

OKA CORPORATION BHD (519941-H)

Notes to the Interim Financial Statements for the First Quarter Ended 30 June 2012

1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial reports also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial reports for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 March 2013. 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 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position is disclosed below. These notes include reconciliations of equity for the comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statements of comprehensive income and cash flows.

The Group has not adopted the following MFRSs that have been issued as at the date of authorisation but not yet effective for the financial year ending 31 March 2013:-

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual period beginning on or after	
MFRS 3	Business Combinations (IFRS 3 <i>Business Combinations</i> issued by IASB in March 2004)	1 January 2013
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	- Separate Financial Statements - Consolidated and Separate Financial Statements (IAS 27 <i>Consolidated and Separate Financial Statements</i> revised by IASB in December 2003)	1 January 2013
MFRS 128	Investment in Associates and Joint Ventures	1 January 2013
Amendments to MFRSs	Annual Improvements 2009 – 2011 Cycle	1 January 2013

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MFRSs, Amendments to MFRSs and IC Interpretation		Effective for annual period beginning on or after
Amendments to MFRS 1	- Government Loans	1 January 2013
	- Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRSs 10, 11 & 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 101	- Presentation of Items of Other Comprehensive Income	1 July 2012
	- Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 116	Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Other than those stated below, these interim financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the financial year ended 31 March 2012.

These interim financial statements include only condensed financial statements and should be read in conjunction with the annual financial statements for the financial year ended 31 March 2012, as this interim financial report focuses on the effects of transactions, events and circumstances that have occurred since the annual financial statements.

Property, plant and equipment

Under the previous accounting framework, the property, plant and equipment were stated at cost or valuation, as the case may be less accumulated depreciation and impairment loss. The Group revalues its properties comprising land and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

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Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 *Property, Plant and Equipment*. At the date of transition to MFRS, the Group uses the fair value as at 1 April 2012 as deemed cost. The revaluation surplus was transferred to retained profits on date of transition to MFRS.

The cumulative surpluses arising from revaluation of properties, net of tax were transferred to retained profits on 1 April 2011 in accordance with the transitional provisions under MFRS 1.

Investment property

Previously, investment properties of the Group were measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Upon transition to MFRS, the Group has elected to measure all its investment properties using the cost model under MFRS 140 *Investment Property*. At the date of transition to MFRS, the Group uses the fair value as at 1 April 2012 as deemed cost. The change in fair value was transferred to retained profits on date of transition to MFRS.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:-

Reconciliation of equity as at 1 April 2011:-

Dr/(Cr)	FRSs as at 1 April 2011 RM'000	Net effect of transition to MFRS RM'000	MFRSs as at 1 April 2011 RM'000
Revaluation reserve	(2,306)	2,306	-
Retained profits	<u>(20,067)</u>	<u>(10,432)</u>	<u>(30,499)</u>

Reconciliation of equity as at 30 June 2011:-

Dr/(Cr)	FRSs as at 30 June 2011 RM'000	Net effect of transition to MFRS RM'000	MFRSs as at 30 June 2011 RM'000
Revaluation reserve	(2,306)	2,306	-
Retained profits	<u>(21,474)</u>	<u>(10,432)</u>	<u>(31,906)</u>

Reconciliation of equity as at 31 March 2012:-

Dr/(Cr)	FRSs as at 31 March 2012 RM'000	Effect of transition to MFRS RM'000	MFRSs as at 31 March 2012 RM'000
Revaluation reserve	(10,422)	10,422	-
Retained profits	<u>(23,218)</u>	<u>(10,422)</u>	<u>(33,640)</u>

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The reconciliations of the affected financial statements captions reported in accordance with the previous FRS framework and the MFRS framework at the date of transition and the comparative period are provided below:-

A. At 1 April 2011 (date of transition)

Dr/(Cr)	Property, plant and equipment RM'000	Investment property RM'000	Deferred taxation RM'000	Revaluation reserve RM'000	Retained profits RM'000
As reported previously under FRS	52,577	490	235	(2,306)	(20,067)
Impact of adopting MFRS	8,418	10	(302)	2,306	(10,432)
As reported under MFRS	<u>60,995</u>	<u>500</u>	<u>(67)</u>	<u>-</u>	<u>(30,499)</u>

B. At 31 March 2012

Dr/(Cr)	Property, plant and equipment RM'000	Investment property RM'000	Deferred taxation RM'000	Revaluation reserve RM'000	Retained profits RM'000
As reported previously under FRS	64,636	730	(396)	(10,422)	(23,218)
Impact of adopting MFRS	-	-	-	10,422	(10,422)
As reported under MFRS	<u>64,636</u>	<u>730</u>	<u>(396)</u>	<u>-</u>	<u>(33,640)</u>

2. Audit Report

The preceding year's audited financial statements were not subject to any audit qualification.

3. Seasonal or Cyclical Factors

Apart from the traditional variations in the level of business activities, the Group's activities are not affected by any seasonal or cyclical factors.

4. Unusual Items

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows for the current quarter.

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5. Material Changes in Estimates

There were no material changes in the estimates used in the current quarter compared to the estimates used in the previous financial year, which have a material effect in the current quarter.

6. Dividend paid

No dividend was paid for the quarter under review.

7. Segment Reporting

Segmental revenue and results for the quarter ended 30 June 2012:-

	Manufacturing RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue				
External sales	36,795	598	-	37,393
Inter-segment sales	508	1,413	(1,921)	-
Total revenue	<u>37,303</u>	<u>2,011</u>	<u>(1,921)</u>	<u>37,393</u>
Results				
Total profit or loss for reportable segments				4,732
Elimination of inter-segment profits				75
Depreciation				(1,338)
Finance costs				(225)
Interest income				9
Profit before taxation				<u>3,253</u>

Segmental revenue and results for the quarter ended 30 June 2011:-

	Manufacturing RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue				
External sales	28,410	910	-	29,320
Inter-segment sales	773	1,671	(2,444)	-
Total revenue	<u>29,183</u>	<u>2,581</u>	<u>(2,444)</u>	<u>29,320</u>
Results				
Total profit or loss for reportable segments				2,937
Elimination of inter-segment profits				(73)
Depreciation				(984)
Finance costs				(236)
Interest income				7
Profit before taxation				<u>1,651</u>

