

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 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 which are applicable to the Group 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 15th 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 47th 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 for the reportable segments is as follows:

Net revenue by business segments

	<u>31.12.2011</u> RM'000	<u>31.12.2010</u> RM'000
Manufacturing and marketing of snack food and confectioneries	133,350	108,693
Property development	7,458	0
Total consolidated revenue	<u>140,808</u>	<u>108,693</u>

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7. Segment Information (continued)

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

	<u>31.12.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000
Manufacturing and marketing of snack food and confectioneries	9,770	10,154
Property development	2,256	(1)
	<hr/>	<hr/>
Subtotal segment results by business segments	12,026	10,153
Finance cost	(137)	(196)
Interest income	167	151
	<hr/>	<hr/>
Total consolidated profit before tax	<u>12,056</u>	<u>10,108</u>

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

	<u>Depreciation and amortisation</u>	<u>Interest income</u>	<u>Interest expense</u>
	RM'000	RM'000	RM'000
31.12.2011			
Manufacturing and marketing of snack food and confectionaries	4,620	165	137
Property development	0	2	0
	<hr/>	<hr/>	<hr/>
Subtotal by business segments/ total consolidated	<u>4,620</u>	<u>167</u>	<u>137</u>
31.12.2010			
Manufacturing and marketing of snack food and confectionaries	4,624	151	196
Property development	0	0	0
	<hr/>	<hr/>	<hr/>
Subtotal by business segments/ total consolidated	<u>4,624</u>	<u>151</u>	<u>196</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.

	Sales		Non current assets	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Malaysia	74,450	59,125	85,485	85,330
Asia	43,168	34,141	0	0
Middle East	8,733	7,136	0	0
Africa	1,146	1,976	0	0
Europe	852	1,176	0	0
America	9,819	2,218	0	0
Others	2,640	2,921	0	0
Total reported segments	<u>140,808</u>	<u>108,693</u>	<u>85,485</u>	<u>85,330</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:

	31.12.2011	31.12.2010
	RM	RM
Non current assets for reportable segments	85,113	81,475
Available-for-sale financial assets/Investments	<u>372</u>	<u>372</u>
Total non current assets per statement of financial position	<u>85,485</u>	<u>81,847</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

	Transactions for the 9 months period ended 31.12.2011 RM'000	Outstanding balance as at 31.12.2011 RM'000
Syarikat Perniagaan Chong Mah	3,726	502

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

	As at 31.12.2011 RM'000
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	10,200

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B. Additional information required by BMSB Listing Requirements

1. Review of Performance

	<u>Current quarter</u> <u>31.12.2011</u> RM'000	<u>Preceding year corresponding quarter</u> <u>31.12.2010</u> RM'000	<u>Current period to date</u> <u>31.12.2011</u> RM'000	<u>Preceding year corresponding period</u> <u>31.12.2010</u> RM'000
Revenue	52,321	37,914	140,808	108,693
Profit before taxation	3,601	3,296	12,056	10,108

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.

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

	Current Quarter RM'000	Preceding Quarter RM'000
Revenue	52,321	43,241
Profit before taxation	3,601	3,696

The increase in revenue of approximately 21% for the current quarter as compared to the preceding quarter was due to the contribution of higher revenue from both business segments. The increase in revenue in property development segment was caused by higher percentage of completion in the on-going property development project. Meanwhile, the increase in revenue in snack food and confectioneries segment was a result of higher demand from customers.

Profit before taxation has decreased mainly due to higher administrative cost as well as 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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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>31.12.2011</u>	<u>Preceding year corresponding quarter</u> <u>31.12.2010</u>	<u>Current period to date</u> <u>31.12.2011</u>	<u>Preceding year corresponding period</u> <u>31.12.2010</u>
	RM'000	RM'000	RM'000	RM'000
Income taxation in Malaysia				
- current year	882	402	2,305	1,545
Deferred taxation				
- origination and reversal of temporary differences	15	767	321	883
	<u>897</u>	<u>1,169</u>	<u>2,626</u>	<u>2,428</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

	As at 31.12.2011
	RM'000
<u>Borrowings - current</u>	
Term loans (unsecured)	3,363
Bank overdraft (unsecured)	1,440

	4,803
	=====
<u>Borrowings – non-current</u>	
Term loans (unsecured)	2,432
	=====

The borrowings are denominated in Ringgit Malaysia except for an amount of approximately RM3.5 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 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)	24,150	23,686
	=====	=====

These forward foreign exchange contracts were entered into to hedge against fluctuations of exchange rate in USD.

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 23 February 2012, the Board of Directors declared a third interim tax exempt dividend of 2 sen per share (31 December 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 30 March 2012. The entitlement date is fixed at 9 March 2012.

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	Current Quarter 31.12.2011	Preceding Year Corresponding Quarter 31.12.2010	Current Period To Date 31.12.2011	Preceding Year Corresponding Period 31.12.2010
Net profit attributable to owners of the parent (RM'000)	2,654	2,128	9,262	7,681
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>4.42</u>	<u>3.55</u>	<u>15.44</u>	<u>12.80</u>

15. Audit Report

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

16. Profit before Tax

Profit before tax is arrived at after charging/(crediting):

	Current Quarter 31.12.2011 RM'000	Current Period To Date 31.12.2011 RM'000
Interest income	(60)	(167)
Rental income	(23)	(68)
Interest expense	44	137
Property, plant and equipment		
- depreciation	1,523	4,608
- loss on disposal	9	39
Investment properties		
- depreciation	4	12
Foreign exchange loss/(gain)		
- realised	(123)	(111)
- unrealised	786	(307)
Derivatives loss	300	533
	<u> </u>	<u> </u>

Other than the above items, there were no provision for and write off of receivables and inventories, impairment of assets and exceptional items for the current quarter and current financial period to date ended 31 December 2011

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17. Realised and Unrealised Profits/Losses Disclosure

	As at 31.12.2011 RM'000	As at 31.03.2011 RM'000
Total retained profits of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	87,355	80,845
- Unrealised	(5,166)	(4,486)
	<hr/>	<hr/>
	82,189	76,359
Less: Consolidation adjustments	(29,943)	(29,775)
	<hr/>	<hr/>
	<u>52,246</u>	<u>46,584</u>

For and on behalf of
ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD

Datuk Son Chen Chuan
Managing Director

Dated: 23 February 2012