

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th JUNE 2010***

A. INFORMATION REQUIRED BY FRS 134

1. *Basis of Preparation*

The condensed interim financial report is unaudited and has been prepared in accordance with FRS 134 - Interim Financial Reporting and Part A of Appendix 9B of the Bursa Malaysia Securities Berhad (“BMSB”) Main Market Listing Requirements, and should be read in conjunction with the audited financial statements for the year ended 31 March 2010.

The accounting policies, methods of computation and basis of consolidation applied in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2010, except for the adoption of the following new/revised Financial Reporting Standard (“FRS”), amendments to published standards and interpretations to existing standards as follows:

FRS 101	Presentation of financial statements
FRS 139 and its Amendments	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
FRS 7 and its Amendments	Financial instruments: Disclosures
Amendments to FRS 107	Statement of cash flows
Amendments to FRS 110	Events after the balance sheet date
Amendments to FRS 116	Property, plant and equipments
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee benefits
Amendments to FRS 136	Impairment of assets

The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the following standards and interpretations on the financial statements of the Group.

- FRS 139, Amendments to FRS 139 on eligible hedged items, Improvement to FRS 139 and IC Interpretation 9
- FRS 7 and Improvement to FRS 7

The above amendments are not expected to have a material impact on the Group’s financial statements other than the reclassification of prepaid lease rentals to property, plant and equipment and investment properties, respectively.

FRS 117: Leases

FRS 117 “Leases” (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

The Group has reassessed the risks and rewards of the leasehold lands and concluded that they are finance lease. As such, leasehold lands have been reclassified from prepaid lease rentals to property, plant and equipment as well as investment properties, respectively.

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The comparative figures in respect of 31 March 2010 have been restated to reflect the relevant adjustments on the adoption of the relevant FRS as disclosed below:

	As Previously Stated RM'000	Reclassifications Effects of Amendment of FRS 117 RM'000	As Restated RM'000
Property, Plant and Equipment	71,052	12,624	83,676
Investment Properties	909	373	1,282
Prepaid Lease Rentals	12,997	(12,997)	-

Apart from the above, the interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2010.

2. Seasonal or Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

3. Exceptional / Extraordinary Items

There were no exceptional / extraordinary items for the financial period under review.

4. 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.

5. Debts and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current financial quarter.

6. Acquisition and Disposal of Property, Plant and Equipment

Acquisitions

Below are the properties, plant and equipment acquired by the Group during the period under review:

	Cost RM'000
Plant and machinery	246
Motor vehicles	678
Furniture, fittings and office equipment	84
Capital work in progress	143
	<hr/>
	1,151
	<hr/> <hr/>

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Disposals

Below are the properties, plant and equipment disposed off by the Group during the period under review:

	<u>Cost</u> RM'000	<u>Net Book Value</u> RM'000	<u>Sales Proceeds</u> RM'000	<u>Loss on Disposals</u> RM'000
Motor vehicles	892	451	265	186

7. Dividend Paid

There was no dividend paid during the current quarter

8. Segment Information

Segmental information is presented in respect of the Group's business segments, which reflect the Group's management structure and the way financial information is internally reviewed by the Group's chief operating decision maker.

The Group is organised into two main business segments:

- (i) Snack food and confectioneries - manufacture and marketing of a range of snack food and confectioneries.
- (ii) Property development - development of land into commercial buildings.

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8. Segment Information (continued)

<u>Period ended</u> <u>30.06.2010</u>	<u>Snack food and confectioneries</u> RM'000	<u>Property development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
Sales				
External sales	35,229	0	0	35,229
Results				
Segment results (external)	3,796	1	0	3,797
Unallocated income (net)				45
Profit from operations				3,842
Finance cost				(74)
Profit before tax				3,768
Tax expenses				(753)
Net profit for the financial year				3,015
Other information				
Segment assets	130,628	6,976	(4,692)	132,912
Unallocated assets				8,720
Total assets				141,632

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8. Segment Information (continued)

<u>Period ended</u> <u>30.06.2009</u>	<u>Snack food and confectioneries</u> RM'000	<u>Property development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
Sales				
External sales	29,236	0	0	29,236
Results				
Segment results (external)	2,900	(64)	0	2836
Unallocated income (net)				10
Profit from operations				2,846
Finance cost				(122)
Profit before tax				2,724
Tax expenses				(637)
Net profit for the financial year				2,087
Other information				
Segment assets	129,354	7,636	(6,412)	130,578
Unallocated assets				3,589
Total assets				134,167

Unallocated income consists of interest income.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, receivables and operating cash, and mainly exclude fixed deposits, investments and tax refund receivable.

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9. Significant Related Party Disclosures

The significant related party transactions and balances 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.

Sale of Goods

	Transactions for the period ended <u>30.6.2010</u> RM'000	Outstanding balance as at <u>30.6.2010</u> RM'000
Syarikat Perniagaan Chong Mah	1,149	395

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 Company

Acquisition of Minority Interests

On 11 May 2010, the Company acquired additional 100,000 ordinary shares of RM1.00 each representing 10% of the equity interest in OFI Properties Sdn Bhd (OFIP) for RM100,000. Upon completion of the acquisition, the total equity interests in OFIP held by the Company increased from 80% to 90%.

There is no material impact to the earnings and financial position of the Company with this additional acquisition of interests in OFIP.

12. Contingent Liabilities

The Company has given guarantees to banks amounting to RM33.0 million (30/06/2009 : RM33.0 million) for banking facilities extended to subsidiaries of which RM8.7 million (30/06/2009 : RM11.0 million) was outstanding as at 30 June 2010.

13. Capital Commitments

	As at 30.06.2010 RM'000
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	5,659

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B. Additional information required by BMSB Listing Requirements

1. Review of Performance

	<u>Current quarter</u> <u>30.06.2010</u> RM'000	<u>Preceding year</u> <u>corresponding</u> <u>quarter</u> <u>30.06.2009</u> RM'000	<u>Current</u> <u>period to date</u> <u>30.06.2010</u> RM'000	<u>Preceding year</u> <u>corresponding</u> <u>period</u> <u>30.06.2009</u> RM'000
Revenue	35,229	29,236	35,229	29,236
Profit before taxation	3,768	2,724	3,768	2,724

For the current quarter and current period to date, the Group has recorded higher revenue as a result of higher sales orders from customers. The higher revenue has resulted in higher profit before taxation.

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

	Current Quarter RM'000	Preceding Quarter RM'000
Revenue	35,229	32,054
Profit before taxation	3,768	1,978

The increase in revenue of approximately 9.9% for the current quarter as compared to the preceding quarter was mainly due to higher sales orders. Profit before taxation has increased mainly due to higher revenue.

3. Group's Prospects for the Remaining Period

Despite facing various challenges of competitive markets, the Board expects that the performance of the Group will be satisfactory for the coming financial year ending 31 March 2011.

4. Board of Directors' Opinion on Revenue or Profit Estimate, Forecast, Projection or Internal Targets

The Group did not previously announce or disclose any revenue or profit estimate, forecast, projection or internal targets in a public document.

5. Variance of Actual Profit from Forecast Profit

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

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	<u>Current quarter</u> 30.06.2010	<u>Preceding year corresponding quarter</u> 30.06.2009	<u>Current period to date</u> 30.06.2010	<u>Preceding year corresponding period</u> 30.06.2009
	RM'000	RM'000	RM'000	RM'000
Income taxation in Malaysia				
- current year	574	356	574	356
Deferred taxation				
- origination and reversal of temporary difference	179	281	179	281
	<u>753</u>	<u>637</u>	<u>753</u>	<u>637</u>

The effective tax rate for the current quarter and current period to date is lower than the statutory rate due mainly to availability of tax incentives granted to one of its subsidiaries.

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

	<u>Current quarter</u> 30.06.2010	<u>Current period to date</u> 30.06.2010
	RM'000	RM'000
Net gain on disposal of certain freehold investment properties	3	3
	<u>3</u>	<u>3</u>

8. Purchases or Disposals of Quoted Securities

There was no purchase and sale of quoted securities for the current quarter.

9. Status of Corporate Proposals

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

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10. Group borrowings

	As at 30.06.2010
	RM'000
<u>Borrowings - current</u>	
Term loans (unsecured)	2,590
Bank overdraft (unsecured)	1,677

	4,267
	=====
<u>Borrowings – non-current</u>	
Term loans (unsecured)	4,452
	=====

The borrowings are denominated in Ringgit Malaysia except for an amount of approximately RM1.77 million which is denominated in US Dollar.

11. Derivative Financial Instruments

As at the date of this quarterly report, there is no material derivative financial instrument that may materially affect the financial position or business of the Group.

12. Material Litigation

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

13. Dividend

On 27 May 2010, the Directors proposed, subject to the approval of the members at the forthcoming Annual General Meeting of the Company, a final tax exempt dividend of 2 sen per share and a gross dividend of 2 sen per share less income tax at 25%, amounting to RM2,100,000 for the financial year ended 31 March 2010.

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14. Earnings per Share

	Current Quarter 30.06.2010	Preceding Year Corresponding Quarter 30.06.2009	Current Period To Date 30.06.2010	Preceding Year Corresponding Period 30.06.2009
Net profit attributable to owners of the parent (RM'000)	3,015	2,100	3,015	2,100
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>5.03</u>	<u>3.50</u>	<u>5.03</u>	<u>3.50</u>

15. Audit Report

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

For and on behalf of
ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD

Son Chen Chuan
Managing Director

Dated: 18 August 2010