

ORIENTAL HOLDINGS BERHAD

(Company No. 5286-U)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2003

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with MASH 26, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Group for the year ended 31 December 2002.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements for the year ended 31 December 2002 except for the adoption of the following new accounting standards :-

- a) MASB 25, Income Taxes whereby deferred tax on revaluation surplus of land and building is now recognised in the financial statements. Previously, deferred tax on such revaluation was not recognised in the financial statements as the land and building are held for long term use. However, there was no material effect arising from the adoption of this Standard and no prior year's adjustments are thus effected.
- b) MASB 27, Borrowing Costs. There was no effect arising from the adoption of this Standard as the previous accounting policies were in line with the accounting standard; and
- c) MASB 29, Employee Benefits. No adjustment was made as the impact arising from the adoption of this standard to account for the provisions for obligations in respect of short term employee benefits in the form of accumulated compensated absences is assessed to be immaterial to the Group as a whole.

2. Auditors' Qualification

Not applicable. No qualification on the audit report of the preceding annual financial statements of Oriental Holdings Berhad.

3. 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.

4. Exceptional and Extraordinary Items

There were no material exceptional and extraordinary items for the period under review.

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5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years.

6. Debt and Equity Securities

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 period to date.

7. Dividends Paid and Proposed

No dividend has been proposed for this current quarter.

The Directors have proposed a Final Dividend of 8% less tax, and a Special Dividend of 4.5% less 28% tax, making a total dividend of 12.5% less 28% tax; which amounts to RM46,527,137 in respect of the year ended 31 December 2002. The Final Dividend and Special Dividend, if approved by the stockholders at the forthcoming Annual General Meeting to be held on 26 June 2003, will be paid on 28 July 2003.

8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Period To Date →			
	31 March 2003			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	462,571	69.3	20,452	51.7
Plastic products	75,360	11.3	2,477	6.3
Hotels and resorts	32,289	4.8	3,688	9.3
Plantation	28,176	4.2	6,369	16.1
Investment holding and financial services	7,506	1.1	4,700	11.9
Property development and others	61,787	9.3	1,847	4.7
	667,689	100.0	39,533	100.0

9. Revaluation of Property, Plant and Equipment

Not applicable. No valuation policy was adopted for property, plant and equipment. The Group availed the transitional provisions issued by the Malaysian Accounting Standards Board upon adoption of International Accounting Standard No 16 (Revised) to have the revalued property, plant and equipment in 1976 and 1978 continue to be stated at cost.

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10. Material Post Balance Sheet Events

There were no material events subsequent to the end of the period reported on which have not been reflected in this interim financial report.

11. Changes in Group's Composition

There were no changes in the composition of the Group during the current financial year to-date apart from the incorporation of a new wholly owned subsidiary, Oriental Asia (Mauritius) Pte Ltd ("OAM") on 24 February 2003 by a 50.5% owned subsidiary of the Company, Selasih Permata Sdn Bhd. The principal activity of OAM is investment holding.

12. Changes in Contingent Liabilities and Assets and Changes in Material Litigations

There were no contingent liabilities and assets at the end of the reporting period.

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.

13. Reserves

	At 1 Jan 2003 RM'000	Currency translation differences RM'000	At 31 Mar 2003 RM'000
Distributable			
Capital reserves	39,552	-	39,552
Non-distributable			
Reserves attributable to Capital	1,167	-	1,167
Reserves attributable to Revenue	148,457	21,433	169,890
	149,624	21,433	171,057
	<u>189,176</u>	<u>21,433</u>	<u>210,609</u>

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

The Group's revenue for the first quarter of 2003 was RM 667.7 million and this was 7% higher than the corresponding period last year. The PBT of RM44.1 million for the current quarter was 15% higher than the corresponding period last year.

The higher CPO price together with the increase in matured trees available for harvesting, better performance from the overseas hotel operations and the strong performance of the subsidiaries involved in the automobile industry particularly the encouraging response for the Hyundai models have contributed to the overall performance of the Group.

15. Material Change in Profit Before Taxation ("PBT") reported on as compared with the immediate preceding quarter

The Group's PBT for the first quarter of 2003 was RM44.1 million as compared to RM67.0 million in the preceding quarter of 2002. The Group's Operating Revenue for the first quarter of 2003 was RM667.7 million as compared to RM748.0 million in the preceding quarter.

The Group's PBT for the first quarter of 2003 was RM22.9 million or 34.2% lower whilst the Revenue was down by RM80.3 million or 10.7% when compared to the preceding quarter. Stiff competition and the present difficult market condition have eroded the Group's revenue and margin. However, the higher revenue from the overseas hotel operations and the unexpected good performance from the automobile retailing subsidiaries have helped to cushion off the impact of declining revenue and margin.

16. Current year prospects

Performance of the plantation subsidiaries are expected to improve further assuming the CPO price stay at current level as more matured trees of the overseas plantations are harvested.

The automobile industry is dependant upon a sustained momentum of economic recovery. Furthermore, the fierce competitions from all the automobile distributors will inevitably erode the thin margin already faced by the industry.

It is anticipated that the economic stimulus package as announced by the government recently will re-ignite the economic growth and business confidence in Malaysia.

Barring unforeseen circumstances, the Board of Directors expects the Group's performance for Year 2003 to be satisfactory.

17. Variance of Actual Profit from Forecast Profit

Not Applicable.

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	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Mar 03 RM'000	Preceding Year Quarter 31 Mar 02 RM'000	Current Year To date 31 Mar 03 RM'000	Preceding Year To date 31 Mar 02 RM'000
Current taxation				
Malaysian taxation				
- Based on profit for the period	2,897	4,256	2,897	4,256
- Over provision in respect of prior period	-	(2,210)	-	(2,210)
	2,897	2,046	2,897	2,046
Foreign taxation				
- Based on profit for the period	4,611	4,378	4,611	4,378
	7,508	6,424	7,508	6,424
Deferred taxation				
- Under provision in respect of prior period	-	852	-	852
On share of results of associated companies	1,231	1,095	1,231	1,095
	8,739	8,371	8,739	8,371

The Group's effective tax rate for the current year quarter and cumulative to-date is lower than the prima facie tax rate mainly due to the utilisation of unabsorbed losses brought forward by certain subsidiaries.

19. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

There were no profit/(loss) on sale of unquoted investments and/or properties for the period under review.

20. Purchase or Disposal of Quoted Securities

(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.

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20. Purchase or Disposal of Quoted Securities (cont'd)

(b) Total investments in quoted shares

	31 Mar 2003 RM'000
Quoted shares in Malaysia	
At cost	7,503
Less : Allowance for diminution in value of investment	(585)
	6,918
Quoted shares outside Malaysia	
At cost	
Balance at 1 January 2003	23,788
Purchases during the period	2,555
Balance at 31 March 2003	26,343
Less : Allowance for diminution in value of investment	(1,276)
	25,067
Market value of quoted investments	34,347

21. 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:-

- (i) the Stock Buy-Back which was approved by the stockholders at the Annual General Meeting on 26 June 2002 for the buy-back of up to 10% or up to 51,700,000 ordinary stocks. As at to-date, the Company 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.
- (ii) the proposal to set up a new company, TSP Electronics Sdn. Bhd. ("TSPE") under a joint venture with Fimas Electronics Sdn Bhd ("Fimas") with the proposed shareholdings of 60% by the Company and 40% by Fimas. The intended authorised share capital of TSPE is RM500,000 comprising 500,000 ordinary shares of RM1.00 each and the total paid up share capital of TSPE will be RM375,000.

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- (iii) On 3 January 2003, the Board approved the proposal by the Group's 60% owned subsidiary, Teck See Plastic Sdn Bhd ("TSP") to acquire the remaining 50% equity interest in Lipro Kyowa Electronics Sdn Bhd ("Kyowa") not already owned by TSP for a total cash consideration of RM2 million comprising 2,500,000 ordinary shares of RM1.00 each, subject to the approval of Ministry of International Trade and Industry which was subsequently obtained on 5 February 2003. Transfer of shares for that 50% equity interest in Kyowa to be acquired by TSP is however still pending as at 31 March 2003. On completion of the proposed acquisition, Kyowa will become a 60% owned subsidiary of the Group.
- (iv) Selasih Permata Sdn Bhd, a 50.5% owned subsidiary of Oriental Holdings Berhad subscribed for its rights issue entitlement in its investment in PT Oriental Kyowa Industries ("PT OKI") and Oriental Kyowa Plastic Industries (Shanghai Pudong New Area) Co. Ltd ("OKPI") for an amount of USD 3.2 million and USD 5.5 million respectively in October 2002. Both PT OKI and OKPI are also the 75% and 62% owned subsidiaries of OHB's wholly owned subsidiary, Jutajati Sdn Bhd ("JSB"). For the rights issue by PT OKI and OKPI, JSB and other minority shareholders did not subscribe for their rights issue entitlements. Upon subscription for the rights issue entitlement by SP, OHB Group's equity interest in PT OKI and OKPI decreased from 87.63% and 73.58% to 72.78% and 65.39% respectively. Approval from Bank Negara Malaysia for the remittance of funds was obtained on 23 September 2002.

The subscription of shares by SP in OKPI was completed on 9 April 2003. However, the subscription for rights issue in PT OKI has not been completed as approval from the relevant local authorities in Indonesia has not been obtained as at to-date.

22. Group Borrowings

	Borrowings denominated in		Total RM'000
	Ringgit	Foreign Currencies	
	Source Currency	RM Equivalent	
	RM'000	RM'000	RM'000
	I	II	I + II
Short term borrowings			
Bank overdrafts - secured	462		462
Bank overdrafts - unsecured	4,215		4,215
Other borrowings	16,720		
		JPY 7.6 billion	226,610
		USD 2.2 million	8,365
		RM 386.3 million	39,589
		AUD 17.04 million	38,680
		BAHT 130.0 million	10,803
			324,047
			340,767
			21,397
			324,047
			345,444

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

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There are no off balance sheet financial instruments as at date of the report.

24. Changes in Material Litigations

Please refer Note 12 for details.

25. Dividends Proposed

Please refer Note 7 for details.

26. Basic Earnings per Share

The basic earnings per share is computed based on the net profit for the period divided by the weighted average number of stocks in issue.

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31 Mac 03 RM'000	Preceding Year Quarter 31 Mac 02 RM'000	Current Year To Date (First quarter to 31 Mac 03) RM'000	Preceding Year To Date (First quarter to 31 Mac 02) RM'000
Net profit for the period (RM'000)	<u>27,119</u>	<u>24,590</u>	<u>27,119</u>	<u>24,590</u>
<i>Weighted average number of stocks in issue ('000)</i>	517,000	517,000	517,000	517,000
Basic earnings per shares (sen)	<u>5.25</u>	<u>4.76</u>	<u>5.25</u>	<u>4.76</u>

By Order of the Board

C.T. DIONG
Secretary

DATED THIS 28 MAY 2003