

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 MARCH 2015***

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 fourth 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.

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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 July 2014)
- MFRS 14 Regulatory Deferral Accounts
- MFRS 15 Revenue from Contracts from Customers
- Amendments to MFRS 101 Disclosure Initiative
- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities : Applying the Consolidation Exception
- Amendments to MFRS 127 Equity Method in Separate Financial Statements
- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
- Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle
- Annual Improvements to MFRSs 2012-2014 Cycle

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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 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 approved during the 59th Board of Directors Meeting held on 28 August 2014 and was paid on 26 September 2014.

A second interim single tier dividend of 2 sen per share, amounting to RM1,200,00 for the financial year ending 31 March 2015 was approved during the 60th Board of Directors Meeting held on 25 November 2014 and was paid on 6 January 2015.

A third interim single tier dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ending 31 March 2015 was approved during the 61st Board of Directors Meeting held on 25 February 2015 and was paid on 6 April 2015.

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

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31 March 2015	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	237,028	-	-	-		237,028
Inter-segment	-	-	6,329	(6,329)	A	-
Total revenue	<u>237,028</u>	<u>-</u>	<u>6,329</u>	<u>(6,329)</u>		<u>237,028</u>
Results:						
Interest income	285	1	-	-		286
Depreciation of:						
- Property, plant and equipment	7,617	-	-	-		7,617
- Investment properties	16	-	-	-		16
Other non-cash incomes	1,905	-	-	-	B	1,905
Segment profit	<u>25,700</u>	<u>4</u>	<u>6,051</u>	<u>(6,051)</u>	C	<u>25,704</u>
Assets:						
Additions to non-current assets	18,162	-	-	-	D	18,162
Segment assets	<u>195,441</u>	<u>6,761</u>	<u>1,537</u>	<u>-</u>	E	<u>203,739</u>
Segment liabilities	<u>40,820</u>	<u>30</u>	<u>4,581</u>	<u>-</u>	F	<u>45,431</u>

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31 March 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 consolidated financial statements RM'000
Revenue:						
External customers	225,189	1,700	-	-		226,889
Inter-segment	-	-	4,147	(4,147)	A	-
Total revenue	<u>225,189</u>	<u>1,700</u>	<u>4,147</u>	<u>(4,147)</u>		<u>226,889</u>
Results:						
Interest income	247	1	-	-		248
Depreciation of:						
- Property, plant and equipment	6,824	-	-	-		6,824
- Investment properties	16	-	-	-		16
Other non-cash expenses	(1,511)	-	-	-	B	(1,511)
Segment profit	<u>20,142</u>	<u>499</u>	<u>3,563</u>	<u>(3,563)</u>	C	<u>20,641</u>
Assets:						
Additions to non-current assets	6,033	-	-	-	D	6,033
Segment assets	<u>176,455</u>	<u>7,088</u>	<u>-</u>	<u>-</u>	E	<u>183,543</u>
Segment liabilities	<u>38,073</u>	<u>651</u>	<u>-</u>	<u>-</u>	F	<u>38,724</u>

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A Inter-segment revenues are eliminated on consolidation.

B Other non-cash incomes/(expenses) consist of the following items as presented in the respective notes to the financial statements:

	31.03.2015	31.03.2014
	RM'000	RM'000
Loss on disposal of property, plant and equipment	(52)	-
Unrealised foreign exchange gain/(loss)	2,213	(649)
Derivatives gain	40	-
Inventories written down	(296)	(862)
	<u>1,905</u>	<u>(1,511)</u>
	<u><u>1,905</u></u>	<u><u>(1,511)</u></u>

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

	31.03.2015	31.03.2014
	RM'000	RM'000
Dividend income from inter-segment	6,329	4,147
Unallocated corporate expenses	(278)	(584)
	<u>6,051</u>	<u>3,563</u>
	<u><u>6,051</u></u>	<u><u>3,563</u></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	
	31.03.2015	31.03.2014
	RM'000	RM'000
Malaysia	107,142	108,220
Asia	80,413	74,431
Others	49,473	44,238
	<u>237,028</u>	<u>226,889</u>
Total reported segments	<u><u>237,028</u></u>	<u><u>226,889</u></u>

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

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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 12 months period ended 31.03.2015 RM'000	Outstanding balance as at 31.03.2015 RM'000
Syarikat Perniagaan Chong Mah	3,950	206

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 31.03.2015 RM'000
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	534

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B. Additional information required by Bursa Malaysia Listing Requirements

1. Review of Performance

	Current quarter 31.03.2015 RM'000	Preceding year corresponding quarter 31.03.2014 RM'000	Current period to date 31.03.2015 RM'000	Preceding year corresponding period to date 31.03.2014 RM'000
Revenue	58,942	55,398	237,028	226,889
Profit before tax	7,930	3,713	25,704	20,641

For the current quarter and period to date, the Group recorded higher revenue of 6% and 4% respectively as a result of higher demand from customers in the snack food and confectioneries segment as compared to the corresponding preceding year quarter and period to date.

Profit before tax for the current quarter and period to date increased due to higher revenue and gain from foreign exchange.

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

	Current Quarter RM'000	Preceding Quarter RM'000
Revenue	58,942	63,265
Profit before tax	7,930	8,692

The decreased in revenue 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.

Profit before tax decreased in line with the decreased in revenue in the current quarter as compared to the preceding 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 2016.

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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

	Current quarter 31.03.2015 RM'000	Preceding year corresponding quarter 31.03.2014 RM'000	Current period to date 31.03.2015 RM'000	Preceding year corresponding period to date 31.03.2014 RM'000
Income taxation in Malaysia				
- current year	913	192	2,717	2,527
Deferred taxation				
- origination and reversal of temporary differences	(535)	359	798	1,907
	<u>378</u>	<u>551</u>	<u>3,515</u>	<u>4,434</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 will be a corporate proposal to be announced by RHB Investment Bank on behalf of the Board on 21 May 2015, pertaining to the proposal to undertake the following:

- (i) proposed bonus issue of 60,000,000 Bonus Shares on the basis of one (1) Bonus Share for every one (1) OFI Share held by the Entitled Shareholders on the Entitlement Date;
- (ii) proposed share split involving the subdivision of every one (1) OFI Share into two (2) Subdivided Shares held by the Entitled Shareholders on the Entitlement Date;

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- (iii) proposed increase in the authorised share capital of OFI from RM100,000,000 comprising 100,000,000 OFI Shares to RM200,000,000 comprising 400,000,000 Subdivided Shares; and
- (iv) proposed amendments to the Memorandum and Articles of Association to facilitate the implementation of the Proposed Bonus Issue and Proposed Share Split.

Barring any unforeseen circumstances, the Proposals are expected to be completed by the third (3rd) quarter of 2015.

10. Group Borrowings

	As at 31.03.2015
	RM'000
<u>Borrowings – current</u>	
Term loan (unsecured)	3,247
	<u> </u>
<u>Borrowings – non-current</u>	
Term loan (unsecured)	8,544
	<u> </u>

The borrowings are denominated in Ringgit Malaysia.

11. Derivatives

There were no forward foreign exchange contracts outstanding as at 31 March 2015.

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

- (a) A fourth interim single tier dividend for the financial year ending 31 March 2015, amounting to RM3,000,000 computed based on 60,000,000 ordinary shares as at 31 March 2015, has been declared by the Board of Directors;
 - (i) Amount per share : Single tier dividend of 5.0 sen per share
 - (ii) The previous corresponding period as at 31 March 2014 : Single tier dividend of 2 sen per share
 - (iii) Entitlement date : 8 June 2015
 - (iv) Payment date : 29 June 2015
- (b) The total dividend declared for the current financial year ending 31 March 2015 : 11 sen per share

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	Current Quarter 31.03.2015	Preceding Year Corresponding Quarter 31.03.2014	Current Period To Date 31.03.2015	Preceding Year Corresponding Period To Date 31.03.2014
Profit attributable to owners of the parent (RM'000)	7,551	3,129	22,189	16,171
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>12.59</u>	<u>5.22</u>	<u>36.98</u>	<u>26.95</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 31.03.2015 RM'000	Current Period To Date 31.03.2015 RM'000
Interest income	(74)	(286)
Rental income	(37)	(153)
Interest expense	38	177
Property, plant and equipment		
- depreciation	2,398	7,617
- loss on disposal	28	52
Investment properties		
- depreciation	4	16
Foreign exchange gain		
- realised	(893)	(859)
- unrealised	(85)	(1,354)
Derivatives gain	(197)	(40)
Inventories written off	<u>77</u>	<u>296</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 March 2015.

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17. Realised and Unrealised Profits/Losses Disclosure

	As at 31.03.2015 RM'000	As at 31.03.2014 RM'000
Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	135,750	123,506
- Unrealised	(7,926)	(9,171)
	<hr/>	<hr/>
	127,824	114,335
Less: Consolidation adjustments	(30,160)	(30,160)
	<hr/>	<hr/>
	97,664	84,175
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For and on behalf of

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD

**Datuk Son Chen Chuan
Managing Director**

Dated: 21 May 2015