

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020***

**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 2019. 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 2019.

**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 2019, except for the adoption of the following Malaysian Financial Reporting Standards (MFRS), Amendments to MFRS and IC Interpretation for the financial periods beginning on or after 1 April 2019.

- MFRS 16 Leases
- Amendments to MFRS 9 Prepayment Features with Negative Compensation
- Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Annual Improvements to MFRS Standards 2015-2017 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:

- Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
- Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform)
- Amendments to MFRS 2 Share-Based Payment
- Amendment to MFRS 3 Business Combinations
- Amendments to MFRS 3 Business Combinations (Definition of a Business)
- Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources
- Amendments to MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 101 Presentation of Financial Statements
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 101 and MFRS 108 (Definition of Material)
- Amendments to MFRS 134 Interim Financial Reporting
- Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138 Intangible Assets
- Amendment to IC Interpretation 12 Service Concession Arrangements
- Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132 Intangible Assets-Web Site Costs
- MFRS 17 Insurance Contracts
- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020***

MFRS16 Leases

MFRS 16 supercedes MFRS 117 Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 will affect primarily the accounting by lessees and requires a lessee to recognise assets and liabilities for all leases on the statement of financial position with an optional exemption for short term and low-value leases.

The statement of profit and loss and other comprehensive income will be affected as rental expenses will be replaced by interest expense and depreciation. The principal portion of the lease liability are classified within financing activities and only part of the payments that reflects interest expense can continue to be presented as operating cash flows in the statement of cash flow.

The Group has applied the modified retrospective approach with no restatement of comparative, under which the cumulative effect of initial recognition is recognised in retained earnings.

The effect arising from the initial application on the statement of financial position of the Group are as follow:

	Impact of adoption of MFRS 16 to the opening balance as at 1 April 2019 RM'000
Right-of-use assets	560
Lease liability	(601)
	<hr/>
	( 41)
	<hr/>
Retained earnings	41

**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 year 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.

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020***

**7. Dividend Paid**

An interim single tier dividend of 0.70 sen per share, amounting to RM1,680,000 for the financial year ended 31 March 2019 was approved during the 78<sup>th</sup> Board of Directors Meeting held on 30 May 2019 and was paid on 12 July 2019.

An interim single tier dividend of 0.30 sen per share, amounting to RM720,000 for the financial year ended 31 March 2020 was approved during the 79<sup>th</sup> Board of Directors Meeting held on 28 August 2019 and was paid on 7 October 2019.

An interim single tier dividend of 0.30 sen per share, amounting to RM720,000 for the financial year ended 31 March 2020 was approved during the 81<sup>st</sup> Board of Directors Meeting held on 21 November 2019 and was paid on 8 January 2020.

An interim single tier dividend of 0.50 sen per share, amounting to RM1,200,000 for the financial year ended 31 March 2020 was approved during the 82<sup>nd</sup> Board of Directors Meeting held on 20 February 2020 and was paid on 3 April 2020.

**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.

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020*****8. Segment information (continued)**

<b>31 March 2020</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	266,910	-	-	-		266,910
Inter-segment	-	-	5,156	(5,156)	A	-
Total revenue	<u>266,910</u>	<u>-</u>	<u>5,156</u>	<u>(5,156)</u>		<u>266,910</u>
<b>Results:</b>						
Interest income	25	14	-	-		39
Depreciation of:						
- Property, plant and equipment	12,062	56	-	-		12,118
- Right-of-use assets	388	-	-	-		388
- Investment properties	17	84	-	-		101
Other non-cash expenses	642	-	-	-	B	642
Segment profit/(loss)	<u>12,778</u>	<u>(79)</u>	<u>4,447</u>	<u>(4,447)</u>	C	<u>12,699</u>
<b>Assets:</b>						
Additions to non-current assets	5,725	-	-	-	D	5,725
Segment assets	<u>240,407</u>	<u>4,865</u>	<u>216</u>	<u>-</u>	E	<u>245,488</u>
<b>Segment liabilities</b>	<u>50,037</u>	<u>95</u>	<u>420</u>	<u>-</u>	F	<u>50,552</u>

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS******FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020*****8. Segment information (continued)**

<b>31 March 2019</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	286,548	-	-	-		286,548
Inter-segment	-	-	4,321	(4,321)	A	-
Total revenue	<u>286,548</u>	<u>-</u>	<u>4,321</u>	<u>(4,321)</u>		<u>286,548</u>
<b>Results:</b>						
Interest income	12	1	-	-		13
Depreciation of:						
- Property, plant and equipment	11,805	-	-	-		11805
- Investment properties	17	134	-	-		151
Other non-cash expenses	667	-	-	-	B	667
Segment profit	<u>18,317</u>	<u>250</u>	<u>3,491</u>	<u>(3,505)</u>	C	<u>18,553</u>
<b>Assets:</b>						
Additions to non-current assets	8,828	-	-	-	D	8,828
Segment assets	<u>125,011</u>	<u>5,477</u>	<u>125,570</u>	<u>-</u>	E	<u>256,058</u>
<b>Segment liabilities</b>	<u>73,280</u>	<u>106</u>	<u>432</u>	<u>(7,358)</u>	F	<u>66,460</u>

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020*****8. Segment Information (continued)**

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>31.03.2020</b>	<b>31.03.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Unrealised foreign exchange gain/(loss)	1,234	758
Inventories written down	(1,205)	(1,405)
Impairment loss on trade receivables	(799)	1,201
Gain on disposal of plant, property and equipment	128	113
	<u>          </u>	<u>          </u>
	(642)	667
	<u>          </u>	<u>          </u>

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

	<b>31.03.2020</b>	<b>31.03.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividend income from inter-segment	5,156	4,321
Unallocated corporate expenses	(709)	(816)
	<u>          </u>	<u>          </u>
	4,447	3,505
	<u>          </u>	<u>          </u>

D Additions to non-current assets consist of property, plant and equipment and investment property.

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>01.04.2019 - 31.03.2020</b>		<b>01.04.2018 - 31.03.2019</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Malaysia	103,399	39%	101,617	35%
Asia	107,018	40%	129,136	45%
Others	56,493	21%	55,795	20%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total reported segments	266,910	100%	286,548	100%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The Group has a single external customer that contributed more than 10% 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 YEAR ENDED 31 MARCH 2020***

**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 12 months year ended 31.03.2020 RM'000</b>	<b>Outstanding balance as at 31.03.2020 RM'000</b>
Sale of goods to Syarikat Perniagaan Chong Mah	2,058	123
Rental income received from Skyline Motion Sdn Bhd	48	8

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.

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.

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

There was 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**

	<b>As at 31.03.2020 RM'000</b>
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	1,536
	<u>1,536</u>

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020*****B. Additional information required by Bursa Malaysia Listing Requirements****1. Review of Performance**

	Individual Period (4th Quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period To- Date	Preceding Year Corresponding Period	
	31/03/2020 RM'000	31/03/2019 RM'000		31/03/2020 RM'000	31/03/2019 RM'000	
Revenue	57,929	65,049	(10.94)	266,910	286,548	(6.85)
Operating Profit/(Loss)	2,367	4,017	(41.07)	13,543	19,614	(30.95)
Profit/(Loss) Before Interest and Tax	2,367	4,017	(41.07)	13,533	19,614	(30.95)
Profit/(Loss) Before Tax	2,154	3,695	(41.70)	12,699	18,553	(31.55)
Profit/(Loss) After Tax	1,767	3,295	(46.37)	10,019	14,219	(29.54)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,767	3,295	(46.37)	10,019	14,219	(29.54)

The revenue for the current period to date and current quarter are lower by 6.85% and 10.94% respectively as compared to preceding year corresponding period and quarter due to lower sales from export market in the snack food and confectioneries segment.

Profit before tax for the current period to date and current quarter is lower by 31.55% and 41.70% mainly due to the lower sales caused by the MCO implementation.

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

	Current Quarter 31/03/2020 RM'000	Immediate Preceding Quarter 31/12/2019 RM'000	Changes (%)
Revenue	57,929	77,456	(25.21)
Operating Profit/(Loss)	2,367	5,099	(53.58)
Profit/(Loss) Before Interest and Tax	2,367	5,099	(53.58)
Profit/(Loss) Before Tax	2,154	4,905	(56.08)
Profit/(Loss) After Tax	1,767	4,387	(59.72)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,767	4,387	(59.72)

The decrease in revenue for the current quarter as compared to the preceding quarter was contributed by the decrease in both local and export sales.

The lower profit before tax for the current quarter is mainly contributed by the significant dropped in revenue.



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(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020***

**3. Group's Prospects**

The Group is in its final stage of expansion and currently pending for some minor machine acquisition to complete its new production lines. It is expected that these new lines will contribute positively towards the growth and profitability of the Group. The management views the current year contraction in revenue is just a temporary setback due to the pandemic and slowdown in global economy. The Group still expects positive contribution from the investment in various product lines in years to come from the new and existing market segment due to the active promotional activities taken.

Despite facing various challenges from the competitive markets and the negative impact from rising raw material cost, the Board expects that the performance of the Group will be satisfactory and remain positive for the financial year ending 31 March 2021.

**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 31.03.2020	Preceding Year Corresponding Quarter 31.03.2019	Current Period To Date 31.03.2020	Preceding Year corresponding Period To Date 31.03.2019
	RM'000	RM'000	RM'000	RM'000
<b>Income taxation in Malaysia</b>				
- current year	370	269	2,258	1,289
<b>Deferred taxation</b>				
- origination and reversal of temporary differences	17	131	422	3,045
	<u>387</u>	<u>400</u>	<u>2,680</u>	<u>4,334</u>

The Group's effective tax rate for the current quarter and period to date is lower than the statutory tax rate mainly due to the deferred tax assets arising from the provisions made.

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

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

**ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)**  
(Incorporated in Malaysia)  
***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS***  
***FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020***

**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

**10. Group Borrowings**

	<b>As at 31.03.2020 RM'000</b>	<b>As at 31.03.2019 RM'000</b>
<u>Borrowings – current</u>		
Overdraft - <i>secured</i>	-	1,990
Banker Acceptance – <i>secured</i>	-	3,160
Term loan - <i>secured</i>	<u>4,891</u>	<u>6,150</u>
	<u>4,891</u>	<u>11,300</u>
 <u>Borrowings – non-current</u>		
Term loan - <i>secured</i>	9,538	14,500

The borrowings are denominated in Ringgit Malaysia and are based on floating interest rates.

**11. Derivatives**

There were no forward foreign exchange contracts outstanding as at 31 March 2020.

**12. Gain/Loss Arising from Fair Value Changes of Financial Liabilities**

There was no gain or loss arising from fair value changes of the financial liabilities for the current quarter and current period to date ended 31 March 2020.

**13. Material Litigation**

There was no material litigation pending since the date of last announcement till the date of this interim report.

**14. Dividend**

(a) An interim single tier dividend for the financial year ended 31 March 2020, amounting to RM960,000 computed based on 240,000,000 ordinary shares as at 31 March 2020, has been declared by the Board of Directors on 25 June 2020:

- (i) Amount per share : Single tier dividend of 0.40 sen per share
- (ii) The previous corresponding period as at 31 March 2019 : 0.70 sen per share
- (iii) Entitlement date : 10 July 2020

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020***

(iv) Payment Date : 30 July 2020

(b) The total dividend declared for the current financial year ended 31 March 2020 : 1.50 sen per share

**15. Earnings per Share**

	<b>Current Quarter 31.03.2020</b>	<b>Preceding Year Corresponding Quarter 31.03.2019</b>	<b>Current Period To Date 31.03.2020</b>	<b>Preceding Year Corresponding Period To Date 31.03.2019</b>
Profit net of tax attributable to owners of the parent (RM'000)	1,767	3,295	10,019	14,219
Number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Basic earnings per share (sen)	<u>0.74</u>	<u>1.37</u>	<u>4.17</u>	<u>5.92</u>

**16. Audit Report**

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

**17. Profit before Tax**

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

	<b>Current Quarter 31.03.2020 RM'000</b>	<b>Current Period To Date 31.03.2020 RM'000</b>
Interest income	(14)	(39)
Rental income	(64)	(251)
Interest expense	213	844
Property, plant and equipment		
- depreciation	3,115	12,118
- right-of-use assets	73	388
- gain on disposal	-	(128)
Investment properties		
- depreciation	25	101
Foreign exchange gain		
- realised	49	59
- unrealised	(1,625)	(1,234)
Inventories written off	(546)	1,205
Impairment loss for trade receivables	614	799
	<u>          </u>	<u>          </u>

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(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020***

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 2020.

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

	<b>As at 31.03.2020 RM'000</b>	<b>As at 31.03.2019 RM'000</b>
Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	115,770	110,997
- Unrealised	(6,742)	(7,636)
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	109,028	103,361
Less: Consolidation adjustments	(35,687)	(35,678)
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	73,341	67,683
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For and on behalf of

**ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD**

**Datuk Seri Son Chen Chuan  
Group Managing Director**

Dated: 25 June 2020