

**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 JUNE 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").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2015. These 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 March 2015.

**2. *Changes in Accounting Policies***

The significant accounting policies and the methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 March 2015.

The adoption of the following MFRS and amendments to MFRS for financial periods beginning on or after 1 April 2015 do not have significant impact on the unaudited condensed consolidated financial statements upon their initial applications:

- Amendments to MFRS 119 Defined Benefit Plans : Employee Contributions
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

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
- 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 fourth interim single tier dividend of 5 sen per share, amounting to RM3,000,000 for the financial year ending 31 March 2015 was approved during the 62nd Board of Directors Meeting held on 21 May 2015 and was paid on 29 June 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

As the activities of the Group are carried out in Malaysia, segmental reporting by geographical location is not presented.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS****FOR THE FINANCIAL PERIOD ENDED 30th JUNE 2015****8. Segment information (continued)**

<b>30 June 2015</b>	<b>Manufacturing and marketing of snack food and confectioneries RM'000</b>	<b>Property development RM'000</b>	<b>Investment holding RM'000</b>	<b>Adjustments and eliminations RM'000</b>	<b>Notes</b>	<b>Per condensed consolidated financial statements RM'000</b>
<b>Revenue:</b>						
External customers	56,652	-	-	-		56,652
Inter-segment	-	-	63,023	(63,023)	A	-
Total revenue	<u>56,652</u>	<u>-</u>	<u>63,023</u>	<u>(63,023)</u>		<u>56,652</u>
<b>Results:</b>						
Interest income	61	-	2	-		63
Depreciation of:						
- Property, plant and equipment	2,213	-	-	-		2,213
- Investment properties	4	-	-	-		4
Other non-cash incomes	464	-	-	-	B	464
Segment profit	<u>7,701</u>	<u>129</u>	<u>62,894</u>	<u>(62,894)</u>	C	<u>7,830</u>
<b>Assets:</b>						
Additions to non-current assets	2,107	-	-	-	D	2,107
Segment assets	<u>199,989</u>	<u>7,138</u>	<u>699</u>	<u>-</u>	E	<u>207,826</u>
<b>Segment liabilities</b>	<u>43,349</u>	<u>328</u>	<u>426</u>	<u>-</u>	F	<u>44,103</u>

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30 June 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
<b>Revenue:</b>						
External customers	60,553	-	-	-		60,553
Inter-segment	-	-	-	-	A	-
Total revenue	<u>60,553</u>	-	-	-		<u>60,553</u>
<b>Results:</b>						
Interest income	70	-	-	-		70
Depreciation of:						
- Property, plant and equipment	1,743	-	-	-		1,743
- Investment properties	4	-	-	-		4
Other non-cash expenses	571	-	-	-	B	571
Segment profit	<u>4,126</u>	46	(34)	34	C	<u>4,172</u>
<b>Assets:</b>						
Additions to non-current assets	999	-	-	-	D	999
Segment assets	<u>177,936</u>	6,896	-	-	E	<u>184,832</u>
<b>Segment liabilities</b>	<u>36,501</u>	270	-	-	F	<u>36,771</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:

	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Loss on disposal of property, plant and equipment	(117)	(28)
Unrealised foreign exchange gain/(loss)	760	(366)
Derivatives gain	-	41
Inventories written down	(179)	(218)
	<u>464</u>	<u>(571)</u>

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

	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividend income from inter-segment	63,023	-
Unallocated corporate expenses	(129)	(34)
	<u>62,894</u>	<u>(34)</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:

	<b>Revenues</b>			
	<b>30.06.2015</b>		<b>30.06.2014</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Malaysia	22,206	39%	27,715	46%
Asia	23,967	42%	20,552	34%
Others	10,479	19%	12,286	20%
Total reported segments	<u>56,652</u>	<u>100%</u>	<u>60,553</u>	<u>100%</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.

	<b>Transactions for the 3 months period ended 30.06.2015 RM'000</b>	<b>Outstanding balance as at 30.06.2015 RM'000</b>
Sale of goods to Syarikat Perniagaan Chong Mah	900	215
Rental income received from Skyline Motion Sdn Bhd	12	-

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.

Datuk Jeffery Ong Cheng Lock and Datuk Son Chen Chuan are both Directors of Skyline Motion. Datuk Jeffery Ong Cheng Lock hold 50% of the shares in Skyline Motion Sdn Bhd.

Datuk Son Chen Chuan is the Director of OFI Properties Sdn Bhd. Oriental Food Industries Holdings Berhad holds 90% of the shares in OFI Properties Sdn Bhd.

Both Datuk Jeffery Ong Cheng Lock and Datuk Son Chen Chuan are Directors of Oriental Food Industries Holdings Berhad.

The Tenancy Agreement entered between OFI Properties Sdn Bhd and Skyline Motion Sdn Bhd are in the ordinary course of business and the transaction has been entered into in arm's-length basis.

The rental value of RM4,000/- per month was determined based on the asking prices of similar properties in and around the location to the best knowledge of both parties at the time the Agreement was entered.

**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.

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**13. Capital Commitments**

	<b>As at 30.06.2015</b>
	<b>RM'000</b>
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	10,372
- investment properties	1,935
	<u>12,307</u>

**B. Additional information required by Bursa Malaysia Listing Requirements**

**1. Review of Performance**

	<b>Current quarter</b>	<b>Preceding year corresponding quarter</b>	<b>Current period to date</b>	<b>Preceding year corresponding period to date</b>
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	56,652	60,553	56,652	60,553
Profit before tax	7,830	4,172	7,830	4,172

For the current quarter and period to date, the Group recorded lower revenue of 6% as a result of lower demand for local sales 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 lower cost of sales, selling & distribution and administrative expenses, as well as gain from foreign exchange.

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

	<b>Current Quarter</b>	<b>Preceding Quarter</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	56,652	58,942
Profit before tax	7,830	7,930

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 for local sales offset partially by higher revenue from export sales.

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 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 30.06.2015	Preceding year corresponding quarter 30.06.2014	Current period to date 30.06.2015	Preceding year corresponding period to date 30.06.2014
	RM'000	RM'000	RM'000	RM'000
<b>Income taxation in Malaysia</b>				
- current year	1,108	608	1,108	608
<b>Deferred taxation</b>				
- origination and reversal of temporary differences	627	322	627	322
	<u>1,735</u>	<u>930</u>	<u>1,735</u>	<u>930</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**

<u>Date</u>	<u>Event</u>
21 May 2015	Announcement of the Proposals were made following the Board's approval
9 July 2015	Announcement on the submission of the Circular of the Proposals for Bursa's approval



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<u>Date</u>	<u>Event</u>
20 July 2015	Announcement on the approval of the Circular granted by Bursa
31 July 2015	Announcement of the notice of EGM
3 August 2015	Despatch of Circular together with the Annual Report 2015 to the shareholders
26 August 2015	Convening of the EGM to obtain the approval of shareholders

Barring any unforeseen circumstances and subject to all required approvals being obtained the Board expects the proposals to be completed in the third quarter of 2015.

**10. Group Borrowings**

	<b>As at 30.06.2015</b>
	<b>RM'000</b>
<u>Borrowings – current</u>	
Term loan - unsecured	1,668
- secured	<u>1,600</u>
	<u>3,268</u>
<u>Borrowings – non-current</u>	
Term loan - unsecured	1,719
- secured	<u>6,000</u>
	<u>7,719</u>

The borrowings are denominated in Ringgit Malaysia.

**11. Derivatives**

There were no forward foreign exchange contracts outstanding as at 30 June 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 first interim single tier dividend for the financial year ending 31 March 2016, amounting to RM1,800,000 computed based on 60,000,000 ordinary shares as at 30 June 2015, has been declared by the Board of Directors on 26 August 2015:

- (i) Amount per share : Single tier dividend of 3.0 sen per share
- (ii) The previous corresponding period as at 30 June 2014 : Single tier dividend of 2 sen per share
- (iii) Entitlement date : 11 September 2015

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- (iv) Payment date : 21 September 2015
- (b) The total dividend declared for the current financial year ending 31 March 2016 : 3 sen per share

**14. Earnings per Share**

	<b>Current Quarter 30.06.2015</b>	<b>Preceding Year Corresponding Quarter 30.06.2014</b>	<b>Current Period To Date 30.06.2015</b>	<b>Preceding Year Corresponding Period To Date 30.06.2014</b>
Profit attributable to owners of the parent (RM'000)	6,087	3,239	6,087	3,239
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>10.15</u>	<u>5.40</u>	<u>10.15</u>	<u>5.40</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):

	<b>Current Quarter 30.06.2015 RM'000</b>	<b>Current Period To Date 30.06.2015 RM'000</b>
Interest income	(63)	(63)
Rental income	(37)	(37)
Interest expense	113	113
Property, plant and equipment		
- depreciation	2,213	2,213
- loss on disposal	117	117
Investment properties		
- depreciation	4	4
Foreign exchange gain		
- realised	(302)	(302)
- unrealised	(760)	(760)
Inventories written off	<u>179</u>	<u>179</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 30 June 2015.

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**17. Realised and Unrealised Profits/Losses Disclosure**

	<b>As at 30.06.2015 RM'000</b>	<b>As at 30.06.2014 RM'000</b>
Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	143,153	106,828
- Unrealised	(9,913)	790
	<hr/>	<hr/>
	133,240	107,618
Less: Consolidation adjustments	(30,169)	(20,204)
	<hr/>	<hr/>
	<u>103,071</u>	<u>87,414</u>

For and on behalf of  
**ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD**

**Datuk Son Chen Chuan**  
**Managing Director**

Dated: 26 August 2015