

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31st DECEMBER 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
Motor vehicles	1,209
Plant and machinery	371
Furniture, fittings and office equipment	338
Capital work in progress	188
	<hr/>
	2,106
	<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>Gain/(Loss) on Disposals</u> RM'000
Motor vehicles	1,274	655	400	(255)
Plant and machinery	198	-	10	10
	<u>1,472</u>	<u>655</u>	<u>410</u>	<u>(245)</u>

7. Dividend Paid

A final tax exempt dividend of 2 sen per share and a franked dividend of 2 sen per share less income tax at 25%, amounting to RM2,100,000 for the financial year ended 31 March 2010 was approved during the 14th Annual General Meeting held on 18 August 2010 and was paid on 17 September 2010.

A first interim tax exempt dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ending 31 March 2011 was approved during the 43rd Board of Directors Meeting held on 18 August 2010 and was paid on 17 September 2010.

A second interim tax exempt dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ending 31 March 2011 was approved during the 44th Board of Directors Meeting held on 22 November 2010 and was paid on 30 December 2010.

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>31.12.2010</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	108,693	0	0	108,693
Results				
Segment results (external)	10,154	(1)	0	10,153
Unallocated income (net)				151
Profit from operations				10,304
Finance cost				(196)
Profit before tax				10,108
Tax expenses				(2,428)
Net profit for the financial year				7,680
Other information				
Segment assets	132,201	7,374	(5,092)	134,483
Unallocated assets				8,292
Total assets				142,775

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8. Segment Information (continued)

<u>Period ended</u> <u>31.12.2009</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	93,656	0	0	93,656
Results				
Segment results (external)	10,466	1,622	0	12,088
Unallocated income (net)				79
Profit from operations				12,167
Finance cost				(319)
Profit before tax				11,848
Tax expenses				(1,366)
Net profit for the financial year				10,482
Other information				
Segment assets	126,911	6,269	(3,672)	129,508
Unallocated assets				7,064
Total assets				136,572

Unallocated income consists of interest income.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, receivables and operating cash, derivative financial assets, 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>31.12.2010</u> RM'000	Outstanding balance as at <u>31.12.2010</u> RM'000
Syarikat Perniagaan Chong Mah	3,501	445

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. Accordingly, the total equity interests in OFIP held by the Company has 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

There were no contingent liabilities of a material nature to be disclosed.

13. Capital Commitments

	As at 31.12.2010 RM'000
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	3,882

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B. Additional information required by BMSB Listing Requirements

1. Review of Performance

	<u>Current quarter</u>	<u>Preceding year corresponding quarter</u>	<u>Current period to date</u>	<u>Preceding year corresponding period</u>
	<u>31.12.2010</u>	<u>31.12.2009</u>	<u>31.12.2010</u>	<u>31.12.2009</u>
	RM'000	RM'000	RM'000	RM'000
Revenue	37,914	35,674	108,693	93,656
Profit before taxation	3,296	4,058	10,108	11,848

For the current quarter and current period to date, the Group has recorded higher revenue as a result of higher demand from customers as well as higher selling price. However, profit before tax for current quarter has decreased mainly due to higher selling and distribution costs incurred. For current period to date, profit before tax has decreased due mainly to the contribution of approximately RM1.226 million from net gain on disposal of part of land held for development during the period ended 31 December 2009, whereas in the current period to date, there is none. Furthermore, the increase in cost of sales as a result of higher material prices has also contributed to lower 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	37,914	35,550
Profit before taxation	3,296	3,044

The increase in revenue of approximately 6.6% for the current quarter as compared to the preceding quarter was mainly due to higher sales orders from customers. This increase in revenue has contributed mainly to the increase in profit before taxation.

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.

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

6 Taxation

	<u>Current quarter</u> 31.12.2010	<u>Preceding year corresponding quarter</u> 31.12.2009	<u>Current period to date</u> 31.12.2010	<u>Preceding year corresponding period</u> 31.12.2009
	RM'000	RM'000	RM'000	RM'000
Income taxation in Malaysia				
- current year	402	470	1,545	1,482
Deferred taxation				
- origination and reversal of temporary difference	767	(28)	883	(116)
	<u>1,169</u>	<u>442</u>	<u>2,428</u>	<u>1,366</u>

The effective tax rate for current quarter is higher than the statutory rate due to the under accrual of taxation in prior year and prior quarters.

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

	<u>Current quarter</u> 31.12.2010 RM'000	<u>Current period to date</u> 31.12.2010 RM'000
Net gain on disposal of certain freehold investment properties	Nil	3

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 31.12.2010
	RM'000
<u>Borrowings - current</u>	
Term loans (unsecured)	2,398
Bank overdraft (unsecured)	2,789

	5,187
	=====
<u>Borrowings – non-current</u>	
Term loans (unsecured)	3,139
	=====

The borrowings are denominated in Ringgit Malaysia except for an amount of approximately RM1.38 million which is denominated in US Dollar.

11. Derivative Financial Instruments

With the adoption of FRS 139, financial derivatives are recognised on their respective contract dates.

The outstanding Forward Foreign Exchange Contracts as at 31 December 2010 are as follows:

	<u>Notional Value</u>	<u>Fair Value</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Currency</u>		
Foreign Exchange Contracts to sell USD (less than 1 year)	3,794	3,713
	=====	=====

These forward foreign exchange contracts were entered into to hedge against fluctuations of exchange rates in foreign currencies.

There is minimal credit and market risk as the forward contracts are executed with creditworthy financial institution. The Group is of the view that the possibility of non performance by this financial institution is remote on the basis of its financial strength.

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 23 February 2011, the Board of Directors declared a third interim tax exempt dividend of 2 sen per share (31 December 2009: tax exempt dividend of 2 sen per share), on 60,000,000 ordinary shares, amounting to RM1,200,000 for the financial year ending 31 March 2011, to be paid on 31 March 2011. The entitlement date is fixed at 11 March 2011.

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	Current Quarter 31.12.2010	Preceding Year Corresponding Quarter 31.12.2009	Current Period To Date 31.12.2010	Preceding Year Corresponding Period 31.12.2009
Net profit attributable to owners of the parent (RM'000)	2,128	3,619	7,681	10,240
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>3.55</u>	<u>6.03</u>	<u>12.80</u>	<u>17.07</u>

15. Audit Report

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

16. Realised and Unrealised Profits/Losses Disclosure

	<u>As at 31.12.2010</u> RM'000	<u>As at 30.09.2010</u> RM'000
Total retained profits of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	77,330	75,834
- Unrealised	(831)	(262)
	<u>76,499</u>	<u>75,572</u>
Less: Consolidation adjustments	(29,734)	(29,735)
	<u>46,765</u>	<u>45,837</u>

For and on behalf of
ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD

Datuk Son Chen Chuan
Managing Director

Dated: 23 February 2011