

ORIENTAL HOLDINGS BERHAD

(Company No. 5286-U)
(Incorporated in Malaysia)

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2001

1. **Group's Accounting Policies**

There are no changes in the Group's accounting policies and methods of computations used in this quarterly financial statements as compared with the most recent annual financial statements.

2. **Exceptional Items**

There were no exceptional items for the financial periods under review

3. **Extraordinary Items**

There were no extraordinary items for the financial periods under review.

4. **Taxation**

| | Individual Quarter | | Cumulative Quarters | |
|---|--|--|--|--|
| | Current Year Quarter 30 Jun 01 RM'000 | Preceding Year Quarter 30 Jun 00 RM'000 | Current Year To Date 30 Jun 01 RM'000 | Preceding Year To Date 30 Jun 00 RM'000 |
| Current taxation | | | | |
| Malaysian taxation | | | | |
| - Based on profit for the period | 9,048 | 14,948 | 15,753 | 24,359 |
| - Under/(Over) provision in respect of prior period | (50) | (23) | (59) | 191 |
| | 8,998 | 14,925 | 15,694 | 24,550 |
| Foreign taxation based on the profit for the period | 5,876 | 2,840 | 8,424 | 6,492 |
| | 14,874 | 17,765 | 24,118 | 31,042 |
| On share of results of associated companies | 2,471 | 1,301 | 3,875 | 2,160 |
| | <u>17,345</u> | <u>19,066</u> | <u>27,993</u> | <u>33,202</u> |

The Group's effective tax rate is higher than the prima facie tax rate as the tax charge relates to tax on profits of certain subsidiaries which cannot be set-off against losses of other subsidiaries for tax purposes as group relief is not available.

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5. Profit/Loss on sale of investments and/or properties

There were no profit/loss on sale of unquoted investments and/or properties for the current financial year to date.

6. Quoted Shares

(a) There were no material purchases or disposals of quoted shares for the current financial year to date other than as disclosed in (b) below. Proceeds from disposal of quoted securities amounted to RM7,237,000 and profit on disposal of RM923,110 arising thereon.

(b) Total investments in quoted shares

| | 30 Jun 2001 RM'000 |
|--|-----------------------|
| Quoted shares in Malaysia | |
| At cost | 7,599 |
| Less : Provision for diminution in value of investment | (651) |
| | <u>6,948</u> |
| Quoted shares outside Malaysia | |
| At cost | |
| Balance at 1 January 2001 | 24,606 |
| Purchases during the period | 3,909 |
| Disposals during the period | (6,314) |
| | 22,201 |
| Less : Provision for diminution in value of investment | (1,592) |
| | <u>20,609</u> |
| Market value of quoted investments | <u>32,969</u> |

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7. Changes in Composition of the Group

There were no significant changes in the composition of the Group during the current financial year to date other than the following :

- i) A new wholly owned subsidiary of the Company, Kah Bintang Auto Sdn Bhd was incorporated with its principal activity to sell/trade in all types of cars, spare parts, accessories and related component parts;
- ii) A new 60% owned subsidiary of the Company, Oriental-Hyundai Sdn Bhd (“Oriental-Hyundai”) was incorporated pursuant to the joint venture between the Company and Hyumal Motor Sdn Bhd (“HMSB”). Oriental-Hyundai has subsequently entered into a Technical License Agreement with Hyundai Motor Company (“Licensor”) for the rights to manufacture and distribute the licensed products of the Licensor. The Joint Venture Agreement with HMSB was signed on 23 April 2001; and

8. Status of Corporate Proposals

There were no corporate proposals that have been announced by the Company but not completed as at the date of this announcement except for the Stock Buy-Back which was approved by the stockholders during the Extraordinary General Meeting held on 12 June 2000 for the buy-back of up to 10% or up to 32,320,512 ordinary stock of the existing issued and paid-up share capital, in line with the new Section 67A of the Companies Act, 1965. As at to-date, the Company has repurchased 100,000 of its issued share capital from the open market. On 2 March 2001, 68,192 of these Treasury Stocks were cancelled which reduced the issued capital of the Company to 517,000,000 stocks of RM1 each. The remaining 31,808 stocks repurchased are being held as treasury stocks in accordance with the requirement of Section 67A of the Companies Act, 1965. There were no stocks buy-back during this quarter.

9. Equity Structure

There were no issuance and repayment of debt and equity stocks, stock buy-backs, stock cancellations, stocks held as treasury stocks and resale of treasury stocks for the current financial year to date other than as disclosed in Note 8 above.

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10. Group Borrowings

| | Borrowings denominated in | | RM Equivalent RM'000 | Total RM'000 |
|-------------------------------|---------------------------|------------------------|----------------------------|-----------------|
| | Ringgit | ← Foreign Currencies → | | |
| | RM'000 | Source Currency | | |
| | I | | II | I + II |
| Long term borrowings, secured | | | | |
| <i>Analysis of repayment</i> | | | | |
| Between 2 - 5 years | - | NZD 0.2 million | 393 | 393 |
| Short term borrowings | | | | |
| <i>Unsecured</i> | | | | |
| Bank overdrafts | 6,878 | | | 6,878 |
| Other borrowings | 22,277 | | | |
| | | JPY6.9 billion | 189,852 | 212,129 |
| | | Rp62.0 billion | 18,600 | 18,600 |
| | | USD7.4 million | 28,272 | 28,272 |
| | | RMB24.1 million | 10,972 | 10,972 |
| | - | AUD28.9 million | 52,887 | 52,887 |
| | | | 300,583 | 322,860 |
| | 29,155 | | 300,583 | 329,738 |

The borrowings denominated in foreign currencies are in respect of borrowings obtained by the Group's foreign subsidiaries/operations.

11. Contingent Liabilities

There were no changes in contingent liabilities since the last annual balance sheet date.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2001**

12. Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risk as at the latest practicable date apart from a cross currency principal and interest rate swaps with principal amounts of A\$15 million/JPY1.31 billion entered into by one of the Group's foreign operations. The settlement of the principal amount is on an equal quarterly instalment basis commencing 28 September 1999 and the final instalment was due on 28 June 2001.

There was no off balance sheet risk of the instrument other than the exchange gains/losses which have been reflected in the operating performance of the Group.

Accounting Policy

Transactions in off balance sheet financial instruments including cross currency principal and interest rate swaps are valued at market prices at the balance sheet date. The resultant profits and losses are taken up in the profit and loss account.

13. Material Litigation

Neither the Company nor any of its subsidiaries are engaged in any material litigation, either as plaintiff or defendant and the Directors are not aware of any proceedings pending or threatened, against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company or any of its subsidiaries, financially or otherwise.

14. Segmental Reporting

*Financial data by industry segment
for the Group*

| | Current Period To Date | | As at |
|---|------------------------|-------------------------------------|------------------------------------|
| | ← 30 June 2001 → | | 30 Jun 2001 |
| | Turnover RM'000 | Profit Before Taxation RM'000 | Gross Assets Employed RM'000 |
| Motor assembling and distribution, manufacturing and trading | 1,241,742 | 54,373 | 1,262,019 |
| Hotels, resorts, property development and plantation | 67,937 | (19,805) | 649,759 |
| Financial services, investment holding and others | 29,059 | 28,452 | 1,359,240 |
| | <u>1,338,738</u> | <u>63,020</u> | <u>3,271,018</u> |
| Share of results in associated companies | | 16,351 | |
| | | <u>79,371</u> | |

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15. Material Change in the Profit Before Taxation ("PBT") compared to the results of the preceding quarter

The Group's profit before tax for the quarter ended 30 June 2001 was RM40.5 million, a slight increase of 4.1% as compared to the preceding quarter. This was achieved despite the reduction in revenue by 5.2% to RM640.8 million. The continued slow down of general economy condition around this region has affected the Group's revenue. However, the favourable exchange rates of major currencies (especially the Japanese Yen) against the Ringgit has helped to improve the Group's margin.

16. Review of earnings and/or revenue of the Company and its subsidiaries for current quarter and financial year-to-date

The Group's marketing skills and strategies which have been successful for the past years have helped the Group, to a certain extent, cushion the impact of lower revenue in respect of Honda car sales in Malaysia as the Group prepares for the loss in sole distributorship of Honda cars in Malaysia.

The weak CPO price continued to dampen the margin attained by the plantation subsidiaries. All other subsidiaries were able to sustain its margin despite the competitive market condition.

17. Material events subsequent to the end of the period reported on

There were no material events subsequent to the end of the period reported on which have not been reflected in the financial statement for the said period other than the incorporation of a new wholly owned subsidiary, Oriental Thai Industries Co. Ltd. on 16 August 2001 with its principal activities to carry on the business of plastic injection moulding, mould manufacturing, design, prototyping, assembly services and other businesses related thereto by a wholly owned subsidiary of the Company, Jutajati Sdn Bhd

18. Seasonal or Cyclical Factors

Majority of the business operations of the Group are generally in tandem with the prevailing economic conditions where the Group operates with the exception of a few other sectors. Commodity price is the most significant determinant of the level of profitability for the plantation sector although seasonal factor such as climatic condition also plays a part in determining the production level. The tourism sector will generally perform better during the major festive and holiday seasons.

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19. Prospects for the Future

The Group through its 60% owned subsidiary, Oriental Hyundai Sdn Bhd has just launched its first Hyundai's Elantra model in Malaysia. With its affordable pricing, it is hoped that the award-winning Hyundai Elantra will make an impact on the local non national car market segment.

The performance of the plantation subsidiaries will contribute positively to the Group if the recent signs of recovery in CPO price can be maintained.

While the Group will continue exploring other business opportunities, the core businesses of the Group are expected to enhance the revenue and maintain the margin expected of the Group amidst concerns over the slow down in the economy.

20. Variance of Actual Profit from Forecast Profit

Not Applicable.

21. Dividend

On 28 August 2001, the Board of Directors declared the payment of an interim dividend of 5% less 28% tax, and a special 7.5% dividend less 28% tax, totalling RM46,527,137, for the year ending 31 December 2001, which will be paid at a date to be determined later.

The Board of Directors approved the payment of an interim dividend of 5% less 28% tax, and a special 35% dividend less 28% tax, totalling RM93,083,075, for the year ended 31 December 2000.

By Order of the Board

C.T. DIONG
Secretary

DATED THIS 28 AUGUST 2001

