

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

**SELECTED EXPLANATORY NOTES**  
**TO THE INTERIM FINANCIAL REPORT**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 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.

<b>For the period ended 30 September 2009</b>	<b>As previously reported RM'000</b>	<b>Effects of adopting FRS 101 RM'000</b>	<b>As restated RM'000</b>
Profit for the period	249,911	-	249,911
Other comprehensive income	-	108,337	108,337
	<u>249,911</u>	<u>108,337</u>	<u>358,248</u>
Total comprehensive income attributable to :			
Equity holders of the Company	196,025	108,337	304,362
Non-controlling interests	53,886	-	53,886
	<u>249,911</u>	<u>108,337</u>	<u>358,248</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) 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 September 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 114<sub>2004</sub> 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**

For the period ended 30 September 2010, the paid-up share capital of the Company was increased by RM103,393,638 by way of bonus issue of 103,393,638 ordinary shares of RM1.00 each.

**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*

	← <b>Current Year To Date</b> → <b>30 September 2010</b>			
	Revenue RM'000	%	Operating Profit/(loss) Before Tax RM'000	%
Automotive and related products	1,369,171	57.4	12,169	6.4
Plastic products	293,714	12.3	13,972	7.3
Hotels and resorts	117,568	5.0	12,594	6.6
Plantation	264,900	11.1	87,686	45.8
Investment holding and financial services	86,548	3.6	57,945	30.3
Property development and others	253,500	10.6	6,867	3.6
	2,385,401	100.0	191,233	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 other than the cancellation of winding up of PT Oriental Kyowa Industries.

**11. Changes in Group's Composition**

There were no changes in the composition of the Group during the current financial period 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 period to date revenue of RM2,385.4 million was 7.9% lower than the corresponding period last year with the period to date profit before tax of RM206.2 million, a 39.5% 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 third quarter of 2010 was RM87.2 million when compared to PBT of RM47.8 million in the preceding quarter. The Group's revenue for the third quarter of 2010 was RM802.6 million when compared to RM780.7 million in the preceding quarter.

The Group's PBT for the third quarter of 2010 increased by RM39.4 million or 82.4% and the revenue increased by RM21.9 million or 2.8% when compared to the preceding quarter. Revenue for the plantation sector was higher due to the improved crop output and slightly higher CPO price but continues to be affected by volatile foreign exchange. 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 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 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 Sept 10 RM'000 (Unaudited)	Preceding Year 30 Sept 09 RM'000 (Unaudited)	Current Year To date 30 Sept 10 RM'000 (Unaudited)	Preceding Year To date 30 Sept 09 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	4,887	3,892	17,579	18,874
- (Over)/ Under provision in respect of prior period	(364)	(149)	84	(606)
	4,523	3,743	17,663	18,268
Foreign taxation				
- Based on profit for the period	14,007	14,688	27,014	72,798
	18,530	18,431	44,677	91,066
Deferred taxation				
- Current period	-	-	205	-
- (Over)/ Under provision in respect of prior period	-	-	(331)	17
	-	-	(126)	17
	18,530	18,431	44,551	91,083

**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 Sept 10  
RM'000

**Quoted securities in Malaysia**

**Cost**

Balance at 1 January 2010

7,731

Exchange differences

(44)

Balance at 30 Sept 2010

7,687

Less: Allowance for diminution in value

-

**Carrying amount**

Balance at 30 Sept 2010

7,687

**Quoted securities outside Malaysia**

**Cost**

Balance at 1 January 2010

179,972

Purchases during the period

86,942

Disposal during the period

(79,424)

Exchange differences

(10,076)

Fair value adjustment to equity/fair value reserve

139

Balance at 30 Sept 2010

177,553

Less: Allowance for diminution in value

(8,597)

**Carrying amount**

Balance at 30 Sept 2010

168,956

**Market value of quoted securities**

199,026

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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 the Stock Buy-Back which was approved by the stockholders at the Annual General Meeting on 29 June 2010 for the buy-back of up to 10% or up to 51,700,000 ordinary stocks. There were no stocks buy-back for the period to date.

**21. Group Borrowings**

	Ringgit	Borrowings denominated in Foreign Currencies		Total RM'000																		
	RM'000	← Currency	→ RM Equivalent																			
	I	RM'000	II	I + II																		
Finance lease obligations	1,860	-	-	1,860																		
Bank overdrafts ó unsecured	1,191	-	-	1,191																		
Other borrowings ó secured	14,019	-	-	14,019																		
Other borrowings ó unsecured	24,541	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">JPY 8.94 billion</td> <td style="text-align: right; padding: 2px;">330,632</td> <td style="text-align: right; padding: 2px;">355,173</td> </tr> <tr> <td style="padding: 2px;">USD 1.13 million</td> <td style="text-align: right; padding: 2px;">3,475</td> <td style="text-align: right; padding: 2px;">3,475</td> </tr> <tr> <td style="padding: 2px;">RMB 1.50 million</td> <td style="text-align: right; padding: 2px;">692</td> <td style="text-align: right; padding: 2px;">692</td> </tr> <tr> <td style="padding: 2px;">AUD 3.25 million</td> <td style="text-align: right; padding: 2px;">9,716</td> <td style="text-align: right; padding: 2px;">9,716</td> </tr> <tr> <td style="padding: 2px;">BAHT 221.35 million</td> <td style="text-align: right; padding: 2px;">22,488</td> <td style="text-align: right; padding: 2px;">22,488</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">367,003</td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">391,544</td> </tr> </table>		JPY 8.94 billion	330,632	355,173	USD 1.13 million	3,475	3,475	RMB 1.50 million	692	692	AUD 3.25 million	9,716	9,716	BAHT 221.35 million	22,488	22,488		367,003	391,544	391,544
JPY 8.94 billion	330,632	355,173																				
USD 1.13 million	3,475	3,475																				
RMB 1.50 million	692	692																				
AUD 3.25 million	9,716	9,716																				
BAHT 221.35 million	22,488	22,488																				
	367,003	391,544																				
	41,611	367,003	408,614																			

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.

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**24. Dividends Proposed**

The Board of Directors has declared a single tier Interim Dividend of 3% (2009 : 5% less 25% tax) for the year ending 31 December 2010. The dividend will be payable at the date to be determined later, to stockholders whose names appear in the Record of Depositors at the close of business on 31 December 2010.

**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 Sept 10 RMø000 (Unaudited)	Preceding Year Quarter 30 Sept 09 RMø000 (Unaudited)	Current Year To Date (Three quarters to 30 Sept 10) RMø000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 09) RMø000 (Unaudited)
Net profit for the period (RMø000)	<u>58,020</u>	<u>51,848</u>	<u>124,847</u>	<u>196,025</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>9.35</u>	<u>8.36</u>	<u>20.12</u>	<u>31.60</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 NOVEMBER 2010**