

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2010

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 2009. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

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 2009 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments :-

Adoption of New and Revised FRSs, IC Interpretations and Amendments

FRS 8, Operating Segments
FRS 101, Presentation of Financial Statements (revised)
FRS 123, Borrowing Costs (revised)
FRS 139, Financial Instruments : Recognition and Measurement
Amendments to FRS 139, Financial Instruments : Recognition and Measurement
Improvements to FRSs (2009)
IC Interpretation 10, Interim Financial Reporting and Impairment

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below :-

(a) *FRS 101 (revised), Presentation of Financial Statements*

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

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1. **Basis of Preparation (Cont'd)**

(a) *FRS 101 (revised), Presentation of Financial Statements (Cont'd)*

The effects of the change in presentation are as follows :

The gains that were recognised directly in equity in the preceding year corresponding period are presented as component in other comprehensive income in the statement of comprehensive income. The total comprehensive income for preceding year corresponding period is presented separately and allocation is made to show the amount attributable to owners of the parent and to non-controlling interests.

For the period ended 31 March 2009	As previously reported RM'000	Effects of adopting FRS 101 RM'000	As restated RM'000
Profit for the period	67,670	-	67,670
Other comprehensive income	-	4,367	4,367
	<u>67,670</u>	<u>4,367</u>	<u>72,037</u>
Total comprehensive income attributable to :			
Equity holders of the Company	52,943	4,367	57,310
Non-controlling interests	14,727	-	14,727
	<u>67,670</u>	<u>4,367</u>	<u>72,037</u>

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1. **Basis of Preparation (Cont'd)**

(b) *Amendments to FRS 117, Leases*

Prior to the adoption of the Amendment to FRS 117, leasehold land were treated as operating leases. The considerations paid were classified and presented as prepaid land lease payments in the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. Accordingly, the Group has changed the classification of long term leasehold land from operating leases to finance leases in the current quarter for those land with the present value of the minimum lease payments (i.e. the consideration paid or payable) is substantially equal to the fair value of the land. This change in classification has no effect to the profit or loss for the current period ended 31 March 2010 or the comparative prior period. The effect of the reclassification to the comparative of the prior year's statement of financial position is as follows :

<i>At 31 Dec 2009</i>	<i>As previously reported RM'000</i>	<i>Reclassified RM'000</i>	<i>As restated RM'000</i>
<i>Prepaid land lease payments</i>	240,747	(136,445)	104,302
<i>Property, plant and equipment</i>	1,123,478	136,445	1,259,923

(c) *FRS 139, Financial Instruments : Recognition and Measurement*

FRS 139 sets out new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet reflects the designation of the financial instruments.

The change in accounting policies have been accounted for prospectively in line with the provision under FRS 139, resulting in an adjustment to the Group's opening retained earnings and fair value reserves as detailed in the Statement of Changes in Equity.

(d) *FRS 8 Operating Segments*

FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. However, this FRS has not changed the form and content of disclosures required in this interim financial report.

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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 Items

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

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 period to date.

7. Dividends Paid

Since the end of the previous financial year, the Company paid an interim dividend of 5% (2008: 10%) less tax of 25% (2008: 25%), totalling RM19,386,307 for the year ended 31 December 2009 on 18 January 2010.

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8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Year To Date →			
	31 March 2010			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	454,445	56.7	4,154	6.0
Plastic products	95,793	11.9	1,253	1.8
Hotels and resorts	41,619	5.2	2,729	4.0
Plantation	98,706	12.3	36,819	53.6
Investment holding and financial services	25,477	3.2	20,497	29.8
Property development and others	86,073	10.7	3,284	4.8
	802,113	100.0	68,736	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 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.

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

The year to date revenue of RM802.1 million was 9.9% lower than the corresponding period last year with the year to date profit before tax of RM71.2 million, a 24.2% drop from the corresponding period last year.

The performance of the automotive retailing subsidiaries for both Malaysia and Singapore was in tandem with the overall drop in sale of the motor industry. The motor vehicle sales continued to be affected by the current difficult operating environment. The performance of the overseas plantation sector was slightly higher due to higher CPO price but was affected by the lower crop output and unfavourable exchange. The hotel and resort sector was at about the same level.

14. 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 2010 was RM71.2 million when compared to PBT of RM70.1 million in the preceding quarter. The Group’s revenue for the first quarter of 2010 was RM802.1 million when compared to RM848.9 million in the preceding quarter.

The Group’s PBT for the first quarter of 2010 increased by RM1.1 million or 1.6% and the revenue decreased by RM46.8 million or 5.5% when compared to the preceding quarter. Revenue for the plantation sector was lower due to the lower crop output, unfavourable foreign exchange but offset by slightly higher CPO price. Contribution from the automobile retailing in both Malaysia and Singapore was higher as compared to the previous quarter. Performance of the hotel and resort sector was higher as compared to the preceding quarter.

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15. Current Year Prospects

The performances of the plantation subsidiaries may be impacted by the volatility of both CPO price and foreign exchange but the poor weather condition may affect the level of crop production.

The performances of the automotive related subsidiaries are expected to be lower in tandem with the industry trend.

The revenue and the contribution from the overseas subsidiaries in the tourism and hospitality industry are expected to be maintained.

The Board of Directors expects the Group's performance for Year 2010 to be satisfactory.

16. Variance of Actual Profit from Forecast Profit

Not Applicable.

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17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Mar 10 RM'000 (Unaudited)	Preceding Year Quarter 31 Mar 09 RM'000 (Unaudited)	Current Year To date 31 Mar 10 RM'000 (Unaudited)	Preceding Year To date 31 Mar 09 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	2,968	1,652	2,968	1,652
- Under/ (Over) provision in respect of prior period	547	(420)	547	(420)
	3,515	1,232	3,515	28,085
Foreign taxation				
- Based on profit for the period	12,080	25,297	12,080	25,297
	15,595	26,529	15,595	26,529
Deferred taxation				
- Current period	205	-	205	-
- Under/ (Over) provision in respect of prior period	440	(298)	440	(298)
	645	(298)	645	(298)
	16,240	26,231	16,240	26,231

18. 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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19. **Purchase or Disposal of Quoted Securities**

(a) There were no material purchases or disposals of quoted securities for the current financial period to date other than as disclosed in (b) below.

(b) Total quoted securities

31 Mar 10
RM'000

Quoted securities in Malaysia

Cost

Balance at 1 January 2010	7,731
Exchange differences	(50)
Balance at 31 Mar 2010	7,681

Less: Allowance for diminution in value -

Carrying amount

Balance at 31 Mar 2010	7,681
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Quoted securities outside Malaysia

Cost

Balance at 1 January 2010	179,972
Purchases during the period	49,933
Disposal during the period	(31,632)
Exchange differences	(8,592)
Fair value adjustment to equity/fair value reserve	281
Balance at 31 Mar 2010	189,962

Less: Allowance for diminution in value (8,416)

Carrying amount

Balance at 31 Mar 2010	181,546
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Market value of quoted securities 198,664

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20. 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:-

(a) Stock Buy-Back

The Stock Buy-Back which was approved by the stockholders at the Annual General Meeting on 25 June 2009 for the buy-back of up to 10% or up to 51,700,000 ordinary stocks. There were no stocks buy-back during this quarter.

(b) Proposed Bonus Issue

The Board has approved in principle the proposed issue of Bonus Shares ("Proposed Bonus Issue") of approximately 103,400,000 to be credited as fully paid-up on the basis of one (1) new stock for every five (5) existing stocks held at an entitlement date to be determined later.

The Proposed Bonus Issue will entail an issuance of 103,393,638 ordinary stocks on the issued and paid-up share capital of 516,968,192 stocks by capitalising an amount of RM103,393,638 (after deducting the Treasury stocks of 31,808 ordinary stocks) and shall be wholly capitalised from the Company's retained earnings account.

The new Bonus Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing Shares of the Company, save and except that the new Bonus Shares will not be entitled to any right, dividend, allotment and/or other distribution where the Entitlement Date precedes the relevant date of allotment of such new Bonus Shares.

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21. **Group Borrowings**

	Ringgit RM'000 I	Borrowings denominated in Foreign Currencies		Total RM'000 I + II
		← Source Currency	→ RM Equivalent RM'000 II	
Finance lease obligations	2,165		-	2,165
Bank overdrafts – unsecured	436		-	436
Other borrowings – secured	15,306		-	15,306
Other borrowings – unsecured	24,814	JPY 7.46 billion	261,567	286,381
		USD 1.26 million	4,119	4,119
		RMB 1.40 million	669	669
		AUD 3.75 million	11,210	11,210
		BAHT 232.71 million	23,480	23,480
			301,045	325,859
	42,721		301,045	343,766

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

22. **Off Balance Sheet Financial Instruments**

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

23. **Changes in Material Litigations**

Not applicable.

24. **Dividends Proposed**

No dividend has been proposed for the current quarter.

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25. Basic Earnings per Stock

The basic earnings per stock are computed based on the net profit for the period/ year divided by the weighted average number of stocks in issue.

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31 Mar 10 RM'000 (Unaudited)	Preceding Year Quarter 31 Mar 09 RM'000 (Unaudited)	Current Year To Date (One quarter to 31 Mar 10) RM'000 (Unaudited)	Preceding Year To Date (One quarter to 31 Mar 09) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>44,255</u>	<u>52,943</u>	<u>44,255</u>	<u>52,943</u>
<i>Weighted average number of stocks in issue ('000)</i>	516,968	516,968	516,968	516,968
Basic earnings per stock (sen)	<u>8.56</u>	<u>10.24</u>	<u>8.56</u>	<u>10.24</u>

By Order of the Board

LAM VOON KEAN
Secretary

DATED THIS 27 MAY 2010