

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 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 30 June 2009	As previously reported RM'000	Effects of adopting FRS 101 RM'000	As restated RM'000
Profit for the period	180,884	-	180,884
Other comprehensive income	-	64,967	64,967
	<u>180,884</u>	<u>64,967</u>	<u>245,851</u>
Total comprehensive income attributable to :			
Equity holders of the Company	144,177	64,967	209,144
Non-controlling interests	36,707	-	36,707
	<u>180,884</u>	<u>64,967</u>	<u>245,851</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 30 June 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	(187,615)	53,132
<i>Property, plant and equipment</i>	1,123,478	187,615	1,311,093

(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.

The final dividend of 5% (2008: 6%) less 25% (2008: 25%) tax totalling RM19,386,307 in respect of the year ended 31 December 2009 was paid on 30 July 2010.

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8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Year To Date →			
	30 June 2010			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	913,097	57.7	9,617	8.2
Plastic products	186,425	11.8	4,714	4.0
Hotels and resorts	75,810	4.8	(5,687)	(4.8)
Plantation	167,101	10.5	47,542	40.7
Investment holding and financial services	66,162	4.2	54,252	46.5
Property development and others	174,193	11.0	6,253	5.4
	1,582,788	100.0	116,691	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 RM1,582.7 million was 11.6% lower than the corresponding period last year with the year to date profit before tax of RM119.0 million, a 53.1% 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 performance 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 affected by the lower crop output and unfavourable exchange.

14. Material Change in Profit Before Taxation (“PBT”) reported on as compared with the immediate preceding quarter

The Group’s PBT for the second quarter of 2010 was RM47.8 million when compared to PBT of RM71.2 million in the preceding quarter. The Group’s revenue for the second quarter of 2010 was RM780.7 million when compared to RM802.1 million in the preceding quarter.

The Group’s PBT for the second quarter of 2010 decreased by RM23.4 million or 32.9% and the revenue decreased by RM21.4 million or 2.7% when compared to the preceding quarter. Revenue for the plantation sector was lower due to the lower crop output and unfavourable foreign exchange but CPO price was at about the same for both quarters. Contribution from the automobile retailing in both Malaysia and Singapore was flat as compared to the previous quarter. Performance of the hotel and resort sector was significantly lower 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 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 30 June 10 RM'000 (Unaudited)	Preceding Year Quarter 30 June 09 RM'000 (Unaudited)	Current Year To date 30 June 10 RM'000 (Unaudited)	Preceding Year To date 30 June 09 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	9,724	13,330	12,692	14,982
- (Over)/ Under provision in respect of prior period	(99)	(37)	448	(457)
	9,625	13,293	13,140	14,525
Foreign taxation				
- Based on profit for the period	927	32,813	13,007	58,110
	10,552	46,106	26,147	72,635
Deferred taxation				
- Current period	-	-	205	-
- (Over)/ Under provision in respect of prior period	(771)	315	(331)	17
	(771)	315	(126)	17
	9,781	46,421	26,021	72,652

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

30 June 10
RM'000

Quoted securities in Malaysia

Cost

Balance at 1 January 2010

7,731

Exchange differences

(57)

Balance at 30 June 2010

7,674

Less: Allowance for diminution in value

-

Carrying amount

Balance at 30 June 2010

7,674

Quoted securities outside Malaysia

Cost

Balance at 1 January 2010

179,972

Purchases during the period

69,370

Disposal during the period

(67,882)

Exchange differences

(10,007)

Fair value adjustment to equity/fair value reserve

133

Balance at 30 June 2010

171,586

Less: Allowance for diminution in value

(10,215)

Carrying amount

Balance at 30 June 2010

161,371

Market value of quoted securities

186,628

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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

At the EGM held on 29 June 2010, the stockholders had approved the proposed issue of Bonus Stocks ("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 of 16 July 2010.

The Bonus Stocks entailed 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 Stocks upon the 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.

The Bonus Stocks were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 19 July 2010.

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21. Group Borrowings

	Ringgit	← Borrowings denominated in Foreign Currencies →	RM Equivalent RM'000 II	Total RM'000 I + II
	RM'000	Source Currency		
	I			
Finance lease obligations	2,923		-	2,923
Bank overdrafts – unsecured	486		-	486
Other borrowings – secured	14,392		-	14,392
Other borrowings – unsecured	22,247			
		JPY 8.94 billion	327,238	349,485
		USD 1.14 million	3,694	3,694
		RMB 1.80 million	859	859
		AUD 3.45 million	9,523	9,523
		BAHT 228.28 million	22,796	22,796
			364,110	386,357
	40,048		364,110	404,158

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 30 June 10 RM'000 (Unaudited)	Preceding Year Quarter 30 June 09 RM'000 (Unaudited)	Current Year To Date (Two quarters to 30 June 10) RM'000 (Unaudited)	Preceding Year To Date (Two quarters to 30 June 09) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>22,572</u>	<u>91,234</u>	<u>66,827</u>	<u>144,177</u>
<i>Weighted average number of stocks in issue ('000) *</i>	620,362	620,362	620,362	620,362
Basic earnings per stock (sen)	<u>3.64</u>	<u>14.71</u>	<u>10.77</u>	<u>23.24</u>

* *The weighted average number of stocks in issue was adjusted for bonus stocks issued on 19 July 2010*

By Order of the Board

LAM VOON KEAN
Secretary

DATED THIS 30 AUG 2010