

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 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:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)
- Amendments to MFRS 17 Insurance Contracts
- Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)
- Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- 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)
- Covid-19 Related Rent Concessions (Amendment to MFRS 16 Leases)
- 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

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- 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

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.

An interim single tier dividend of 0.50 sen per share, amounting to RM1,200,000 for the financial year ending 31 March 2021 was approved during the 84th Board of Directors Meeting held on 27 August 2020 and was paid on 6 October 2020.

An interim single tier dividend of 0.50 sen per share, amounting to RM1,200,000 for the financial year ending 31 March 2021 was approved during the 86th Board of Directors Meeting held on 25 November 2020 and was paid on 5 January 2021.

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

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| 31 December 2020 | 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 | 224,959 | - | - | - | | 224,959 |
| Inter-segment | - | - | - | - | A | - |
| Total revenue | 224,959 | - | - | - | | 224,959 |
| Results: | | | | | | |
| Interest income | 10 | 6 | - | - | | 16 |
| Depreciation of: | | | | | | |
| - Property, plant and equipment | 9,276 | 45 | - | - | | 9,321 |
| - Right-of-use assets | 523 | - | - | - | | 523 |
| - Investment properties | 13 | 68 | - | - | | 81 |
| Other non-cash expenses | 2,660 | - | - | - | B | 2,660 |
| Segment profit/(loss) | 16,212 | (55) | (494) | - | C | 15,663 |
| Assets: | | | | | | |
| Additions to non-current assets | 9,182 | - | - | - | D | 9,182 |
| Segment assets | 252,271 | 6,747 | 72 | - | E | 259,090 |
| Segment liabilities | 55,382 | 100 | 296 | - | F | 55,778 |

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| 31 December 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 |
|---------------------------------|---|-----------------------------------|---------------------------------|--|-------|---|
| Revenue: | | | | | | |
| External customers | 208,981 | - | - | - | | 208,981 |
| Inter-segment | - | - | 3,027 | (3,027) | A | - |
| Total revenue | 208,981 | - | 3,027 | (3,027) | | 208,981 |
| Results: | | | | | | |
| Interest income | 18 | 7 | - | - | | 25 |
| Depreciation of: | | | | | | |
| - Property, plant and equipment | 8,962 | 41 | - | - | | 9,003 |
| - Investment properties | 13 | 63 | - | - | | 76 |
| Other non-cash expenses | 2,199 | - | - | - | B | 2,199 |
| Segment profit | 10,612 | (67) | 2,475 | (2,475) | C | 10,545 |
| Assets: | | | | | | |
| Additions to non-current assets | 4,788 | - | - | - | D | 4,788 |
| Segment assets | 247,430 | 6,546 | 60 | - | E | 254,036 |
| Segment liabilities | 58,387 | 76 | 317 | - | F | 58,780 |

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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:

| | 31.12.2020 | 31.12.2019 |
|---|-----------------------------|-----------------------------|
| | RM'000 | RM'000 |
| Unrealised foreign exchange gain/(loss) | (2,464) | (391) |
| Inventories written down | (913) | (1,751) |
| Reversal on impairment loss on trade receivables | 697 | (185) |
| Gain on disposal of property, plant and equipment | 20 | 128 |
| | <u> </u> | <u> </u> |
| | <u>(2,660)</u> | <u>(2,199)</u> |

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

| | 31.12.2020 | 31.12.2019 |
|------------------------------------|-----------------------------|-----------------------------|
| | RM'000 | RM'000 |
| Dividend income from inter-segment | 3,833 | 3,027 |
| Unallocated corporate expenses | (494) | (552) |
| | <u> </u> | <u> </u> |
| | <u>3,339</u> | <u>2,475</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:

| | Revenues | | | |
|-------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| | 01.04.2020 - 31.12.2020 | | 01.04.2019 - 31.12.2019 | |
| | RM'000 | % | RM'000 | % |
| Malaysia | 96,559 | 43% | 77,381 | 37% |
| Asia | 94,980 | 42% | 87,480 | 42% |
| Others | 33,420 | 15% | 44,120 | 21% |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total reported segments | <u>224,959</u> | <u>100%</u> | <u>208,981</u> | <u>100%</u> |

The Group has a customer that contributed more than 10% 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.

| | Transactions for the 9 months period ended 31.12.2020 RM'000 | Outstanding balance as at 31.12.2020 RM'000 |
|--|---|--|
| Sale of goods to Syarikat Perniagaan Chong Mah | 1,745 | 238 |

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 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 31.12.2020 RM'000 |
|---|------------------------------------|
| Authorised, contracted but not provided for:- | |
| - purchase of property, plant and equipment | 1,623 |
| | <u>1,623</u> |

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B. Additional information required by Bursa Malaysia Listing Requirements

1. Review of Performance

| | Individual Period (3rd Quarter) | | Changes (%) | Cumulative Period | | Changes (%) |
|---|------------------------------------|--|----------------|-------------------------------|---|----------------|
| | Current Quarter | Preceding Year Corresponding Quarter | | Current Period To- Date | Preceding Year Corresponding Period | |
| | 31/12/2020 RM'000 | 31/12/2019 RM'000 | | 31/12/2020 RM'000 | 31/12/2019 RM'000 | |
| Revenue | 80,404 | 77,456 | 3.81 | 224,959 | 208,981 | 7.64 |
| Operating Profit/(Loss) | 5,727 | 5,099 | 12.32 | 15,978 | 11,176 | 42.97 |
| Profit/(Loss) Before Interest and Tax | 5,727 | 5,099 | 12.32 | 15,978 | 11,176 | 42.97 |
| Profit/(Loss) Before Tax | 5,627 | 4,905 | 14.72 | 15,663 | 10,545 | 48.53 |
| Profit/(Loss) After Tax | 4,031 | 4,387 | (8.11) | 11,373 | 8,252 | 37.82 |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | 4,031 | 4,387 | (8.11) | 11,373 | 8,252 | 37.82 |

The revenue for the current period to date and current quarter are higher by 7.64% and 3.81% respectively as compared to the preceding year corresponding period and quarter due to higher sales 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 48.53% and 14.72% mainly due to the higher revenue, gross profit margin and lower operating costs.

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

| | Current Quarter 31/12/2020 RM'000 | Immediate Preceding Quarter 30/09/2020 RM'000 | Changes (%) |
|---|---|--|----------------|
| Revenue | 80,404 | 70,938 | 13.34 |
| Operating Profit/(Loss) | 5,727 | 4,107 | 39.44 |
| Profit/(Loss) Before Interest and Tax | 5,727 | 4,107 | 39.44 |
| Profit/(Loss) Before Tax | 5,627 | 3,995 | 40.85 |
| Profit/(Loss) After Tax | 4,031 | 3,004 | 34.19 |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | 4,031 | 3,004 | 34.19 |

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

The higher profit before tax for the current quarter is mainly contributed by the higher revenue.

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3. Group's Prospects

The domestic market has shown some improvements in line with the gradual resumption of economic activities after the earlier MCO period and the implementation of economic stimulus packages initiated by the Government.

The Board expects that the performance of the Group will be satisfactory and remain positive for the financial year ending 31 March 2021, despite facing various challenges from the competitive markets and the uncertainties due to the global pandemic issue.

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 | Preceding Year Corresponding Quarter | Current Period To Date | Preceding Year corresponding Period To Date |
|---|-----------------|--|---------------------------|---|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income taxation in Malaysia | | | | |
| - current year | 716 | 783 | 2,478 | 1,964 |
| - under/(over) provision in prior year | 55 | (76) | 55 | (76) |
| Deferred taxation | | | | |
| - origination and reversal of temporary differences | 968 | 228 | 1,900 | 822 |
| - under/(over) provision in prior year | (143) | (417) | (143) | (417) |
| | ----- | ----- | ----- | ----- |
| | 1,596 | 518 | 4,290 | 2,293 |
| | ===== | ===== | ===== | ===== |

The Group's effective tax rate for the current quarter and period to date is higher than the statutory tax rate 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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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

| | As at 31.12.2020 RM'000 | As at 31.12.2019 RM'000 |
|---------------------------------|--|--|
| <u>Borrowings – current</u> | | |
| Term loan - <i>secured</i> | <u>4,416</u> | <u>5,098</u> |
| | 4,416 | 5,098 |
| <u>Borrowings – non-current</u> | | |
| Term loan - <i>secured</i> | 6,332 | 10,910 |

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 December 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 December 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 31 December 2020, has been declared by the Board of Directors on 25 February 2021:

- (i) Amount per share : Single tier dividend of 0.50 sen per share
- (ii) The previous corresponding period as at 31 December 2019 : 0.50 sen per share
- (iii) Entitlement date : 15 March 2021
- (iv) Payment Date : 7 April 2021

(b) The total dividend declared for the current financial year ending 31 March 2021 : 1.50 sen per share

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15. Earnings per Share

| | Current Quarter 31.12.2020 | Preceding Year Corresponding Quarter 31.12.2019 | Current Period To Date 31.12.2020 | Preceding Year Corresponding Period To Date 31.12.2019 |
|---|---|--|--|---|
| Profit net of tax attributable to owners of the parent (RM'000) | 4,031 | 4,387 | 11,373 | 8,252 |
| Number of ordinary shares in issue ('000) | 240,000 | 240,000 | 240,000 | 240,000 |
| Basic earnings per share (sen) | <u>1.68</u> | <u>1.83</u> | <u>4.74</u> | <u>3.44</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):

| | Current Quarter 31.12.2020 RM'000 | Current Period To Date 31.12.2020 RM'000 |
|---|--|---|
| Interest income | (3) | (16) |
| Rental income | (81) | (183) |
| Interest expense | 100 | 315 |
| Property, plant and equipment | | |
| - depreciation | 3,290 | 9,321 |
| - right-of-use assets | 174 | 523 |
| - gain on disposal | (10) | (20) |
| Investment properties | | |
| - depreciation | 27 | 81 |
| Foreign exchange loss | | |
| - realised | 550 | 787 |
| - unrealised | 1,017 | 2,464 |
| Inventories written off | 107 | 913 |
| Reversal on impairment loss for trade receivables | <u>(869)</u> | <u>(697)</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 December 2020.

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18. Realised and Unrealised Profits/Losses Disclosure

| | As at 31.12.2020 RM'000 | As at 31.12.2019 RM'000 |
|---|--|--|
| Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries: | | |
| - Realised | 129,456 | 117,556 |
| - Unrealised | (12,197) | (8,351) |
| | <hr/> | <hr/> |
| | 117,259 | 109,205 |
| Less: Consolidation adjustments | (35,905) | (35,712) |
| | <hr/> | <hr/> |
| | 81,354 | 73,493 |
| | <hr/> <hr/> | <hr/> <hr/> |

For and on behalf of
ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD

Datuk Seri Son Chen Chuan
Group Managing Director

Dated: 25 February 2021