

**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 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. Transitioning Entities will be allowed to defer the adoption of the new MFRS Framework for an additional one year.

Subsequently, MASB announced that the Transitioning Entities are allowed to extend the deferment of the adoption of the new MFRS Framework for another year. As such, the MFRS Framework will be mandatory for all companies for annual period beginning on or after 1 January 2014. The Group falls within the scope definition of Transitioning Entities, and therefore 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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**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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<b>30 September 2012</b>	<b>Manufacturing and marketing of snack food and confectioneries RM'000</b>	<b>Property development RM'000</b>	<b>Investment holding RM'000</b>	<b>Adjustments and eliminations RM'000</b>	<b>Notes</b>	<b>Per condensed consolidated financial statements RM'000</b>
<b>Revenue:</b>						
External customers	98,282	3,583	-	-		101,865
Inter-segment	-	-	3,274	(3,274)	A	-
Total revenue	<u>98,282</u>	<u>3,583</u>	<u>3,274</u>	<u>(3,274)</u>		<u>101,865</u>
<b>Results:</b>						
Interest income	116	-	-	-		116
Depreciation of:						
- Property, plant and equipment	3,048	-	-	-		3,048
- Investment properties	8	-	-	-		8
Segment profit	<u>6,855</u>	<u>1,105</u>	<u>3,031</u>	<u>(3,031)</u>	B	<u>7,960</u>
<b>Assets:</b>						
Additions to non-current assets	9,758	-	-	-	C	9,758
Segment assets	<u>158,474</u>	<u>8,946</u>	<u>-</u>	<u>-</u>	D	<u>167,420</u>
<b>Segment liabilities</b>	<u>36,098</u>	<u>1,391</u>	<u>-</u>	<u>-</u>	E	<u>37,489</u>

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<b>30 September 2011</b>	<b>Manufacturing and marketing of snack food and confectioneries RM'000</b>	<b>Property development RM'000</b>	<b>Investment holding RM'000</b>	<b>Adjustments and eliminations RM'000</b>	<b>Notes</b>	<b>Per condensed consolidated financial statements RM'000</b>
<b>Revenue:</b>						
External customers	83,088	5,399	-	-		88,487
Inter-segment	-	-	3,956	(3,956)	A	-
Total revenue	<u>83,088</u>	<u>5,399</u>	<u>3,956</u>	<u>(3,956)</u>		<u>88,487</u>
<b>Results:</b>						
Interest income	107	-	-	-		107
Depreciation of:						
- Property, plant and equipment	3,085	-	-	-		3,085
- Investment properties	8	-	-	-		8
Segment profit	<u>5,550</u>	<u>1,176</u>	<u>3,787</u>	<u>(3,787)</u>	B	<u>6,726</u>
<b>Assets:</b>						
Additions to non-current assets	2,826	-	-	-	C	2,826
Segment assets	<u>141,274</u>	<u>7,074</u>	<u>-</u>	<u>-</u>	D	<u>148,348</u>
<b>Segment liabilities</b>	<u>26,706</u>	<u>514</u>	<u>-</u>	<u>-</u>	E	<u>27,220</u>

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**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:

	<b>30.09.2012</b>	<b>30.09.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividend income from inter-segment	3,274	3,956
Unallocated corporate expenses	(243)	(169)
	<u>3,031</u>	<u>3,787</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:

	<b>Revenues</b>	
	<b><u>30.09.2012</u></b>	<b><u>30.09.2011</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	50,794	46,528
Asia	33,781	27,732
Middle East	5,310	4,377
Africa	892	667
Europe	274	271
America	8,084	7,386
Others	2,730	1,526
Total reported segments	<u>101,865</u>	<u>88,487</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

	<b>Transactions for the 6 months period ended 30.09.2012 RM'000</b>	<b>Outstanding balance as at 30.09.2012 RM'000</b>
Syarikat Perniagaan Chong Mah	2,429	451

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**

	<b>As at 30.09.2012 RM'000</b>
Authorised, contracted but not provided for:-	
- purchase of property, plant and equipment	985

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**B. Additional information required by Bursa Malaysia Listing Requirements**

**1. Review of Performance**

	<u>Current quarter</u> <u>30.09.2012</u> RM'000	<u>Preceding year corresponding quarter</u> <u>30.09.2011</u> RM'000	<u>Current period to date</u> <u>30.09.2012</u> RM'000	<u>Preceding year corresponding period</u> <u>30.09.2011</u> RM'000
Revenue	50,080	43,241	101,865	88,487
Profit before tax	5,503	3,696	7,960	8,455

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.

Profit before tax for current quarter has increased as a result of the increase in revenue, higher derivative gain as well as lower administrative expenses incurred. However, profit before tax for current period to date decreased due to higher selling & distribution costs.

**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	50,080	51,785
Profit before tax	5,503	2,457

The decrease in revenue of approximately 3% for the current quarter as compared to the preceding quarter was mainly due to the contribution of lower revenue from both business segments especially snack food and confectioneries segment. The decrease in revenue in snack food and confectioneries segment was a result of lower demand from customers.

Profit before tax has increased mainly due to lower cost of sales as well as derivative gain recorded in the current quarter, as compared to derivative loss recorded in the preceding 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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**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>30.09.2012</u>	<u>Preceding year corresponding quarter</u> <u>30.09.2011</u>	<u>Current period to date</u> <u>30.09.2012</u>	<u>Preceding year corresponding period</u> <u>30.09.2011</u>
	RM'000	RM'000	RM'000	RM'000
<b>Income taxation in Malaysia</b>				
- current year	378	601	941	1,423
<b>Deferred taxation</b>				
- origination and reversal of temporary differences	331	(72)	647	306
	<u>709</u>	<u>529</u>	<u>1,588</u>	<u>1,729</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 subsidiary.

**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 30.09.2012</b>
	<b>RM'000</b>
<u>Borrowings - current</u>	
Term loans (unsecured)	4,051
Bank overdraft (unsecured)	935
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	<u>4,986</u>
 <u>Borrowings – non-current</u>	
Term loans (unsecured)	<u>6,266</u>

The borrowings are denominated in Ringgit Malaysia except for an amount of approximately RM1.8 million which is denominated in USD.

**11. Derivatives**

The outstanding Forward Foreign Exchange Contracts as at 30 September 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)	17,783	17,809
	=====	=====

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 their 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 22 November 2012, the Board of Directors declared a second interim single tier dividend of 3 sen per share (30 September 2011: tax exempt dividend of 2 sen per share), on 60,000,000 ordinary shares, amounting to RM1,800,000 for the financial year ending 31 March 2013 to be paid on 2 January 2013. The entitlement date is fixed at 10 December 2012.

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	<b>Current Quarter 30.09.2012</b>	<b>Preceding Year Corresponding Quarter 30.09.2011</b>	<b>Current Period To Date 30.09.2012</b>	<b>Preceding Year Corresponding Period 30.09.2011</b>
Profit attributable to owners of the parent (RM'000)	4,753	3,049	6,289	6,608
Number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	<u>7.92</u>	<u>5.08</u>	<u>10.48</u>	<u>11.01</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):

	<b>Current Quarter <u>30.09.2012</u> RM'000</b>	<b>Current Period To Date <u>30.09.2012</u> RM'000</b>
Interest income	(60)	(116)
Rental income	(23)	(45)
Interest expense	99	157
Property, plant and equipment - depreciation	1,525	3,048
Investment properties - depreciation	4	8
Foreign exchange loss/(gain) - realised	56	(291)
- unrealised	272	122
Derivatives gain	<u>(1,515)</u>	<u>(55)</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 September 2012.

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**17. Realised and Unrealised Profits/Losses Disclosure**

	<b>As at 30.09.2012 RM'000</b>	<b>As at 30.09.2011 RM'000</b>
Total retained earnings of Oriental Food Industries Holdings Berhad and its subsidiaries:		
- Realised	95,230	84,819
- Unrealised	(5,742)	(4,134)
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	89,488	80,685
Less: Consolidation adjustments	(30,127)	(29,893)
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	<u>59,361</u>	<u>50,792</u>

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

**Datuk Son Chen Chuan**  
**Managing Director**

Dated: 22 November 2012