

ORIENTAL HOLDINGS BERHAD
(Company No. 5286-U)
(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2005

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, 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 2004.

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 2004.

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 period.

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 year to date.

7. **Dividends Paid**

Since the end of the previous financial year, the Company paid an interim dividend of 5% (2003: 5%) less tax, and a special dividend of 5% (2003: 5%) less tax, totalling RM37,221,710 in respect of the year ended 31 December 2004 on 28 January 2005.

8. **Segment Revenue and Results**

Financial data by business segment for the Group

	← Current Period To Date →			
	31 March 2005			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	841,239	76.3	47,451	59.1
Plastic products	128,155	11.6	3,704	4.6
Hotels and resorts	45,564	4.1	7,779	9.7
Plantation	35,413	3.2	15,801	19.7
Investment holding and financial services	6,152	0.6	3,250	4.0
Property development and others	46,806	4.2	2,323	2.9
	1,103,329	100.0	80,308	100.0

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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 1976 and 1978 revalued assets of land and buildings continue to be stated at their existing carrying amounts less accumulated depreciation.

10. Material Post Balance Sheet Events

There were no material events subsequent to the end of the period under review 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 other than the following: -

- i) The incorporation of a wholly owned subsidiary company, known as Kah Assemblers Sdn. Bhd. ("Kah Assemblers") by the Company on 30 December 2004 with initial authorised share capital of RM100,000 and paid up capital of RM2. The intended principal activity of the Kah Assemblers is to carry on all or any of the businesses of manufacturers, assemblers of, dealers in motorcycles, spare parts, accessories and all related components. The announcement was made by the Company on 3 January 2005.
- ii) The Company entered into a Share Sale Agreement to dispose 9,299,400 ordinary shares of RM1.00 each, representing 35.6% of the total issued and paid up share capital in Oriental-Hitachi Construction Machinery Sdn. Bhd. ("OHCM"), at a cash consideration of RM15,504,808 to Hitachi Construction Machinery Co. Ltd., a company incorporated in Japan. The sale of OHCM was concluded on 17 March 2005 and OHCM has since then become an associated company of Oriental Holdings Berhad. The announcement on the proposed sale of OHCM was made by the Company on 11 March 2005.

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.

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13. **Reserves**

	At 1 Jan 2005 RM'000	Currency translation differences RM'000	At 31 Mar 2005 RM'000
Distributable			
Capital reserves	40,237	-	40,237
Non-distributable			
Reserves attributable to Capital	1,141	-	1,141
Reserves attributable to Revenue	322,677	590	323,267
	323,818	590	324,408
	364,055	590	364,645

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

The first quarter revenue of RM1,103.3 million was 24.0% higher than the corresponding period last year with the first quarter profit before tax of RM79.6 million, a 21.7% higher than the corresponding period last year.

The increase in acreage of matured trees available for harvesting from the overseas plantation subsidiaries helped to cushion the impact of drop in Group's plantation revenue arising from the lower CPO prices. The encouraging performance of the automotive retailing subsidiaries for both Malaysia and Singapore during this quarter was in tandem with the overall increase in volume of the motor industry. The increase in motor vehicle sales especially in Malaysia was in anticipation of higher motor vehicle prices when the new duty structure is implemented. However, fierce competition has thinned the margin. Other non-automotive related subsidiaries in the Group also performed better than expected. There was also improvement in the performance of the hotel and resort sector.

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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 2005 was RM79.6 million as compared to RM98.1 million in the preceding quarter. The Group's revenue for the first quarter of 2005 was RM1,103.3 million when compared to RM1,039.6 million in the preceding quarter.

The Group's PBT for the first quarter of 2005 decreased by RM18.5 million or 18.9% and the revenue increased by RM63.7 million or 6.1% when compared to the preceding quarter. The improved crop production, the lower CPO prices but favourable exchange gain resulted in higher contribution from the overseas plantation for this quarter. Both revenue and contribution from the automobile retailing has increased in tandem with the industry trend. Despite stiff competitions and the present difficult market conditions faced by other business segment in which the Group is involved, these subsidiaries have performed satisfactory in terms of revenue and margin.

16. Current year prospects

Performance of the plantation subsidiaries are expected to improve further with the increase in crop production and the CPO price remains favourable.

The performances of the automotive related subsidiaries are expected to be in tandem with the industry trend. It is anticipated that any change in duty structure will be felt most probably by the fourth quarter of 2005. The fierce competitions from all the automobile distributors will inevitably erode the thin margin already faced by the industry.

The main focus for the other business segment in the Group will be to have efficient management to cater to customer demands and to manage costs.

Barring unforeseen circumstances, the Board of Directors expects the Group's performance for Year 2005 to be satisfactory.

17. Variance of Actual Profit from Forecast Profit

Not Applicable.

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18. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Mar 05 RM'000 (Unaudited)	Preceding Year Quarter 31 Mar 04 RM'000 (Unaudited)	Current Year To date 31 Mar 05 RM'000 (Unaudited)	Preceding Year To date 31 Mar 04 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	6,239	5,506	6,239	5,506
- Overprovision in respect of prior year	(9)	-	(9)	-
Foreign taxation				
- Based on profit for the period	13,876	6,999	13,876	6,999
	20,106	12,505	20,106	12,505
On share of results of associated companies				
- Based on profit for the period	1,162	1,819	1,162	1,819
	21,268	14,324	21,268	14,324

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.

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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.

(b) Total investments in quoted shares

	31 Mar 05 RM'000
Quoted shares in Malaysia	
At cost	7,571
Quoted shares outside Malaysia	
At cost	32,680
Market value of quoted investments	45,704

21. Status of Corporate Proposals

There were no corporate proposals that have been announced by the Company but not completed 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 17 June 2004 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 proposed change in equity structure of its subsidiary, Oriental-Logistics Sdn Bhd from 70% to 51%, by way of renouncing rights entitlement by Jutajati Sdn Bhd (a 100% owned subsidiary) and Selasih Permata Sdn Bhd (a 50.5% subsidiary) to its existing foreign shareholder. Announcement was made by the Company on 6 April 2004.
- (iii) The proposed acquisition of 25% of the total issued and paid-up share capital in Unique Mix (Penang) Sdn Bhd ("U Mix") by the 91% owned subsidiary of the Company, Simen Utara Sdn Bhd ("Simen Utara"), for a total cash consideration of RM1,531,250 has yet to be completed. U Mix will become a subsidiary of Simen Utara after the completion of the said acquisition. Announcement was made by the Company on 24 May 2005.

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22. **Group Borrowings**

	Ringgit	← Foreign Currencies →	RM	
		Source	Equivalent	Total
	RM'000	Currency	RM'000	RM'000
	I		II	I + II
Short term borrowings				
Bank overdrafts – unsecured	3,108		-	3,108
Other borrowings – secured	7,430			7,430
Other borrowings – unsecured	8,530			
		JPY 4.51 billion	174,186	182,716
		USD 15.21 million	37,619	37,619
		RMB 46.51 million	41,426	41,426
		AUD 12.39 million	36,536	36,536
		BAHT 255 million	24,225	24,225
			313,992	322,522
	<u>19,068</u>		<u>313,992</u>	<u>333,060</u>

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

23. **Off Balance Sheet Financial Instruments**

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

24. **Changes in Material Litigations**

Not applicable.

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25. Dividends Proposed

No dividend has been proposed for this current quarter.

(The Board of Directors have proposed a final dividend of 8% (2003 : 8%) less tax, and a special dividend of 2.5% (2003 : 2%) less tax, making a total dividend of 10.5% less tax, totalling RM39,082,795 in respect of the year ended 31 December 2004, subject to stockholders' approval at the forthcoming Annual General Meeting.)

26. Basic Earnings per Share

The basic earnings per share are 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 Mar 05 RM'000 (Unaudited)	Preceding Year Quarter 31 Mar 04 RM'000 (Unaudited)	Current Year To Date (First quarter to 31 Mar 05) RM'000 (Unaudited)	Preceding Year To Date (First quarter to 31 Mar 04) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>45,446</u>	<u>38,952</u>	<u>45,446</u>	<u>38,952</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>8.79</u>	<u>7.53</u>	<u>8.79</u>	<u>7.53</u>

By Order of the Board

C.T. DIONG
Secretary

DATED THIS 26 MAY 2005