, plant and equipment	4,588	-	-	-		4,588
- Investment properties	12	-	-	-		12
Segment profit	<u>12,071</u>	<u>1,091</u>	<u>4,587</u>	<u>(4,587)</u>	B	<u>13,162</u>
Assets:						
Additions to non-current assets	10,968	-	-	-	C	10,968
Segment assets	<u>164,611</u>	<u>9,324</u>	<u>-</u>	<u>-</u>	D	<u>173,935</u>
Segment liabilities	<u>41,084</u>	<u>700</u>	<u>-</u>	<u>-</u>	E	<u>41,784</u>

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7. Segment Information (continued)

- A Inter-segment revenues are eliminated on consolidation.
- B The following items are added to/ (deducted from) segment profit to arrive at total consolidated profit before tax:

	31.12.2013	31.12.2012
	RM'000	RM'000
Dividend income from inter-segment	2,728	4,911
Unallocated corporate expenses	(215)	(324)
	<u>2,513</u>	<u>4,587</u>
	<u><u>2,513</u></u>	<u><u>4,587</u></u>

- C Additions to non-current assets consist of property, plant and equipment.
- D Inter-segment assets are deducted from segment assets to arrive at total assets reported in the condensed consolidated statement of financial position.
- E Inter-segment liabilities are deducted from segment liabilities to arrive at total liabilities reported in the condensed consolidated statement of financial position.

Revenue information based on the geographical location of customers are as follows:

	Revenues	
	31.12.2013	31.12.2012
	RM'000	RM'000
Malaysia	79,576	76,748
Asia	59,077	53,139
Middle East	9,840	8,642
Africa	1,491	1,364
Europe	2,630	462
America	14,404	13,306
Others	4,473	4,283
Total reported segments	<u>171,491</u>	<u>157,944</u>
	<u><u>171,491</u></u>	<u><u>157,944</u></u>

The Group does not have single external customers that constitute 10% or more of the entity's revenue.

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8. Significant Related Party Disclosures

The significant related party transactions and balances described below were carried out in the ordinary course of business and on commercial terms that are no more favourable than that available to other third parties.

Sale of Goods

	Transactions for the 9 months period ended 31.12.2013 RM'000	Outstanding balance as at 31.12.2013 RM'000
Syarikat Perniagaan Chong Mah	3,568	376

Syarikat Perniagaan Chong Mah, a company incorporated in Malaysia, is a substantial shareholder of the Company.

The transactions with this related party are conducted in accordance with the general mandate obtained from shareholders for recurrent related party transactions.

9. Material Events Subsequent to the End of the Reporting Period

There was no material events subsequent to the end of the current quarter reported.

10. Changes in the Composition of the Group

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

11. Contingent Liabilities

There were no contingent liabilities of a material nature to be disclosed.

12. Capital Commitments

	As at 31.12.2013 RM'000
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	330

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B. Additional information required by Bursa Malaysia Listing Requirements

1. Review of Performance

	<u>Current quarter</u> <u>31.12.2013</u> RM'000	<u>Preceding year corresponding quarter</u> <u>31.12.2012</u> RM'000	<u>Current period to date</u> <u>31.12.2013</u> RM'000	<u>Preceding year corresponding period</u> <u>31.12.2012</u> RM'000
Revenue	61,396	56,079	171,491	157,944
Profit before tax	6,576	5,202	16,928	13,162

For current quarter and current period to date, the Group has recorded higher revenue as a result of higher demand from customers in the snack food and confectioneries segment as compared to corresponding quarter and period to date in preceding year respectively. The increase was however, partially offset by the decrease in revenue from property development segment.

Profit before tax for the current period to date increased in line with the increase in revenue as compared to corresponding period to date in preceding year.

2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

	Current Quarter RM'000	Preceding Quarter RM'000
Revenue	61,396	56,136
Profit before tax	6,576	5,308

The increase in revenue of approximately 9% for the current quarter as compared to the preceding quarter was mainly due to higher demand from customers in the snack food and confectioneries segment.

The increase in profit before tax in the current quarter as compared to the preceding quarter was due to higher revenue being generated. However, such increase was offset by higher selling and distribution cost as well as administrative expenses during the current quarter.

3. Group's Prospects

Despite facing various challenges of competitive markets, the Board expects that the performance of the Group will be satisfactory for the coming financial year ending 31 March 2014.

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4. Board of Directors' Opinion on Revenue or Profit Estimate, Forecast, Projection or Internal Targets

The Group does not announce or disclose any revenue or profit estimate, forecast, projection or internal targets in a public document.

5. Variance of Actual Profit from Profit Forecast

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interest and forecasted profit after tax and non-controlling interest and for the shortfall in profit guarantee are not applicable.

6. Taxation

	<u>Current quarter</u> <u>31.12.2013</u>	<u>Preceding year corresponding quarter</u> <u>31.12.2012</u>	<u>Current period to date</u> <u>31.12.2013</u>	<u>Preceding year corresponding period</u> <u>31.12.2012</u>
	RM'000	RM'000	RM'000	RM'000
Income taxation in Malaysia				
- current year	993	759	2,335	1,700
Deferred taxation				
- origination and reversal of temporary differences	719	423	1,548	1,070
	<u>1,712</u>	<u>1,182</u>	<u>3,883</u>	<u>2,770</u>

The Group's effective tax rate for the current quarter and current period to date is lower than the statutory tax rate mainly due to the availability of tax incentives granted to its subsidiary.

7. Profits on Sale of Unquoted Investments and / or Properties

There was no sale of unquoted investments and / or properties for the current quarter.

8. Purchases or Disposals of Quoted Securities

There was no purchase and sale of quoted securities for the current quarter.

9. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the date of this quarterly report.

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10. Group borrowings

	As at 31.12.2013
	RM'000
<u>Borrowings - current</u>	
Term loans (unsecured)	1,506
Bank overdraft (unsecured)	-

	<u>1,506</u>
 <u>Borrowings – non-current</u>	
Term loans (unsecured)	<u>4,253</u>

The borrowings are denominated in Ringgit Malaysia.

11. Derivatives

The outstanding Forward Foreign Exchange Contracts as at 31 December 2013 are as follows:

<u>Currency</u>	<u>Notional Value</u>	<u>Fair Value</u>
	<u>RM'000</u>	<u>RM'000</u>
Foreign Exchange Contracts to sell USD (less than 1 year)	<u>1,597</u>	<u>1,625</u>

These forward foreign exchange contracts were entered into to hedge against fluctuations of exchange rate in USD.

There is minimal credit and market risk as the forward contracts are executed with creditworthy financial institutions. The Group is of the view that the possibility of non performance by the financial institutions is remote on the basis of their financial strength.

12. Material Litigation

There was no pending material litigation since the last annual statement of financial position date till the date of this interim report.

13. Dividend

On 25 February 2014, the Board of Directors declared a third interim single tier dividend of 2 sen per share (31 December 2012: single tier dividend of 2 sen per share), on 60,000,000 ordinary shares, amounting to RM1,200,000 for the financial year ending 31 March 2014 to be paid on 7 April 2014. The entitlement date is fixed at 12 March 2014.

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14. Earnings per Share

	Current Quarter 31.12.2013	Preceding Year Corresponding Quarter 31.12.2012	Current Period To Date 31.12.2013	Preceding Year Corresponding Period 31.12.2012
Profit attributable to owners of the parent (RM'000)	4,863	4,023	13,042	10,312
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>8.11</u>	<u>6.71</u>	<u>21.74</u>	<u>17.19</u>

15. Audit Report

The audited report of the preceding annual financial statements did not contain any qualification.

16. Profit before Tax

Profit before tax is arrived at after charging/(crediting):

	Current Quarter 31.12.2013 RM'000	Current Period To Date 31.12.2013 RM'000
Interest income	(65)	(176)
Rental income	(23)	(68)
Interest expense	57	190
Property, plant and equipment		
- depreciation	1,704	5,106
- loss on disposal	8	34
- write-off	2	27
Investment properties		
- depreciation	4	12
Foreign exchange (gain)/loss		
- realised	332	(25)
- unrealised	(54)	(151)
Derivatives gain	(140)	(67)
Allowance for doubtful debts no longer required	-	(14)
Inventories written off	221	690
Bad debts written off	<u>581</u>	<u>581</u>

Other than the above items, there were no provision for and write off of receivables, impairment of assets and exceptional items for the current quarter and current financial period to date ended 31 December 2013.

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17. Realised and Unrealised Profits/Losses Disclosure

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	108,809	97,613
- Unrealised	(6,394)	(5,905)
	<hr/>	<hr/>
	102,415	91,708
Less: Consolidation adjustments	(30,128)	(30,127)
	<hr/>	<hr/>
	<u>72,287</u>	<u>61,584</u>

For and on behalf of
ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD

Datuk Son Chen Chuan
Managing Director

Dated: 25 February 2014