

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

(Incorporated in Malaysia)

***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30<sup>th</sup> SEPTEMBER 2011***

**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 2011.

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 2011, except for the adoption of the following new/revised Financial Reporting Standard ("FRS"), amendments to published standards and interpretations to existing standards as follows:

Revised FRS 3	Business Combinations
Revised FRS 124	Related Party Disclosures
Revised FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 7	Financial instruments: Disclosures
Amendments to FRS 132	Financial Instruments: Presentation
IC Interpretation 17	Distribution of Non-Cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to FRS 3	Business Combinations
Improvements to FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
Improvements to FRS 101	Presentation of Financial Statements
Improvements to FRS 138	Intangible Assets
Improvements to IC Interpretation 9	Reassessment of Embedded Derivatives

The above amendments are not expected to have a material impact on the Group's financial statements.

**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.

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**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. Dividend Paid**

A final tax exempt dividend of 2 sen per share amounting to RM1,200,000 for the financial year ended 31 March 2011 was approved during the 15<sup>th</sup> Annual General Meeting held on 25 August 2011 and was paid on 30 September 2011.

An interim tax exempt dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ending 31 March 2012 was approved during the 47<sup>th</sup> Board of Directors Meeting held on 25 August 2011 and was paid on 30 September 2011.

**7. Segment Information**

Management has determined the operating segments based on the reports used to make strategic decisions.

The management considers the business more from business segments perspective. The reportable operating segments derive revenue primarily from the manufacture and marketing of snack food and confectioneries and property development.

The segment information provided to the management for the reportable segments is as follows:

Net revenue by business segments

	<u>30.09.2011</u> RM'000	<u>30.09.2010</u> RM'000
Manufacturing and marketing of snack food and confectioneries	83,088	70,779
Property development	5,399	0
Total consolidated revenue	<u>88,487</u>	<u>70,779</u>

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**7. Segment Information (continued)**

Segment results by business segments and reconciliation to consolidated profit before tax

	<u>30.09.2011</u> RM'000	<u>30.09.2010</u> RM'000
Manufacturing and marketing of snack food and confectioneries	6,872	6,851
Property development	1,569	0
Subtotal segment results by business segments	<u>8,441</u>	<u>6,851</u>
Finance cost	(93)	(138)
Others	107	99
Total consolidated profit before tax	<u><u>8,455</u></u>	<u><u>6,812</u></u>

Segment results by business segments is arrived at after charging/(crediting) the following items:

	<u>Depreciation and amortisation</u> RM'000	<u>Interest income</u> RM'000	<u>Interest expense</u> RM'000
<b>30.09.2011</b>			
Manufacturing and marketing of snack food and confectionaries	3,093	107	93
Property development	0	0	0
Subtotal by business segments/ total consolidated	<u>3,093</u>	<u>107</u>	<u>93</u>
<b>30.09.2010</b>			
Manufacturing and marketing of snack food and confectionaries	3,076	99	138
Property development	0	0	0
Subtotal by business segments/ total consolidated	<u>3,076</u>	<u>99</u>	<u>138</u>

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The following is a summary of operations by entities located within the indicated geographic areas. Revenue represents sales to third parties based on the country in which the customer is located.

	<b>Sales</b>		<b>Non current assets</b>	
	<b>30.09.2011</b>	<b>30.09.2010</b>	<b>30.09.2011</b>	<b>30.09.2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	46,528	39,984	82,009	82,819
Asia	27,732	20,895	0	0
Middle East	4,377	4,786	0	0
Africa	667	1,160	0	0
Europe	271	801	0	0
America	7,386	764	0	0
Others	1,526	2,389	0	0
Total reported segments	<u>88,487</u>	<u>70,779</u>	<u>82,009</u>	<u>82,819</u>

The Group does not have single external customers that constitute 10% or more of the entity's revenue.

Non current assets for reportable segments are reconciled to the total non current assets as follows:

	<b>30.09.2011</b>	<b>30.09.2010</b>
	<b>RM</b>	<b>RM</b>
Non current assets for reportable segments	81,637	82,447
Available-for-sale financial assets/Investments	372	372
Total non current assets per statement of financial position	<u>82,009</u>	<u>82,819</u>

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**8. 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

	<b>Transactions for the 6 months period ended <u>30.09.2011</u> RM'000</b>	<b>Outstanding balance as at <u>30.09.2011</u> RM'000</b>
Syarikat Perniagaan Chong Mah	2,264	420

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.

**9. Material Events Subsequent to the End of the Reporting Period**

There was no material events subsequent to the end of the current quarter reported.

**10. Changes in the Composition of the Company**

There were no changes in the composition of the Company during the current quarter.

**11. Contingent Liabilities**

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

**12. Capital Commitments**

	<b>As at 30.09.2011 RM'000</b>
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	12,708

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**B. Additional information required by BMSB Listing Requirements**

**1. Review of Performance**

	<u>Current quarter</u> <u>30.09.2011</u> RM'000	<u>Preceding year</u> <u>corresponding</u> <u>quarter</u> <u>30.09.2010</u> RM'000	<u>Current</u> <u>period to date</u> <u>30.09.2011</u> RM'000	<u>Preceding year</u> <u>corresponding</u> <u>period</u> <u>30.09.2010</u> RM'000
Revenue	43,241	35,550	88,487	70,779
Profit before taxation	3,696	3,044	8,455	6,812

For current quarter and current period to date, the Group has recorded higher revenue from both snack food and confectioneries as well as property development segments. This is a result of higher demand from customers in the snack food and confectioneries segment. Revenue from property development was also generated in the current quarter as compared to the preceding year corresponding quarter. Active development activities have just started in the last quarter of 2011 and the units were only open for sale on 14 February 2011.

Profit before taxation has increased as a result of the increase in revenue as well as increase in other operating income, mainly contributed by the unrealised foreign exchange gain.

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

	<b>Current Quarter RM'000</b>	<b>Preceding Quarter RM'000</b>
Revenue	43,241	45,246
Profit before taxation	3,696	4,759

The decrease in revenue of approximately 4.4% for the current quarter as compared to the preceding quarter was due to the contribution of lower revenue from both property development segment as well as snack food and confectioneries segment. The decline in revenue in property development segment was caused by the decrease in the number of sales and purchase agreements signed. There were 7 sales and purchase agreements signed in the preceding quarter as compared to only 3 in current quarter. Meanwhile, the decrease in revenue in snack food and confectioneries segment was as a result of lower demand from customers.

Profit before taxation has decreased mainly due to lower revenue as well as higher administrative, selling and distribution costs incurred.

**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 current financial year ending 31 March 2012.

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**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**

	<u>Current quarter</u> <u>30.09.2011</u>	<u>Preceding year corresponding quarter</u> <u>30.09.2010</u>	<u>Current period to date</u> <u>30.09.2011</u>	<u>Preceding year corresponding period</u> <u>30.09.2010</u>
	RM'000	RM'000	RM'000	RM'000
<b>Income taxation in Malaysia</b>				
- current year	601	569	1,423	1,143
<b>Deferred taxation</b>				
- origination and reversal of temporary differences	(72)	(63)	306	116
	<u>529</u>	<u>506</u>	<u>1,729</u>	<u>1,259</u>

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

**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 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**

	<b>As at 30.09.2011</b>
	<b>RM'000</b>
<u>Borrowings - current</u>	
Term loans (unsecured)	3,370
Bank overdraft (unsecured)	2,341
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	<u>5,711</u>
 <u>Borrowings – non-current</u>	
Term loans (unsecured)	<u>1,951</u>

The borrowings are denominated in Ringgit Malaysia except for an amount of approximately RM2.59 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 30 September 2011 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)	<u>7,821</u>	<u>7,658</u>

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 institutions. The Group is of the view that the possibility of non performance by the financial institutions 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 29 November 2011, the Board of Directors declared a second interim tax exempt dividend of 2 sen per share (30 September 2010: 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 2012 to be paid on 9 January 2012. The entitlement date is fixed at 15 December 2011.



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	<b>Current Quarter 30.09.2011</b>	<b>Preceding Year Corresponding Quarter 30.09.2010</b>	<b>Current Period To Date 30.09.2011</b>	<b>Preceding Year Corresponding Period 30.09.2010</b>
Net profit attributable to owners of the parent (RM'000)	3,049	2,538	6,608	5,553
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>5.08</u>	<u>4.23</u>	<u>11.01</u>	<u>9.26</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**

	<b>As at 30.09.2011 RM'000</b>	<b>As at 31.03.2011 RM'000</b>
Total retained profits of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	84,819	80,845
- Unrealised	(4,134)	(4,486)
	<u>80,685</u>	<u>76,359</u>
Less: Consolidation adjustments	(29,893)	(29,775)
	<u>50,792</u>	<u>46,584</u>

For and on behalf of  
**ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD**

**Datuk Son Chen Chuan**  
Managing Director

Dated: 29 November 2011