(4) research on the market change of taste and to increase the product line/range to capture a larger market share;

(5) advertise products to stimulate greater market demand; and

(6) introduce new packaging designs to make the products more attractive.

The Quality Control department has a laboratory equipped with testing equipment and staffed with a team of technically qualified personnel to conduct research and development work.

The R & D Deparment was set up in 1993. Currently, the OFIH Group has a total of five (5) employees in the R & D Department.

(iv) Certification

OFIH has adopted stringent quality control procedures by conducting thorough hygienic test to ensure its products and services meet the national and international standards. Furtherance to the same, OFI has been conferred the MS ISO 9002 quality system certification since 1996. Thus, with the said certification, which is a universal mark and recognition of high quality, the demand for the Group's products would be further boosted.

(b) VULNERABILITY

(i) Sensitivity To Economic Downturn

The snack food industry in Malaysia is generally recession proof. Most of the snack food and confectioneries manufacturers are not adversely affected during economic downturn. This may be due to the inexpensive cost which has shown to be of minimal effect to the customers. The price is affordable by most people even in economic downturn. However, there is a seasonality for the production of these snack food products especially during Chinese New Year and Hari Raya, whereby sales are usually lower by about 15% to 20%. This is due to lower production arising from less working days as most staff are off celebrating the occasions. Nevertheless, OFIH's business would not be adversely affected by the country's economic downturn.

(ii) Marketing/Promotion Strategies And Distribution Network

OFIH sells its products through an established network of local and overseas wholesalers/independent distributors. For its local sales, the Group utilises a vast and established distribution network throughout Peninsular Malaysia, Sabah and Sarawak. For the financial period ended 29 February 2000, the local sales comprised approximately 66% of the total sales of the Group and the remaining 34% derived from export sales. Currently, a sales team with 27 route trucks is servicing small retail shops throughout Peninsular Malaysia. The table shown below is the brief summary of the sales turnover over the past five years, with an apparent upward trend over the years.

9. INFORMATION ON THE OFIH GROUP *(Cont'd)*

Exports and Domestic Sales Turnover, 1994-1999

	1994-95		1995-96		1996-97		1997-98		1998-99	
Turnover	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Exports	11,061	37	11,519	33	9,409	24	11,519	27	11,530	24
Domestic Sales	19,036	63	23,534	67	29,521	76	30,573	73	36,904	76
Total	30,097	100	35,053	100	38,930	100	42,092	100	48,434	100

** The above analysis excludes GoodFood as it was only an associate company during the period under review.*

Concurrently, there are several sales teams lead by the Sales and Marketing Manager with the assistance of three (3) Area/Regional Sales Manager. The other members of the team comprise of seven (7) credit salesman servicing supermarkets and hypermarkets, twenty-one (21) van salesmen and four (4) sales supervisors. The Sales & Marketing Department is divided to four (4) regions ie Northern, East Coast, Central and Southern Region. The sales and marketing activities in each region, which covers a few states, is managed by the Area/Regional Sales Manager together with his sales team.

At present, OFIH has three (3) jobbers as sole agents in Penang and Kedah to serve small retail shops in areas not covered by route trucks. The company is working towards appointing jobbers in every state of Peninsular Malaysia.

There are approximately 1,030 local and 40 foreign customers and there is no dependence on any single or limited number of customers. Syarikat Perniagaan Chong Mah Sdn Bhd, one of OFIH's shareholders, is one of the wholesaler for OFIH in Kuala Lumpur. Currently, OFIH also has two (2) stockists in Ipoh and Johor Bahru.

The Directors believe that competition in the snack food industry is worsen by the problem and marketing imitations. The strategy OFIH uses to overcome this problem is by advertising its products on the television, inserting advertisement in various local and international snack food related magazines, contributing its food products to charitable organisations, launching of new products and other measures.

The success of OFIH in capturing a wide market share in Malayia as well as in other countries proves the capability of its marketing personnel. OFIH retains the services of a professional marketing team.

(c) CONTRIBUTION TO ECONOMIC GROWTH

(i) Value Added

In line with the growth in sales, the range of value added products manufactured by the Company has grown rapidly. The continued expansion of value added products indicates the increasing technological level of the operations and its products.

(ii) Government Policies

The Government is promoting the expansion of the local food manufacturing industry as it recognises the importance of reducing imports. The Government has taken positive measures by giving incentives to the investors in the food manufacturing industry.

9. INFORMATION ON THE OFIH GROUP *(Cont'd)*

(iii) Linkages And Catalyst

Malaysia is moving into a more advanced stage of economic development spurred by the need to seek greater value-added manufacturing to sustain further growth. Strategies for further growth must place greater emphasis on strengthening food processing linkages and upgrading of technology.

Malaysia's dependence on imports of capital and intermediate goods and services clearly demonstrates the need for greater linkages within the manufacturing sector, in particular food processing. The food processing industry, being one of the important manufacturing subsector must be integrated with more sophisticated domestic support and service industries to ensure a strong industrial base and high retention of value-added services.

(d) FUTURE PLANS OF THE OFIH GROUP

Expansion of the existing product range

The immediate future plans of the Group are to strengthen its core business and to concentrate on expanding the products range by using existing machineries to produce more varieties, by introducing different flavours and types of packaging to attract the consumers. The advantage of such utilization of line expansion is the non-requirement of new skill and technology by maintaining the current workforce and machineries. By having a variety of product ranges, the consumers/customers are able to have more choices towards their consumption of flavoured snack food and confectioneries. Presently, the Group's new wafer products with the brand name "Jacker" are running at approximately 80% to 85% of its maximum capacity. Pursuant to its product launching in 1998, the group has taken various steps to advertise and promote its new wafer products to the public. At the same time, OFIH also has plans in expanding its wafer product range.

In the light of the escalating realisation and demand for health food, the Group has incorporated into its vision and plans, future food products that emphasizes on health; the same being enriched with vitamins and mineral. Reflective of this vision, new innovative product ranges have included potato chips that are enriched with calcium and vitamins; potato chips with the brand name "Rota Potato" had been launched in December 1999 to greet the new millennium.

Packaging with emphasis on consumer convenience and improved maintenance of food freshness and quality will be sourced and adopted as standard packaging materials.

Improvement towards a stronger marketing force

OFIH plans to improve and increase its marketing efforts in the near future as the management realizes the importance of marketing. Currently, it has 27 route trucks servicing small retail shops throughout the Peninsular Malaysia. OFIH intends to increase the trucks to 50 or more units within the next two years, wherein there will be at least three (3) route trucks in every Malaysian state. Currently, OFIH has established three (3) branch offices in Kuala Lumpur, Johor Bharu and Ipoh. To ensure the increase in sales, marketing and distribution of OFIH's products, these states are grouped in four (4) regions i.e. Central, Northern, Southern and East Coast. At present, there are three (3) Area/Regional Sales Manager in-charge of the respective designated regions.

OFIH also has a number of sales teams, comprising of seven (7) credit salesman in a team servicing supermarkets, hypermarkets and wholesalers, twenty-three (23) van salesman and four (4) supervisors servicing retail outlets. To ensure that small retail shops, which are not covered by the route trucks, are served, the Group has as at todate appointed three (3) jobbers in Kedah and Penang. OFIH has plans to improve the distribution network by increasing the number of jobbers preferably in every state in Peninsular Malaysia to capture more areas. As at 30 June 1999, the Group has so far appointed 235 independent distributors in Peninsular Malaysia and 10 in East Malaysia and has plans to increase the total number of distributors. OFIH has also taken an aggressive stance in developing its international market by appointing reputable distributors in major overseas market. The Group is constantly scouting for reliable distributors in its efforts to appoint more overseas distributors of its wide range of products. Presently, about 34% of the Group's products are exported.

To fuel and contribute as catalyst towards the achievement of the corporate objective and vision of the company, the marketing arm will be further expanded with new members recruited into the team.

Better quality control

The Management of OFIH firmly believes that quality sells. As such, other than ensuring that the products are of the finest quality, the Management emphasizes the importance of providing confidence to customers, consumers and the regulatory authorities that the products meet the implied or stated needs. OFIH uses only the finest natural ingredients sourced from a selected panel of suppliers and employs a modern technology in manufacturing its products. The imported advanced technology is sourced from reputable food specialist. The success in obtaining the MS ISO 9002 certification from SIRIM in 1996 further proves that only products of the highest quality are produced. OFIH has established an effective and efficient Quality Assurance System to cover all aspects of hygiene, contract review, production processes, quality control, testing line and other relevant aspects as per the MS ISO 9002 requirements. The Management always emphasizes that availability, delivery, servicing and price are just as important as the product.

Diversification to manufacturing custard cake, layer cake and biscuits

OFIH is constantly reviewing its operations and product range against overseas market demand. The Directors believe that the present production capacity of the company is anticipated to be able to meet demand for the next four years till year 2004. OFIH has a piece of vacant industrial land measuring approximately 19,066 square metres for its future expansion. The Management has planned to diversify into manufacturing custard cake, layer cake and biscuits.

Being part of the expansion programme, layer cake machines will be installed in July 2000 and the custard cake machines will be installed in September 2000. Those cakes have good market acceptance and high profit margins. These products can be served as instant meal such as breakfast, thus expected to generate a high volume of sales.

OFIH has further intention to diversify into manufacturing of soft and hard biscuits with emphasis on health consciousness; such biscuits being enriched with vitamins and minerals. The price of such biscuits are comparatively low and as such the consumption of biscuits will not adversely be affected in its domestic demand during economic downturn period. Packaging with emphasis on consumer convenience and improved maintenance of food freshness and quality will be sourced and adopted as standard packaging materials for all OFIH products.

This diversification which emphasized on health and nutritional food will open up new marketing horizon towards securing a stronger consumer market. Such anticipated growth is strategically justifiable by the fact that unlike snack food, the new range of products, i.e. wafer and biscuits, which are enriched with vitamins and minerals, will prove to be acceptable not only by the younger generation but will be absorbed into the daily diet of all ages.

Improvement in Research & Development

The Research and Development function has been Mr Son Chen Chuan and his partners' responsibility. OFIH plans to set up a Research & Development team which will play a key role in maintaining the Group's competitive edge. It will be responsible for improving the manufacturing processes to increase productivity without compromising on quality, introduction of new products, cost and wastage reduction, upgrade and modification plant and machinery. The Research & Development team will coordinate with the suppliers of machineries for the purchase of new machineries.

Increase market share and penetrate into overseas market

OFIH's products adhere to stringent overseas health regulations and labelling requirements. The export market presents attractive opportunities for OFIH. With the existing production capacity, OFIH is able to meet large orders of which approximately 24% from overseas. Apart from the existing export market established in Middle-East, Hong Kong, Singapore, Taiwan, China, Australia, United Kingdom, the Directors of OFIH foresee further opportunities to be created with the lifting of trade restrictions within ASEAN and with the unification of the European market.

Snack food and confectioneries are universally acceptable food and are popular as after main meals or "in-between" meals. With the general increase in affluence both locally and abroad, as well as the opportunities in the local and foreign markets, strong demand for snack food and confectioneries is expected to be sustained.

The Directors of OFIH believe that the Group, having captured a significant market share for its products in a relatively short span of 17 years, and with its existing automated production lines, skilled and dedicated manpower, strong management and proven marketing infrastructure, wide product range and established customer base, is well-equipped to further exploit opportunities in the industry, both locally and abroad. The Group intends to expand its current market share to other countries, besides focusing its marketing efforts in those existing overseas market and in Malaysia.

The Company is confident of fulfilling its vision of becoming the premier snack food manufacturer in Malaysia, maintaining its edge over its competition while carrying on its tradition of striving to be the best in the business and committed towards excellence and meeting the needs of the customers with premium quality products and service.

10. FINANCIAL INFORMATION

10.1 Profit Record

The following table sets out a summary of the proforma OFIH Group's financial performance for the past five (5) financial years ended 31 March 1999 and 11 month period ended 29 February 2000 based on the assumption that the Group structure has been in existence since 1 April 1994. The proforma consolidated profit records are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus:-

	<----------Audited---------->					
	<---- Financial Year Ended 31 March ---->					11 months period ended
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	29.02.2000 RM'000
Turnover	35,782	39,516	44,677	48,685	54,905	62,041
Profit before depreciation and interests	4,931	7,179	8,357	9,619	10,119	12,405
Depreciation	(1,442)	(1,703)	(1,957)	(2,536)	(2,784)	(2,941)
Interest expenses	(327)	(456)	(417)	(619)	(587)	(140)
Profit before taxation and minority interests	3,162	5,020	5,983	6,464	6,748	9,324
Taxation	(1,047)	(1,713)	(1,792)	(217)	(346)	(2,183)
Profit after taxation but before minority interests	2,115	3,307	4,191	6,247	6,402	7.141
Minority interests	134	(129)	(242)	(328)	(358)	(358)
Profit after taxation and extraordinary item	2,249	3,178	3,949	5,919	6,044	6,783
No. of ordinary shares in issue ('000)	32,535	32,535	32,535	32,535	32,535	32,535
Gross EPS (sen)	9.72	15.43	18.39	19.87	20.74	*31.26
Net EPS (sen)	6.91	9.77	12.14	18.19	18.58	*22.74

Notes :

(1) *The turnover from 1995 to 1999 was in an increasing trend mainly due to the introduction of new products (i.e. Green pea in 1994, Potato chips in 1995 and Wafer in 1998), recruitment of additional salesmen which led to the increase in customer base and orders, increase in export sales especially to Hong Kong, China, Middle East, Singapore, Taiwan, Australia, Europe, America, Indonesia and Maldives, more aggressive marketing strategy through advertisements and promotions and participation in international food fair.*

(2) *The increase in profit before taxation in 1996 was mainly due to the increase in turnover, improved production efficiencies and launch of the higher margin product, i.e. Potato chips.*

(3) *The increase in turnover and profit for the period ended 29 February 2000 was mainly due to improve economic condition and higher demand for wafer products.*

(4) *The higher taxation in 1996 and 1997 was due to disallowance of certain expenses by the Inland Revenue Board.*

(5) *The lower taxation in 1998 and 2000 was mainly due to the availability of the tax incentives. No provision has been made for Malaysian income tax in respect of business income earned for 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999. The taxation charge was in respect of prior year's under provision.*

(6) *There were no extraordinary item or exceptional item during the financial years / period under review.*

* *Annualised*

10.2 Working Capital, Borrowings And Contingent Liabilities

(a) Working Capital

The Directors of OFIH are of the opinion that, after taking into account of the cashflow projection, banking facilities available and gross proceeds from the Rights Issue and Public Issue, the OFIH Group will have adequate working capital for its current requirements.

(b) Borrowings

As at 19 June 2000, (being the latest practicable date prior to the printing of this Prospectus), the OFIH Group has no outstanding bank borrowings, overdraft facilities, loan capital outstanding or created but unissued, mortgages or charges.

(c) Contingent Liabilities

As at 19 June 2000, (being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the Group has no contingent liabilities.

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10. FINANCIAL INFORMATION *(Cont'd)*

10.3 Proforma Consolidated Profit Estimate And Consolidated Profit Forecast Together With The Notes And Assumptions Thereon

(Prepared for inclusion in this Prospectus)

The Directors of Oriental Food Industries Holdings Berhad ("OFIH") forecast that, barring unforeseen circumstances, the consolidated profit after taxation and minority interest of OFIH and its subsidiary ("the Group") for the financial years ended/ending 31 March 2000 and 2001 respectively are as follows:

Financial Years Ended / Ending 31 March	Proforma Estimate 2000 RM'000	Forecast 2001 RM'000
Consolidated profit before taxation and minority interest	8,971	12,962
Less: Taxation	(1,578)	(3,244)
Consolidated profit before minority interest but after taxation	7,393	9,718
Less: Minority interest	-	(518)
Consolidated profit after taxation and minority interest	7,393	9,200
Enlarged issued and paid-up share capital ('000)	32,535	40,000
Gross EPS (sen)	27.57	32.41
Net EPS (sen)	22.72	23.00
Gross PE Multiple based on the issue price of RM2.00 per ordinary share (times)	7.25	6.17
Net PE multiple based on the issue price of RM2.00 per ordinary share (times)	8.80	8.70

The Group consists of Oriental Food Industries Sdn Bhd and its subsidiary, Oriental Food Marketing Sdn Bhd, and Good Food Industries Sdn Bhd and its subsidiaries Good Food Marketing Sdn Bhd and Sun Sin Sin Confectionery Sdn Bhd. The acquisition of the entire equity interest in OFI by OFIH and the additional acquisition of 21.88% equity interest in GoodFood by OFI were both completed on 8 June 2000. The purchase consideration was equivalent to the adjusted audited net tangible assets of the respective companies as at 31 March 1999 for OFI and as at 31 December 1998 for GoodFood. The acquisition of OFI is accounted for under the merger accounting method. Under this method, the existing businesses of the companies are deemed to have been always combined together. The acquisition of GoodFood is accounted for under the acquisition accounting method.

The principal bases and assumptions upon which the above proforma consolidated profit estimate and consolidated profit forecast have been prepared are set out below:-

1. The proceeds of RM12,160,637 raised from the Rights Issue of 4,614,741 ordinary shares of RM1.00 each at an issue price of RM1.40 per share and Public Issue of 2,850,000 ordinary shares of RM1.00 each at an issue price of RM2.00 per share will be received by end of July 2000 and utilised for the proposed capital expenditure and other purposes as approved by the authorities.

2. The share issue expenses arising from the above proposals estimated at RM1,200,000 will be written off against the share premium account.

10. FINANCIAL INFORMATION *(Cont'd)*

3. There will be no significant changes in current demands and the prevailing market conditions in Malaysia and other parts of the world where the products of the Group are sold, which will adversely affect the Group.

4. There will be no material changes in present legislations or regulations, rates and bases of duties, levies and taxes affecting the Group.

5. There will be no material changes in the principal activities and structure of the Group.

6. There will be no material changes in the accounting policies currently adopted by the Group.

7. There will be no material changes in the present management of the Group.

8. There will be no major industrial disputes or any abnormal factors which will adversely affect the operations of the Group.

9. There will be no major breakdowns or disruptions of the Group's manufacturing activities which would adversely affect the operations of the Group.

10. The prices of raw materials will not change materially from their prevailing levels and there will be no adverse time lag in supply scheduling.

11. The existing financing facilities will remain available with no significant changes in their prevailing interest rates.

12. There will be no significant changes in the prevailing inflation rates and exchange rates of foreign currencies. In particular, the exchange rate of US Dollar to RM will remain pegged at the prevailing level of USD1.00: RM3.80.

13. There will be no material acquisitions and disposals of fixed assets other than as planned in the forecast.

14. The new products projects will be carried out according to the planned schedule.

15. Reinvestment allowance claims on future qualifying capital expenditure will be approved by the tax authorities.

10.4 Auditors' Letter On The Proforma Consolidated Profit Estimate And Consolidated Profit Forecast

(Prepared for inclusion in this Prospectus)

PricewaterhouseCoopers
Public Accountants
12th Floor
Bangunan Yayasan Melaka
Jalan Hang Tuah
75300 Melaka, Malaysia

27 June 2000

The Board of Directors
Oriental Food Industries Holdings Berhad
22nd Floor, Wisma Cyclecarri
288 Jalan Raja Laut
50350 Kuala Lumpur

Dear Sirs,

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD
PROFORMA CONSOLIDATED PROFIT ESTIMATE AND CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEARS ENDING 31 MARCH 2000 AND 2001

We have reviewed the accounting policies and calculations for the proforma consolidated profit estimate and consolidated profit forecast of Oriental Food Industries Holdings Berhad ("OFIH") and its subsidiary ("the Group") for which the Directors are solely responsible, for the years ending 31 March 2000 and 2001 respectively as set out in the Prospectus dated 30 June 2000. The proforma consolidated profit estimate and consolidated profit forecast have been prepared for the purpose of inclusion in the Prospectus in connection with the Public Issue of 2,850,000 new ordinary shares of RM1.00 each in OFIH at an issue price of RM2.00 per share and the listing of and quotation of the entire enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the proforma consolidated profit estimate and consolidated profit forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by OFIH and its subsidiary which includes a new accounting policy of the Group in respect of the revaluation of the land and buildings.

Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF-1146)
Public Accountants

P'NG BENG HOE
(No. 1563/8/01(J))
Partner of the firm

10. FINANCIAL INFORMATION *(Cont'd)*

10.5 Proforma Consolidated Balance Sheet As at 29 February 2000 Together With The Notes And Assumptions Thereon

(Prepared for inclusion in this Prospectus)

The Proforma Consolidated Balance Sheets of Oriental Food Industries Holdings Berhad ("OFIH") and its subsidiary ("the Group") as set out below are provided solely for illustrative purposes to show the effects of the acquisition of the entire issued and paid-up share capital of Oriental Food Industries Sdn Bhd ("Acquisition"), the Rights Issue of 4,614,741 new ordinary shares of RM1.00 each at an issue price of RM1.40 per share and the Public Issue of 2,850,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 per share payable in full upon application on the assumption that these transactions were completed on 29 February 2000 and should be read in conjunction with the accompanying notes.

		Proforma Consolidated Balance Sheets	
	Audited balance sheet of OFIH as at 29 February 2000 RM'000	**Proforma I After the Acquisitions RM'000**	**Proforma II After Proforma I, Rights Issue and Public Issue RM'000**
CURRENT ASSETS	*	23,410	34,371
LESS: CURRENT LIABILTIES	(241)	(6,877)	(6,699)
NET CURRENT (LIABILITIES)/ASSETS	(241)	16,533	27,672
FIXED ASSETS	-	32,455	32,455
INVESTMENTS	-	310	310
DEFERRED EXPENDITURE	178	178	-
PRELIMINARY AND PRE-OPERATING EXPENSES	63	63	63
NET ASSETS	*	49,539	60,500
Financed by:			
SHARE CAPITAL (note 2)	*	32,535	40,000
SHARE PREMIUM (note 2)	-	-	3,496
RESERVES (note 3)	-	12,694	12,694
SHAREHOLDERS' FUNDS	*	45,229	56,190
MINORITY INTEREST	-	3,587	3,587
LONG TERM AND DEFERRED LIABILITIES	-	723	723
	*	49,539	60,500
Net tangible assets per RM1.00 share in OFIH (RM)		1.38	1.40

Note: * RM2

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD
NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 29 FEBRUARY 2000

1. BASIS OF PREPARATION

1.1 AUDITED BALANCE SHEET OF OFIH

The balance sheet of OFIH as at 29 February 2000 is extracted from its audited accounts for the 11 months period ended 29 February 2000 which was reported on without qualification by the auditors.

1.2 PROFORMA CONSOLIDATED BALANCE SHEETS

1.2.1 The Proforma Consolidated Balance Sheets ("Proforma") incorporate on a proforma basis the following transactions on the audited balance sheet of OFIH as though they were effected on 29 February 2000:

Proforma I

(a) Proforma I incorporates the effects of the following:-

(i) acquisitions of the entire issued and paid-up share capital of Oriental Food Industries Sdn Bhd ("OFI") for a purchase consideration of RM38,066,251 to be satisfied by the issuance of 32,535,257 new ordinary shares of RM1.00 each in OFIH at an issue price of RM1.17 per share;

(ii) acquisition by OFI of 1,034,958 ordinary shares of RM1.00 each representing approximately 21.88% of the issued and paid-up share capital of Good Food Industries Sdn Bhd ("GoodFood") for a purchase consideration of RM1,456,561 to be satisfied entirely by cash;

(iii) incorporation of the revaluation surplus of the landed properties of OFI and GoodFood of RM9,422,909 and RM332,871 respectively.

(b) the acquisition of OFI is accounted for under the merger accounting method. Under this method, the existing business of OFI is deemed to have been always combined together. The acquisition of GoodFood is accounted for under acquisition accounting method.

Proforma II

(c) Proforma II incorporates the effects of Proforma I and:

(i) the Rights Issue of 4,614,741 new ordinary shares of RM1.00 each at RM1.40 per share on the basis of approximately 142 new shares for every 1,000 shares held to existing shareholders of OFI; and

(ii) the Public Issue of 2,850,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 per share to the Malaysian public and eligible directors and employees of the Group.

1.2.2 The Proforma Consolidated Balance Sheets have been prepared based on the audited accounts of OFIH and OFI for the 11 months period ended 29 February 2000 and GoodFood for the two months period ended 29 February 2000, which were reported on without qualification by the respective auditors.

1.2.3 Estimated incidental expenses relating to the issue of new shares for the acquisition of the subsidiary, the Rights Issue and the Public Issue amounting to RM1,200,000 have been written off against the share premium account.

1.2.4 The Proforma Consolidated Balance Sheets have been presented on a basis consistent with the accounting policies normally adopted by OFIH and its subsidiary and includes a new accounting policy of the Group in respect of revaluation of the land and buildings.

2. SHARE CAPITAL AND SHARE PREMIUM

The movements of the issued and paid-up share capital and share premium accounts of OFIH are as follows:

	Share capital RM'000	Share premium RM'000
Balance as per audited balance sheet of OFIH as at 29 February 2000	*	-
Issue of shares for the acquisition of OFI	32,535	-
As shown in Proforma I	32,535	-
Rights Issue by OFIH	4,615	1,846
Public Issue by OFIH	2,850	2,850
Estimated share issue expenses written off	-	(1,200)
As shown in Proforma II	40,000	3,496

Note: * RM2

In accordance with the merger relief provision of Section 60(4) of Companies Act, 1965, no premium is recorded in share premium account of OFIH in respect of share issue for the acquisition of OFI.

3. MOVEMENT OF RESERVES

	Profit and Loss account RM'000	Revaluation Reserve RM'000	Reserve on consolidation RM'000	Total RM'000
Reserves at acquisition of the subsidiary	32,955	9,423	-	42,378
Merger deficit	(20,384)	(9,423)	-	(29,807)
Reserve arising on consolidation of GFI	-	-	123	123
As shown in Proforma I and II	12,571	-	123	12,694

The merger deficit represents the excess of the nominal value of shares issued for the acquisition of OFI over its nominal value of share capital.

10.6 Auditors' Letter On The Proforma Consolidated Balance Sheet
(Prepared for inclusion in this Prospectus)

PricewaterhouseCoopers
Public Accountants
12th Floor
Bangunan Yayasan Melaka
Jalan Hang Tuah
75300 Melaka, Malaysia

27 June 2000

The Board of Directors
Oriental Food Industries Holdings Berhad
22nd Floor, Wisma Cyclecarri
288 Jalan Raja Laut
50350 Kuala Lumpur

Dear Sirs,

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 29 FEBRUARY 2000

We have reviewed the Proforma Consolidated Balance Sheets of Oriental Food Industries Holdings Berhad and its subsidiary ("the Group") as at 29 February 2000, together with the notes thereto for which the Directors are solely responsible, as set out in the Prospectus to be dated 30 June 2000. The Proforma Consolidated Balance Sheets have been prepared for the purpose of inclusion in the Prospectus in connection with the Public Issue of 2,850,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 each and the listing of and quotation for the entire enlarged issued and fully paid-up share capital of 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

Based on the results of our review, we confirm that the Proforma Consolidated Balance Sheets of the Group as at 29 February 2000 which are provided for illustrative purposes only have been properly compiled on the bases set out in the notes to the Proforma Consolidated Balance Sheets.

Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF-1146)
Public Accountants

P'NG BENG HOE
(No. 1563/8/01/(J))
Partner of the firm

10. FINANCIAL INFORMATION *(Cont'd)*

10.7 Dividend Forecast

Based on the consolidated profit forecast for the year ending 31 March 2001 and taking into consideration the basis for calculating taxation and the rates of taxation for the financial year ending 31 March 2001 will be 28%, the Directors of OFIH anticipate that they will be in a position to propose a gross dividend of 5% (a net dividend of 2001: 3.6%) based on the issued and paid-up share capital of 40,000,000 for the financial year ending 31 March 2001. No dividends has been proposed or declared for the financial year ended 31 March 2000.

The intended appropriation of the consolidated profit forecast after taxation in respect of the financial year ending 31 March 2001 would be as follows:

For the financial year ending 31 March	**Forecast 2001 RM'000**
Consolidated profit before taxation but after minority interests	12,444
Less: Taxation	(3,244)
Consolidated profit after taxation	9,200
Less: Proposed net dividend	(1,440)
Forecast Retained profit for the year	7,760
Net dividend yield based on the issue price of RM2.00 per ordinary share (%)	1.80
Net dividend cover (times)	6.39

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(Prepared for inclusion in the Prospectus)

PRICEWATERHOUSECOOPERS

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ACCOUNTANTS' REPORT
(Prepared for inclusion in the Prospectus)

The Board of Directors
Oriental Food Industries Holdings Berhad
22nd Floor, Wisma Cyclecarri
288 Jalan Raja Laut
50350 Kuala Lumpur

27 June 2000

PwC/PBH/z
DL/ORIENTALReport

Dear Sirs,

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus to be dated 30 June 2000 in connection with :-

(i) the public issue of 2,850,000 new ordinary shares of RM1.00 each in Oriental Food Industries Holdings Berhad ('OFIH' or 'the Company') at an issue price of RM2.00 per share;

(ii) the listing and quotation for the entire enlarged issued and fully paid-up share capital of the Company comprising 40,000,000 ordinary shares of RM1.00 each in OFIH on the Second Board of the Kuala Lumpur Stock Exchange ('KLSE').

2. GENERAL INFORMATION

(i) Incorporation

OFIH was incorporated on 8 June 1996 in Malaysia as a public limited company.

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2. GENERAL INFORMATION (CONTINUED)

(ii) Principal activities

OFIH's principal activity is investment holding. The principal activities of the subsidiary companies are set out in paragraph (iv) below.

(iii) Restructuring scheme

In conjunction with, and as an integral part of the listing of and quotation for the enlarged issued and fully paid-up ordinary share capital of OFIH on the Second Board of the Kuala Lumpur Stock Exchange, the Company undertook the following restructuring scheme which was approved by the relevant authorities:-

(a) Revaluation of the landed properties of Oriental Food Industries Sdn Bhd ('OFI') and Good Food Industries Sdn Bhd ('Goodfood') and incorporation of the revaluation surplus of RM9,422,909 and RM332,871 respectively into the group's proforma accounts for the 11 months period ended 29 February 2000;

(b) Acquisition by OFIH of the entire issued and paid-up share capital of 2,728,275 ordinary shares of RM1.00 each in OFI for a purchase consideration of RM38,066,251 to be satisfied by an issuance of 32,535,257 new ordinary shares of RM1.00 each in OFIH at an issue price of approximately RM1.17 per share;

The acquisition of OFI was completed on 8 June 2000.

(c) Acquisition by OFI of 1,034,958 ordinary shares of RM1.00 each representing approximately 21.88% of the issued and paid-up share capital of Goodfood for a purchase consideration of RM1,456,561 to be satisfied entirely by cash;

The acquisition of Goodfood was completed on 8 June 2000.

(d) Rights issue of 4,614,741 new ordinary shares of RM1.00 each in OFIH at an issue price of RM1.40 per share to the existing shareholders of OFI on the basis of approximately 142 new ordinary shares for every 1,000 ordinary shares held;

The rights issue was completed on 23 June 2000.

(e) Public issue of 2,850,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 per share to the Malaysian public, eligible employees and directors of OFIH and other persons; and

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(f) Listing of and quotation for the entire enlarged issued and fully paid-up share capital of the Company comprising 40,000,000 ordinary shares of RM1.00 each in OFIH on the Second Board of the KLSE.

(iv) Subsidiary companies

The subsidiary companies of OFIH, all of which are incorporated in Malaysia are as follows:-

Name of company	Date of incorporation	Issued and paid-up share capital RM	Effective equity interest %	Principal activities
Oriental Food Industries Sdn Bhd ('OFI')	21 March 1978	2,728,275	100	Manufacturing and marketing of snack food and confectioneries
Oriental Food Marketing Sdn Bhd ('OFM')	6 December 1997	50,000	100	Sale and marketing of snack food and confectioneries
Goodfood Industries Sdn Bhd ('Goodfood')	25 November 1989	4,729,800	51	Manufacturing and wholesale of sweets, chocolate products, fish fillet and candies
Goodfood Marketing Sdn Bhd. ('GFM')	1 October 1988	400,000	51	Dormant
Sun Sin Sin Confectionery Sdn Bhd ('SSS')	8 June 1991	300,000	51	Dormant

3. SHARE CAPITAL

As at the date of incorporation, the authorised share capital of the Company was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. On 12 May 2000, the authorised share capital was increased to RM100,000,000 by the creation of 99,900,000 new ordinary shares of RM1.00 each.

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3. SHARE CAPITAL (CONTINUED)

The changes in the issued and paid-up share capital of the Company since its incorporation were as follows:

Date of allotment	Number of ordinary shares of RM1.00 each	Consideration	Cumulative total issued and paid-up share capital RM
8.6.1996	2	Cash (Subscribers' shares)	2
8.6.2000	32,535,257	Issued pursuant to the acquisition of OFI	32,535,259
23.6.2000	4,614,741	Rights issues on the basis of approximately 142 new ordinary shares for every 1,000 ordinary shares held	37,150,000

4. ACCOUNTS AND AUDITORS

OFIH and OFI

We are the auditors of OFIH and OFI for all the periods relevant to this report. All periods before 31 March 1999 were audited under the name of Price Waterhouse.

OFM

We are the auditors of OFM for all the periods relevant to this report.

Goodfood, GFM and SSS

The accounts of Goodfood, GFM and SSS for all periods relevant to this report were audited by another firm of auditors.

The accounts of OFIH and its subsidiaries for all periods relevant to this report were audited and reported on without any qualification by the auditors.

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5. SUMMARISED PROFIT AND LOSS ACCOUNT

(i) Proforma consolidated profit and loss accounts

The summarised proforma consolidated results of OFIH Group set out below have been prepared for illustrative purposes based on the audited accounts of OFIH, OFI for the past five (5) years ended 31 March 1999 and eleven (11) months period ended 29 February 2000 and Goodfood for the past (5) five years ended 31 December 1999 and two (2) months period ended 29 February 2000 respectively, assuming that the acquisition of these subsidiaries had been in effect on 1 April 1994:

	Year ended 31 March					11 months ended
	1995	1996	1997	1998	1999	29.2.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	35,782	39,516	44,677	48,685	54,905	62,041
Profit before depreciation and interest	4,931	7,179	8,357	9,619	10,119	12,405
Depreciation	(1,442)	(1,703)	(1,957)	(2,536)	(2,784)	(2,941)
Interest expense	(327)	(456)	(417)	(619)	(587)	(140)
Profit before taxation and minority interest	3,162	5,020	5,983	6,464	6,748	9,324
Taxation	(1,047)	(1,713)	(1,792)	(217)	(346)	(2,183)
Profit after taxation but before minority interest	2,115	3,307	4,191	6,247	6,402	7,141
Minority interest	134	(129)	(242)	(328)	(358)	(358)
Profit after taxation and minority interest	2,249	3,178	3,949	5,919	6,044	6,783

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	Year ended 31 March					11 months ended
	1995	1996	1997	1998	1999	29.2.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Number of ordinary shares assumed to be in issue ('000)	32,535	32,535	32,535	32,535	32,535	32,535
Net Earnings Per Share ('EPS') (RM)	0.07	0.10	0.12	0.18	0.19	0.23+

+ Annualised

Notes:

(a) The proforma consolidated results of the OFIH Group have been prepared based on accounting policies consistent with those previously adopted in the preparation of the individual company's audited financial statements. It has been compiled on a time-apportioned basis, where relevant to conform with financial year end of 31 March of the Group.

(b) The higher taxation in 1996 and 1997 was due to disallowance of certain expenses by the Inland Revenue Board.

(c) The lower taxation in 1998 and 2000 was mainly due to the availability of tax incentives. No provision has been made for Malaysian income tax in respect of business income earned for 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999. The taxation charge was in respect of prior year's underprovision.

(d) The net earnings per share is calculated based on the profit after taxation and minority interest and on the enlarged share capital of 32,535,000 ordinary shares of RM1.00 each, after taking into account the shares issued by OFIH for the acquisition of OFI. For illustrative purposes, the net EPS calculated on the results for the eleven (11) months ended 29 February 2000 have been reflected on an annualised basis.

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(ii) OFIH

No profit and loss account has been prepared for OFIH since its date of incorporation as it has not commenced operations. The pre-operating expenses incurred during these periods have been carried forward to the subsequent year.

(iii) OFI

The summary of earnings of OFI based on its audited accounts for the five (5) years ended 31 March 1999 and eleven (11) months period ended 29 February 2000 are set out below:

	Year ended 31 March					11 months ended
	1995	1996	1997	1998	1999	29.2.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	29,788	34,131	38,192	41,194	39,282	45,803
Profit before depreciation and interest	4,958	6,295	7,232	8,341	4,329	7,300
Depreciation	(1,287)	(1,304)	(1,556)	(2,123)	(2,318)	(2,360)
Interest expense	(273)	(235)	(185)	(426)	(475)	(105)
Profit before taxation	3,398	4,756	5,491	5,792	1,536	4,835
Taxation	(1,047)	(1,713)	(1,792)	(216)	(345)	(1,102)
Profit after taxation	2,351	3,043	3,699	5,576	1,191	3,733
No. of ordinary shares in issue ('000)	2,450	2,728	2,728	2,728	2,728	2,728
Net EPS (RM)	0.96	1.12	1.36	2.04	0.44	1.49+

+ Annualised

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Notes:

(a) The effective tax rate for 1996 and 1997 was higher than the statutory rate due to disallowance of certain expenses by the Inland Revenue Board.

(b) The lower taxation in 1998 and 2000 was mainly due to availability of tax incentives. No provision has been made for Malaysian income tax in respect of business income earned for 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999. The taxation charge was in respect of prior year's underprovision.

(c) The earnings per share is calculated based on the profit after taxation and on the number of shares in issue during the respective periods under review. For illustrative purposes, the net EPS calculated on the results for the eleven (11) months ended 29 February 2000 have been reflected on an annualised basis.

(iv) OFM

The summary of earnings of OFM based on its audited accounts for the period 6 December 1997 (date of incorporation) to 31 March 1999 and eleven (11) months period ended 29 February 2000 are set out below:

	Period 6.12.1997 to 31.3.1999 RM'000	11 months ended 29.2.2000 RM'000
Turnover	35,504	39,874
Profit before depreciation and interest	4,499	3,843
Depreciation	(14)	(77)
Interest expense	(5)	(8)
Profit before taxation	4,480	3,758
Taxation	-	(1,081)
Profit after taxation	4,480	2,677
No. of ordinary shares in issue ('000)	50	50
Net EPS (RM)	89.60	58.40+

+ Annualised