

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 MARCH 2012

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 (“Bursa Malaysia”) 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:

FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment
FRS 3	Business Combinations
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 132	Classification of Rights Issues
IC Interpretation 18	Transfers of Assets from Customers
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 1	Limited Exemptions to First-time Adopters
Amendments to FRS 1	Additional Exemptions to First-time Adopters
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
Improvements to FRS issued in 2010	

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.

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

A second interim tax exempt dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ended 31 March 2012 was approved during the 48th Board of Directors Meeting held on 29 November 2011 and was paid on 9 January 2012.

A third interim tax exempt dividend of 2 sen per share, amounting to RM1,200,000 for the financial year ended 31 March 2012 was approved during the 49th Board of Directors Meeting held on 23 February 2012 and was paid on 30 March 2012.

7. *Segment Information*

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

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- i. Manufacturing and marketing of snack food and confectioneries
- ii. Property development
- iii. Investment holding

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31 March 2012	Manufacturing and marketing of snack food and confectioneries RM'000	Property development RM'000	Investment holding RM'000	Adjustments and eliminations RM'000	Notes	Per consolidated financial statements RM'000
Revenue:						
External customers	183,092	12,177	-	-		195,269
Inter-segment	-	-	6,684	(6,684)	A	-
Total revenue	<u>183,092</u>	<u>12,177</u>	<u>6,684</u>	<u>(6,684)</u>		<u>195,269</u>
Results:						
Interest income	229	2	-	-		231
Depreciation of:						
- Property, plant and equipment	6,152	-	-	-		6,152
- Investment properties	16	-	-	-		16
Other non-cash expenses	159	-	-	-	B	159
Segment profit	<u>13,182</u>	<u>3,617</u>	<u>6,169</u>	<u>(6,169)</u>	C	<u>16,799</u>
Assets:						
Additions to non-current assets	9,087	-	-	-	D	9,087
Segment assets	<u>148,173</u>	<u>10,252</u>	<u>-</u>	<u>-</u>	E	<u>158,425</u>
Segment liabilities	<u>28,099</u>	<u>4,967</u>	<u>-</u>	<u>-</u>	F	<u>33,066</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**FOR THE FINANCIAL PERIOD ENDED 31st MARCH 2012****7. Segment information (continued)**

31 March 2011	Manufacturing and marketing of snack food and confectioneries RM'000	Property development RM'000	Investment holding RM'000	Adjustments and eliminations RM'000	Notes	Per consolidated financial statements RM'000
Revenue:						
External customers	147,675	1,620	-	-		149,295
Inter-segment	-	-	4,092	(4,092)	A	-
Total revenue	<u>147,675</u>	<u>1,620</u>	<u>4,092</u>	<u>(4,092)</u>		<u>149,295</u>
Results:						
Interest income	220	-	-	-		220
Depreciation of:						
- Property, plant and equipment	6,179	-	-	-		6,179
- Investment properties	16	-	-	-		16
Other non-cash expenses	149	-	-	-	B	149
Segment profit	<u>10,542</u>	<u>546</u>	<u>3,476</u>	<u>(3,476)</u>	C	<u>11,088</u>
Assets:						
Additions to non-current assets	4,674	-	-	-	D	4,674
Segment assets	<u>137,568</u>	<u>7,531</u>	<u>-</u>	<u>-</u>	E	<u>145,099</u>
Segment liabilities	<u>28,050</u>	<u>247</u>	<u>-</u>	<u>-</u>	F	<u>28,297</u>

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7. Segment Information

- A Inter-segment revenues are eliminated on consolidation.
- B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2012	2011
	RM'000	RM'000
Impairment loss on trade receivables	-	53
Inventories written down	159	96
	<u>159</u>	<u>149</u>

- C The following items are added to/ (deducted from) segment profit to arrive at total consolidated profit before tax:

	2012	2011
	RM'000	RM'000
Dividend income from inter-segment	6,684	4,092
Unallocated corporate expenses	(515)	(616)
	<u>6,169</u>	<u>3,476</u>

- D Additions to non-current assets consist of property, plant and equipment.
- E Inter-segment assets are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position.
- F Inter-segment liabilities are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

Revenue information based on the geographical location of customers are as follows:

	Revenues	
	<u>31.03.2012</u>	<u>31.03.2011</u>
	RM'000	RM'000
Malaysia	107,952	82,923
Asia	56,455	45,329
Middle East	11,546	8,361
Africa	1,634	2,884
Europe	1,462	2,255
America	12,772	4,622
Others	3,448	2,921
Total reported segments	<u>195,269</u>	<u>149,295</u>

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

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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 12 months period ended 31.03.2012 RM'000	Outstanding balance as at 31.03.2012 RM'000
Syarikat Perniagaan Chong Mah	5,031	423

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 Group

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

11. Contingent Liabilities

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

12. Capital Commitments

	As at 31.03.2012 RM'000
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	8,134

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B. Additional information required by Bursa Malaysia Listing Requirements

1. Review of Performance

	<u>Current quarter</u> <u>31.03.2012</u> RM'000	<u>Preceding year corresponding quarter</u> <u>31.03.2011</u> RM'000	<u>Current period to date</u> <u>31.03.2012</u> RM'000	<u>Preceding year corresponding period</u> <u>31.03.2011</u> RM'000
Revenue	54,461	40,602	195,269	149,295
Profit before tax	4,743	980	16,799	11,088

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 is higher in the current quarter as compared to the preceding year corresponding quarter as 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 tax 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	54,461	52,321
Profit before tax	4,743	3,601

The increase in revenue of approximately 4% for the current quarter as compared to the preceding quarter was due to the contribution of higher revenue from property development segment. The increase in revenue in property development segment was caused by higher percentage of completion in the on-going property development project.

The increase in revenue has contributed mainly to the increase in profit before tax.

3. Group's Prospects

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 2013.

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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>31.03.2012</u>	<u>Preceding year corresponding quarter</u> <u>31.03.2011</u>	<u>Current period to date</u> <u>31.03.2012</u>	<u>Preceding year corresponding period</u> <u>31.03.2011</u>
	RM'000	RM'000	RM'000	RM'000
Income taxation in Malaysia				
- current year	798	317	3,103	1,862
Deferred taxation				
- origination and reversal of temporary differences	18	(397)	339	486
	<u>816</u>	<u>(80)</u>	<u>3,442</u>	<u>2,348</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 31.03.2012
	RM'000
<u>Borrowings - current</u>	
Term loans (unsecured)	5,475
Bank overdraft (unsecured)	3,904

	9,379
	=====
<u>Borrowings – non-current</u>	
Term loans (unsecured)	1,168
	=====

The borrowings are denominated in Ringgit Malaysia except for an amount of approximately RM2.9 million which is denominated in USD.

11. Derivatives

The outstanding Forward Foreign Exchange Contracts as at 31 March 2012 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)	46,342	46,313
	=====	=====

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 statement of financial position date till the date of this interim report.

13. Dividend

On 29 May 2012, the Board of 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 (31 March 2011: tax exempt dividend of 2 sen per share), on 60,000,000 ordinary shares, amounting to RM1,200,000 for the financial year ended 31 March 2012. The entitlement date and payment date would be announced at a later date.

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	Current Quarter 31.03.2012	Preceding Year Corresponding Quarter 31.03.2011	Current Period To Date 31.03.2012	Preceding Year Corresponding Period 31.03.2011
Profit attributable to owners of the parent (RM'000)	3,827	1,019	13,088	8,700
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>6.38</u>	<u>1.70</u>	<u>21.81</u>	<u>14.50</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 31.03.2012 RM'000	Current Period To Date 31.03.2012 RM'000
Interest income	(63)	(231)
Rental income	(23)	(90)
Interest expense	42	179
Property, plant and equipment		
- depreciation	1,544	6,152
- (gain)/loss on disposal	(1)	38
Investment properties		
- depreciation	4	16
Inventories written down	159	159
Foreign exchange loss/(gain)		
- realised	84	(130)
- unrealised	(470)	(778)
Derivatives (gain)/loss	<u>(434)</u>	<u>99</u>

Other than the above items, there were no provision for and write off of receivables and write off of inventories, impairment of assets and exceptional items for the current quarter and current financial period to date ended 31 March 2012

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17. Realised and Unrealised Profits/Losses Disclosure

	As at 31.03.2012 RM'000	As at 31.03.2011 RM'000
Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	89,266	80,845
- Unrealised	(4,349)	(4,486)
	<hr/>	<hr/>
	84,917	76,359
Less: Consolidation adjustments	(30,045)	(29,775)
	<hr/>	<hr/>
	<u>54,872</u>	<u>46,584</u>

For and on behalf of
ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD

Datuk Son Chen Chuan
Managing Director

Dated: 29 May 2012