

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDING 30 JUNE 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 2020. 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 2020.

**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 2020, 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 2020.

- Amendments to MFRS 3 Definition of a Business
- Amendments to MFRS 101 and MFRS 108 Definition of Material
- Amendments to references to the Conceptual Framework in MFRS Standards
- Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments : Recognition and Measurement and MFRS 7 Financial Instruments : Disclosures)

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:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)
- Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)
- Amendments to MFRS contained in Annual Improvements to MFRS Standards 2018-2020
- Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
- Amendments to MFRS 2 Share-Based Payment
- Amendment to MFRS 3 Business Combinations
- 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 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

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- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture

**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***

An interim single tier dividend of 0.40 sen per share, amounting to RM960,000 for the financial year ended 31 March 2020 was approved during the 83rd Board of Directors Meeting held on 25 June 2020 and was paid on 30 July 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.

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**8. Segment information (continued)**

	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>30 June 2020</b>						
<b>Revenue:</b>						
External customers	73,617	-	-	-	A	73,617
Inter-segment	-	-	-	-		-
Total revenue	73,617	-	-	-		73,617
<b>Results:</b>						
Interest income	5	6	-	-		11
Depreciation of:						
- Property, plant and equipment	2,929	15	-	-		2,944
- Right-of-use assets	173	-	-	-		173
- Investment properties	4	21	-	-		25
Other non-cash expenses	2,078	-	-	-	B	2,078
Segment profit/(loss)	6,276	(24)	(211)	-	C	6,041
<b>Assets:</b>						
Additions to non-current assets	734	-	-	-	D	734
Segment assets	248,024	6,772	98	-	E	254,894
<b>Segment liabilities</b>	55,806	115	513	-	F	56,434

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**8. Segment information (continued)**

30 June 2019	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	63,447	-	-	-		63,447
Inter-segment	-	-	100	(100)	A	-
Total revenue	63,447	-	100	(100)		63,447
<b>Results:</b>						
Interest income	6	-	-	-		6
Depreciation of:						
- Property, plant and equipment	3,107	17	-	-		3,124
- Investment properties	4	21	-	-		25
Other non-cash expenses	59	-	-	-	B	59
Segment profit	2,957	(35)	(103)	(100)	C	2,719
<b>Assets:</b>						
Additions to non-current assets	1,548	-	-	-	D	1,548
Segment assets	233,535	6,819	125	-	E	240,479
<b>Segment liabilities</b>	48,321	95	559	-	F	48,975

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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>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Unrealised foreign exchange gain/(loss)	(958)	958
Inventories written down	(489)	(258)
Impairment loss on trade receivables	(631)	(100)
Gain on disposal of property, plant and equipment	-	14
	<u>(2,078)</u>	<u>614</u>

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

	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividend income from inter-segment	-	100
Unallocated corporate expenses	(211)	(203)
	<u>(211)</u>	<u>(103)</u>

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

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>01.04.2020 - 30.06.2020</b>		<b>01.04.2019 - 30.06.2019</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Malaysia	30,963	42%	22,970	36%
Asia	33,677	46%	24,631	39%
Others	8,977	12%	15,846	25%
Total reported segments	<u>73,617</u>	<u>100%</u>	<u>63,447</u>	<u>100%</u>

The Group has no customer that contributed more than 10% of the Group's revenue.

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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.

	Transactions for the 3 months period ended 30.06.2020 RM'000	Outstanding balance as at 30.06.2020 RM'000
Sale of goods to Syarikat Perniagaan Chong Mah	434	139
Rental income received from Skyline Motion Sdn Bhd	-	4

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**

	As at 30.06.2020 RM'000
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	1,552
	<u>1,552</u>

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	Individual Period (1st Quarter)		Changes (%)	Cumulative Period		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period To- Date	Preceding Year Corresponding Period	
	30/06/2020 RM'000	30/06/2019 RM'000		30/06/2020 RM'000	30/06/2019 RM'000	
Revenue	73,617	63,447	16.03	73,617	63,447	16.03
Operating Profit/(Loss)	6,144	2,930	109.69	6,144	2,930	109.69
Profit/(Loss) Before Interest and Tax	6,144	2,930	109.69	6,144	2,930	109.69
Profit/(Loss) Before Tax	6,041	2,719	122.18	6,041	2,719	122.18
Profit/(Loss) After Tax	4,338	1,963	120.99	4,338	1,963	120.99
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	4,338	1,963	120.99	4,338	1,963	120.99

The revenue for the current period to date and current quarter are higher by 16.03% as compared to the preceding year corresponding period and quarter due to higher sales, especially from the local market in the snack food and confectioneries segment.

Profit before tax for the current period to date and current quarter is higher by 122.18% mainly due to the higher gross profit margin and lower operating costs.

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

	Current Quarter 30/06/2020 RM'000	Immediate Preceding Quarter 31/03/2020 RM'000	Changes (%)
Revenue	73,617	57,929	27.08
Operating Profit/(Loss)	6,144	2,367	159.57
Profit/(Loss) Before Interest and Tax	6,144	2,367	159.57
Profit/(Loss) Before Tax	6,041	2,154	180.45
Profit/(Loss) After Tax	4,338	1,767	145.50
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	4,338	1,767	145.50

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

The higher profit before tax for the current quarter is contributed by the higher revenue and gross profit margin

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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 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 uncertainties due to the global pandemic impact, 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 30.06.2020	Preceding Year Corresponding Quarter 30.06.2019	Current Period To Date 30.06.2020	Preceding Year corresponding Period To Date 30.06.2019
	RM'000	RM'000	RM'000	RM'000
<b>Income taxation in Malaysia</b>				
- current year	1,213	643	1,213	643
<b>Deferred taxation</b>				
- origination and reversal of temporary differences	490	113	490	113
	<u>1,703</u>	<u>756</u>	<u>1,703</u>	<u>756</u>

The Group's effective tax rate for the current quarter and period to date is higher than the statutory tax rate mainly due to the non-deductible expenses.

**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.



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

**10. Group Borrowings**

	As at 30.06.2020 RM'000	As at 30.06.2019 RM'000
<u>Borrowings – current</u>		
Overdraft - <i>secured</i>	-	-
Banker Acceptance – <i>secured</i>	-	1,652
Term loan - <i>secured</i>	<u>4,936</u>	<u>5,802</u>
	<u>4,936</u>	<u>7,454</u>
 <u>Borrowings – non-current</u>		
Term loan - <i>secured</i>	8,292	13,318

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 30 June 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 30 June 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 ending 31 March 2021, amounting to RM1,200,000 computed based on 240,000,000 ordinary shares as at 30 June 2020, has been declared by the Board of Directors on 27 August 2020:

- (i) Amount per share : Single tier dividend of 0.50 sen per share
- (ii) The previous corresponding period as at 30 June 2019 : 0.30 sen per share
- (iii) Entitlement date : 14 September 2020
- (iv) Payment Date : 6 October 2020

(b) The total dividend declared for the current financial year ending 31 March 2021 : 0.50 sen per share

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	<b>Current Quarter 30.06.2020</b>	<b>Preceding Year Corresponding Quarter 30.06.2019</b>	<b>Current Period To Date 30.06.2020</b>	<b>Preceding Year Corresponding Period To Date 30.06.2019</b>
Profit net of tax attributable to owners of the parent (RM'000)	4,338	1,963	4,338	1,963
Number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Basic earnings per share (sen)	<u>1.81</u>	<u>0.82</u>	<u>1.81</u>	<u>0.82</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 30.06.2020 RM'000</b>	<b>Current Period To Date 30.06.2020 RM'000</b>
Interest income	(11)	(11)
Rental income	(47)	(47)
Interest expense	103	103
Property, plant and equipment		
- depreciation	2,944	2,944
- right-of-use assets	173	173
- gain on disposal	-	-
Investment properties		
- depreciation	25	25
Foreign exchange gain		
- realised	(526)	(526)
- unrealised	958	958
Inventories written off	489	489
Impairment loss for trade receivables	<u>631</u>	<u>631</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 2020.

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	<b>As at 30.06.2020 RM'000</b>	<b>As at 30.06.2019 RM'000</b>
Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	122,999	113,040
- Unrealised	(9,423)	(7,749)
	<hr/>	<hr/>
	113,576	105,291
Less: Consolidation adjustments	(36,857)	(35,688)
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	76,719	69,603
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For and on behalf of

**ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD****Datuk Seri Son Chen Chuan  
Group Managing Director**

Dated: 27 August 2020