

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

A. INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134, Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). These condensed consolidated interim financial statements also comply with IAS 34, Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"). For periods up to and including the financial year ended 31 March 2014, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The consolidated financial statements of the Group for the year ended 31 March 2014 which were prepared under FRS are available upon request from the Company registered office at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya.

These condensed consolidated financial statements are the Group's second MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 March 2015. MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 April 2013 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. The impact of the transition from FRS to MFRS is described in Note 2 below.

2. **Significant Accounting Policies and Application of MFRS 1**

(i) **Application of MFRS 1**

The audited financial statements of the Group for the year ended 31 March 2014 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 March 2014 except as discussed below:

(a) **Property, plant and equipment**

The Group has previously stated its land and buildings at revalued amounts, which is the fair value at the date of the revaluation less accumulated depreciation and any accumulated impairment losses.

Upon transition to MFRS, the Group has elected to apply the optional exemption and measure all its property, plant and equipment using cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group uses previous revaluation at or before the date of transition as deemed cost as these amounts were broadly comparable to fair values as at that date. Accordingly, the revaluation surplus has been transferred to retained earnings.

(b) **Estimates**

The estimates at 1 April 2013 and 31 March 2014 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 April 2013, the date of transition to MFRS and as of 31 March 2014.

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

2. Significant Accounting Policies and Application of MFRS 1 (continued)

The reconciliations of equity reported in accordance with FRS to equity in accordance with MFRS for the date of transition to MFRS and as at 31 March 2014 are as below:

(a) Reconciliation of equity as at 1 April 2013 (date of transition to MFRS)

	FRS as at 1 April 2013 RM'000	Effect of transition to MFRS RM'000	MFRS as at 1 April 2013 RM'000
<u>Equity attributable to owners of the parent</u>			
Share capital	60,000	-	60,000
Revaluation reserves	9,959	(9,959)	-
Retained earnings	62,845	9,959	72,804
Total equity	132,804	-	132,804

(b) Reconciliation of equity as at 31 March 2014 (end of last period presented under FRS)

	FRS as at 31 March 2014 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31 March 2014 RM'000
<u>Equity attributable to owners of the parent</u>			
Share capital	60,000	-	60,000
Revaluation reserves	9,959	(9,959)	-
Retained earnings	74,216	9,959	84,175
Total equity	144,175	-	144,175

(ii) Standards and Interpretations Issued and Not Yet Effective

At the date of authorisation of the interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- MFRS 9 Financial Instruments (Hedge Accounting and amendment to MFRS 9, MFRS 7 and MFRS 139)
- MFRS 14 Regulatory Deferral Accounts
- MFRS 15 Revenue from Contracts from Customers
- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 116 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 Agriculture: Bearer Plants
- Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 141 Agriculture: Bearer Plants
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

3. *Seasonal or Cyclical Factors*

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

4. *Exceptional / Extraordinary Items*

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

5. *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.

6. *Debts and Equity Securities*

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

7. *Dividend Paid*

A third interim single tier dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ended 31 March 2014 was approved during the 57th Board of Directors Meeting held on 25 February 2014 and was paid on 7 April 2014.

A final single tier dividend of 3.5 sen per share, amounting to RM2,100,000 for the financial year ended 31 March 2014 was approved during the 18th Annual General Meeting held on 28 August 2014 and was paid on 26 September 2014.

A first interim single tier dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ending 31 March 2015 was declared during the 59th Board of Directors Meeting held on 28 August 2014 and was paid on 26 September 2014.

8. *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

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

8. Segment information (continued)

30 September 2014	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 financial statements RM'000
Revenue:						
External customers	114,821	-	-	-		114,821
Inter-segment	-	-	3,820	(3,820)	A	-
Total revenue	114,821	-	3,820	(3,820)		114,821
Results:						
Interest income	134	-	-	-		134
Depreciation of:						
- Property, plant and equipment	3,472	-	-	-		3,472
- Investment properties	8	-	-	-		8
Other non-cash incomes	320	-	-	-	B	320
Segment profit/(loss)	9,090	(8)	3,697	(3,697)	C	9,082
Assets:						
Additions to non-current assets	1,754	-	-	-	D	1,754
Segment assets	176,575	6,661	-	-	E	183,236
Segment liabilities	34,147	250	-	-	F	34,397

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

8. Segment information (continued)

30 September 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 consolidated financial statements RM'000
Revenue:						
External customers	109,997	98	-	-		110,095
Inter-segment	-	-	1,637	(1,637)	A	-
Total revenue	<u>109,997</u>	<u>98</u>	<u>1,637</u>	<u>(1,637)</u>		<u>110,095</u>
Results:						
Interest income	111	-	-	-		111
Depreciation of:						
- Property, plant and equipment	3,472	-	-	-		3,472
- Investment properties	8	-	-	-		8
Other non-cash expenses	-	-	-	-	B	-
Segment profit	<u>10,318</u>	<u>(34)</u>	<u>1,493</u>	<u>(1,493)</u>	C	<u>10,352</u>
Assets:						
Additions to non-current assets	2,872	-	-	-	D	2,872
Segment assets	<u>170,211</u>	<u>8,212</u>	<u>-</u>	<u>-</u>	E	<u>178,423</u>
Segment liabilities	<u>37,272</u>	<u>1,959</u>	<u>-</u>	<u>-</u>	F	<u>39,231</u>

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

8. Segment Information (continued)

- A Inter-segment revenues are eliminated on consolidation.
- B Other non-cash expenses/(incomes) consist of the following items as presented in the respective notes to the financial statements:

	30.09.2014	30.09.2013
	RM'000	RM'000
Loss on disposal of property, plant and equipment	24	-
Unrealised foreign exchange gain	(591)	-
Derivatives gain	(41)	-
Inventories written down	288	-
	<u>(320)</u>	<u>-</u>

- C The following items are added to/(deducted from) segment profit to arrive at total consolidated profit before tax:

	30.09.2014	30.09.2013
	RM'000	RM'000
Dividend income from inter-segment	3,820	1,637
Unallocated corporate expenses	(123)	(144)
	<u>3,697</u>	<u>1,493</u>

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

	Revenues	
	30.09.2014	30.09.2013
	RM'000	RM'000
Malaysia	50,910	49,428
Asia	38,637	39,282
Others	25,274	21,385
Total reported segments	<u>114,821</u>	<u>110,095</u>

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

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

9. Significant Related Party Disclosures

The significant related party transactions and outstanding balance 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 6 months period ended 30.09.2014 RM'000	Outstanding balance as at 30.09.2014 RM'000
Syarikat Perniagaan Chong Mah	1,995	314

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.

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

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

11. Changes in the Composition of the Group

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

12. Contingent Liabilities

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

13. Capital Commitments

	As at 30.09.2014 RM'000
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	11,865

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

B. Additional information required by Bursa Malaysia Listing Requirements

1. Review of Performance

	<u>Current quarter</u> <u>30.09.2014</u> RM'000	<u>Preceding year corresponding quarter</u> <u>30.09.2013</u> RM'000	<u>Current period to date</u> <u>30.09.2014</u> RM'000	<u>Preceding year corresponding period to date</u> <u>30.09.2013</u> RM'000
Revenue	54,268	56,136	114,821	110,095
Profit before tax	4,910	5,308	9,082	10,352

For the current quarter, the Group recorded lower revenue as a result of lower demand from customers in the snack food and confectioneries segment as compared to the corresponding quarter in the preceding year. However, for the current period to date, the Group recorded higher revenue as compared to the corresponding period in the preceding year.

Profit before tax for the current quarter decreased in line with the decrease in revenue as compared to the corresponding quarter in the preceding year. On the other hand, profit before tax for the current period to date decreased mainly due to higher selling and distribution costs, administrative costs as well as lower foreign exchange gains being recognised.

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

	Current Quarter RM'000	Preceding Quarter RM'000
Revenue	54,268	60,553
Profit before tax	4,910	4,172

The decrease in revenue of approximately 10% for the current quarter as compared to the preceding quarter was mainly due to lower demand from customers in the snack food and confectioneries segment.

However, the increase in profit before tax in the current quarter as compared to the preceding quarter was due to lower selling and distribution costs and administrative costs.

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 2015.

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

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> 30.09.2014	<u>Preceding year corresponding quarter</u> 30.09.2013	<u>Current period to date</u> 30.09.2014	<u>Preceding year corresponding period to date</u> 30.09.2013
	RM'000	RM'000	RM'000	RM'000
Income taxation in Malaysia				
- current year	433	656	1,041	1,342
Deferred taxation				
- origination and reversal of temporary differences	399	530	721	829
	<u>832</u>	<u>1,186</u>	<u>1,762</u>	<u>2,171</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 were 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.

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

10. Group Borrowings

	As at 30.09.2014
	RM'000
<u>Borrowings – current</u>	
Term loan (unsecured)	1,612
	<u> </u>
<u>Borrowings – non-current</u>	
Term loan (unsecured)	2,978
	<u> </u>

The borrowings are denominated in Ringgit Malaysia.

11. Derivatives

There were no forward foreign exchange contracts outstanding as at 30 September 2014.

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 November 2014, the Board of Directors declared a second interim single tier dividend of 2 sen per share (30 September 2013: 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 2015 to be paid on 6 January 2015. The entitlement date is fixed at 12 December 2014.

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

14. Earnings per Share

	Current Quarter 30.09.2014	Preceding Year Corresponding Quarter 30.09.2013	Current Period To Date 30.09.2014	Preceding Year Corresponding Period To Date 30.09.2013
Profit attributable to owners of the parent (RM'000)	4,083	4,119	7,322	8,179
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>6.81</u>	<u>6.87</u>	<u>12.20</u>	<u>13.63</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 <u>30.09.2014</u> RM'000	Current Period To Date <u>30.09.2014</u> RM'000
Interest income	(64)	(134)
Rental income	(36)	(79)
Interest expense	47	97
Property, plant and equipment		
- depreciation	1,729	3,472
- (gain)/loss on disposal	(4)	24
Investment properties		
- depreciation	4	8
Foreign exchange loss/(gain)		
- realised	271	466
- unrealised	(957)	(591)
Derivatives gain	-	(41)
Inventories written off	70	288

Other than the above items, there were no provision for and write off of receivables, gain/loss on disposal of quoted or unquoted investments or properties, impairment of assets and exceptional items for the current quarter and current financial period to date ended 30 September 2014.

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
(Incorporated in Malaysia)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th SEPTEMBER 2014

17. Realised and Unrealised Profits/Losses Disclosure

	As at 30.09.2014 RM'000	As at 30.09.2013 RM'000
Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	126,967	106,131
- Unrealised	(8,612)	(7,381)
	<hr/>	<hr/>
	118,355	98,750
Less: Consolidation adjustments	(30,158)	(30,126)
	<hr/>	<hr/>
	88,197	68,624
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For and on behalf of
ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD

Datuk Son Chen Chuan
Managing Director

Dated: 25 November 2014