

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 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 2012.

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 2012, 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:

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Disclosures - Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
FRS 124	Related Party Disclosures

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

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework) to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are known as Transitioning Entities.

Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014. As one of the Group's subsidiary falls within the scope definition of Transitioning Entities, the Group will prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2015.

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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***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th JUNE 2012***

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*

There was no dividend paid during the current quarter.

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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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**FOR THE FINANCIAL PERIOD ENDED 30th JUNE 2012****7. Segment information (continued)**

30 June 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 condensed consolidated financial statements RM'000
Revenue:						
External customers	49,974	1,811	-	-		51,785
Inter-segment	-	-	1,091	(1,091)	A	-
Total revenue	<u>49,974</u>	<u>1,811</u>	<u>1,091</u>	<u>(1,091)</u>		<u>51,785</u>
Results:						
Interest income	56	-	-	-		56
Depreciation of:						
- Property, plant and equipment	1,524	-	-	-		1,524
- Investment properties	4	-	-	-		4
Segment profit	<u>1,898</u>	<u>559</u>	<u>1,038</u>	<u>(1,038)</u>	B	<u>2,457</u>
Assets:						
Additions to non-current assets	4,353	-	-	-	C	4,353
Segment assets	<u>156,485</u>	<u>7,660</u>	<u>-</u>	<u>-</u>	D	<u>164,145</u>
Segment liabilities	<u>36,695</u>	<u>513</u>	<u>-</u>	<u>-</u>	E	<u>37,208</u>

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 2012****7. Segment information (continued)**

30 June 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 condensed consolidated financial statements RM'000
Revenue:						
External customers	42,323	2,923	-	-		45,246
Inter-segment	-	-	1,773	(1,773)	A	-
Total revenue	<u>42,323</u>	<u>2,923</u>	<u>1,773</u>	<u>(1,773)</u>		<u>45,246</u>
Results:						
Interest income	43	-	-	-		43
Depreciation of:						
- Property, plant and equipment	1,549	-	-	-		1,549
- Investment properties	4	-	-	-		4
Segment profit	<u>3,951</u>	<u>808</u>	<u>1,723</u>	<u>(1,723)</u>	B	<u>4,759</u>
Assets:						
Additions to non-current assets	1,304	-	-	-	C	1,304
Segment assets	<u>140,315</u>	<u>8,309</u>	<u>-</u>	<u>-</u>	D	<u>148,624</u>
Segment liabilities	<u>27,943</u>	<u>320</u>	<u>-</u>	<u>-</u>	E	<u>28,263</u>

ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD (Company No.389769-M)
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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th JUNE 2012

7. Segment Information (continued)

- A Inter-segment revenues are eliminated on consolidation.
- B The following items are added to/ (deducted from) segment profit to arrive at total consolidated profit before tax:

	30.06.2012	30.06.2011
	RM'000	RM'000
Dividend income from inter-segment	1,091	1,773
Unallocated corporate expenses	(53)	(50)
	<u>1,038</u>	<u>1,723</u>

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

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

	Revenues	
	<u>30.06.2012</u>	<u>30.06.2011</u>
	RM'000	RM'000
Malaysia	25,881	23,974
Asia	16,334	15,466
Middle East	3,394	2,583
Africa	577	235
Europe	113	142
America	4,128	2,366
Others	1,358	480
Total reported segments	<u>51,785</u>	<u>45,246</u>

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

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 2012

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 3 months period ended 30.06.2012 RM'000	Outstanding balance as at 30.06.2012 RM'000
Syarikat Perniagaan Chong Mah	1,283	386

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 30.06.2012 RM'000
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	1,883

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 2012

B. Additional information required by Bursa Malaysia Listing Requirements

1. Review of Performance

	<u>Current quarter</u> <u>30.06.2012</u> RM'000	<u>Preceding year corresponding quarter</u> <u>30.06.2011</u> RM'000	<u>Current period to date</u> <u>30.06.2012</u> RM'000	<u>Preceding year corresponding period</u> <u>30.06.2011</u> RM'000
Revenue	51,785	45,246	51,785	45,246
Profit before tax	2,457	4,759	2,457	4,759

For 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 in the snack food and confectioneries segment.

However, profit before tax has decreased mainly due to high selling and distribution as well as derivative loss included in administrative expenses.

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

	Current Quarter RM'000	Preceding Quarter RM'000
Revenue	51,785	54,461
Profit before tax	2,457	4,743

The decrease in revenue of approximately 5% for the current quarter as compared to the preceding quarter was mainly due to the contribution of lower revenue from property development segment. It was caused by lower growth in percentage of completion in the on-going project as compared to preceding quarter. The increase in the percentage of completion in the current quarter was approximately 13% while the increase in the percentage of completion in the preceding quarter was approximately 52%.

The decrease in revenue as well as higher administrative expenses are the major contributors of the decrease in profit before tax. The drastic increase in administrative expenses was caused by the derivatives loss suffered by the Group of approximately RM1.5 million in the current quarter.

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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(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th JUNE 2012****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>30.06.2012</u>	<u>Preceding year corresponding quarter</u> <u>30.06.2011</u>	<u>Current period to date</u> <u>30.06.2012</u>	<u>Preceding year corresponding period</u> <u>30.06.2011</u>
	RM'000	RM'000	RM'000	RM'000
Income taxation in Malaysia				
- current year	563	822	563	822
Deferred taxation				
- origination and reversal of temporary differences	316	378	316	378
	<u>879</u>	<u>1,200</u>	<u>879</u>	<u>1,200</u>

The Group's effective tax rate for the current quarter and current period to date is higher than the statutory rate mainly due to certain expenses which are not tax deductible.

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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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th JUNE 2012

10. Group borrowings

	As at 30.06.2012
	RM'000
<u>Borrowings - current</u>	
Term loans (unsecured)	3,475
Bank overdraft (unsecured)	1,364

	<u>4,839</u>
 <u>Borrowings – non-current</u>	
Term loans (unsecured)	<u>8,306</u>

The borrowings are denominated in Ringgit Malaysia except for an amount of approximately RM2.5 million which is denominated in USD.

11. Derivatives

The outstanding Forward Foreign Exchange Contracts as at 30 June 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)	<u>62,951</u>	<u>61,462</u>

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 28 August 2012, the Board of Directors declared a first interim tax exempt dividend of 1 sen per share (30 June 2011: tax exempt dividend of 2 sen per share), on 60,000,000 ordinary shares, amounting to RM600,000 for the financial year ending 31 March 2013 to be paid on 8 October 2012. The entitlement date is fixed at 18 September 2012.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th JUNE 2012

14. Earnings per Share

	Current Quarter 30.06.2012	Preceding Year Corresponding Quarter 30.06.2011	Current Period To Date 30.06.2012	Preceding Year Corresponding Period 30.06.2011
Profit attributable to owners of the parent (RM'000)	1,536	3,498	1,536	3,498
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>2.56</u>	<u>5.83</u>	<u>2.56</u>	<u>5.83</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 30.06.2012 RM'000	Current Period To Date 30.06.2012 RM'000
Interest income	(56)	(56)
Rental income	(23)	(23)
Interest expense	58	58
Property, plant and equipment		
- depreciation	1,524	1,524
- write-off	1	1
Investment properties		
- depreciation	4	4
Foreign exchange gain		
- realised	(347)	(347)
- unrealised	(149)	(149)
Derivatives loss	<u>1,460</u>	<u>1,460</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 30 June 2012.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30th JUNE 2012

17. Realised and Unrealised Profits/Losses Disclosure

	As at 30.06.2012 RM'000	As at 30.06.2011 RM'000
Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	93,149	84,727
- Unrealised	(6,654)	(4,809)
	<hr/>	<hr/>
	86,495	79,918
Less: Consolidation adjustments	(30,087)	(29,836)
	<hr/>	<hr/>
	<u>56,408</u>	<u>50,082</u>

For and on behalf of
ORIENTAL FOOD INDUSTRIES HOLDINGS BERHAD

Datuk Son Chen Chuan
Managing Director

Dated: 28 August 2012