

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

**SELECTED EXPLANATORY NOTES**  
**TO THE INTERIM FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 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 the 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 31 December 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 year	337,198	-	337,198
Other comprehensive income	-	109,546	109,546
	<u>337,198</u>	<u>109,546</u>	<u>446,744</u>
Total comprehensive income attributable to :			
Equity holders of the Company	270,656	109,546	380,202
Non-controlling interests	66,542	-	66,542
	<u>337,198</u>	<u>109,546</u>	<u>446,744</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 year ended 31 December 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 year ended 31 December 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 :-

- i) 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.
- ii) 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 on 30 July 2010.
- iii) a single tier interim dividend of 3% (2009: 5% less tax of 25%), totalling RM18,610,855 for the year ended 31 December 2010 on 21 January 2011.

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**8. Segment Revenue and Results**

*Financial data by business segment for the Group*

	← <b>Current Year To Date</b> →			
	<b>31 December 2010</b>			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	1,781,801	55.3	21,312	6.4
Plastic products	399,633	12.4	17,648	5.3
Hotels and resorts	167,338	5.2	19,164	5.7
Plantation	411,221	12.7	162,369	48.6
Investment holding and financial services	122,424	3.8	104,781	31.4
Property development and others	343,040	10.6	8,707	2.6
	3,225,457	100.0	333,981	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 :-

- (i) the investment in PT Gunung Sawit Selatan Lestari ("PT GSSL") for USD 6,256,000. PT GSSL is currently dormant and the intended activity of PT GSSL is the cultivation of oil palm plantation and related activities; and
- (ii) Armstong Auto Parts Sdn Bhd ("AAP"), a 53.61% subsidiary of the Company intended to dispose of its 83% shareholdings in PT Tradisi Motor Komponen ("PTMK") for a total cash consideration of approximately RM635,463 to Karli Boenjamin and/or its nominees ("KB"), the existing shareholders of PTMK, holding the balance 17% shareholding.

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

There were no changes in the composition of the Group during the current financial period to-date other than cancellation of winding up of PT Oriental Kyowa Industries. PT Oriental Kyowa Industries, a 45% and 50.5% owned subsidiary by Jutajati Sdn. Bhd. and Selasih Permata Sdn. Bhd. respectively, which in turn are 100% and 50.5% owned subsidiaries of the Company.

The Board of Directors of OHB is of the opinion that the cancellation of winding up of PT OKI will not have any material impact on the Group's earnings in 2010.

This announcement is dated 1 November 2010.

**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 RM3,225.5 million was 6.2% lower than the corresponding period last year with the year to date profit before tax of RM376.4 million, a 12.7% drop from the corresponding period last year.

The performance of the automotive 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 foreign exchange despite the higher average CPO prices.

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

The Group’s PBT for the fourth quarter of 2010 was RM170.1 million when compared to PBT of RM87.2 million in the preceding quarter. The Group’s revenue for the fourth quarter of 2010 was RM840.1 million when compared to RM802.6 million in the preceding quarter.

The Group’s PBT for the fourth quarter of 2010 increased by RM82.9 million or 95.1% and the revenue increased by RM37.5 million or 4.7% when compared to the preceding quarter. Revenue for the plantation sector was considerably higher due to the improved crop output and higher CPO price but continues to be affected by volatile foreign exchange. The contribution from automotive subsidiaries improved slightly. Performance of the hotel and resort sector was lower as compared to the preceding quarter due to the off peak season.

**15. Current Year Prospects**

The Group’s performance was affected by the volatility of the foreign exchange and in the case of plantation, may be influenced by the level of CPO prices and the cyclical conditions including weather patterns on the crop production.

The automotive business remained very competitive in their respective markets.

The Board of Directors expects the Group’s performance for Year 2011 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 Dec 10 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 09 RM'000 (Unaudited)	Current Year To date 31 Dec 10 RM'000 (Unaudited)	Preceding Year To date 31 Dec 09 RM'000 (Audited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	9,603	9,380	27,182	28,254
- Over provision in respect of prior period	(222)	(1,344)	(138)	(1,950)
	9,381	8,036	27,044	26,304
Foreign taxation				
- Based on profit for the period/year	22,808	(8,642)	49,822	64,156
	32,189	(606)	76,866	90,460
Deferred taxation				
- Current period/year	(3,055)	3,208	(2,850)	3,208
- Under provision in respect of prior period/year	1,851	219	1,520	236
	(1,204)	3,427	(1,330)	3,444
	30,985	2,821	75,536	93,904

**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 Dec 10  
RM'000

Available for-sale financial assets

**Quoted securities in Malaysia**

**At fair value**

Balance at 1 January 2010	23,258
Exchange differences	(3)
Fair value adjustment to equity/fair value reserve	1,090
Balance at 31 Dec 2010	<u>24,345</u>

**Quoted securities outside Malaysia**

**At fair value**

Balance at 1 January 2010	179,972
Purchases during the period	105,060
Disposal during the period	(88,824)
Exchange differences	(10,219)
Fair value adjustment to equity/fair value reserve	16,278
Impairment losses	(5,998)
Balance at 31 Dec 2010	<u>196,269</u>

**Market value of quoted securities**

220,614

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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	← Foreign Currencies →	Total RM'000															
	RM'000	RM Equivalent RM'000																
	I	II	I + II															
Finance lease obligations	1,656	-	1,656															
Bank overdrafts – unsecured	1,648	-	1,648															
Other borrowings – secured	11,529	-	11,529															
Other borrowings – unsecured	26,879	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">JPY 9.34 billion</td> <td style="text-align: right; padding: 2px;">353,455</td> <td style="text-align: right; padding: 2px;">380,334</td> </tr> <tr> <td style="padding: 2px;">USD 1.33 million</td> <td style="text-align: right; padding: 2px;">4,114</td> <td style="text-align: right; padding: 2px;">4,114</td> </tr> <tr> <td style="padding: 2px;">AUD 2.25 million</td> <td style="text-align: right; padding: 2px;">7,065</td> <td style="text-align: right; padding: 2px;">7,065</td> </tr> <tr> <td style="padding: 2px;">BAHT 118.14 million</td> <td style="text-align: right; padding: 2px;">12,091</td> <td style="text-align: right; padding: 2px;">12,091</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">376,725</td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">403,604</td> </tr> </table>	JPY 9.34 billion	353,455	380,334	USD 1.33 million	4,114	4,114	AUD 2.25 million	7,065	7,065	BAHT 118.14 million	12,091	12,091		376,725	403,604	403,604
JPY 9.34 billion	353,455	380,334																
USD 1.33 million	4,114	4,114																
AUD 2.25 million	7,065	7,065																
BAHT 118.14 million	12,091	12,091																
	376,725	403,604																
	41,712	376,725	418,437															

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 second single tier interim dividend of 3% (2009: final 5% less 25% tax), totaling RM18,610,855 in respect of the year ended 31 December 2010 on 24 February 2011.

**25. Basic Earnings per Stock**

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

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31 Dec 10 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 09 RM'000 (Unaudited)	Current Year To Date (Four quarters to 31 Dec 10) RM'000 (Unaudited)	Preceding Year To Date (Four quarters to 31 Dec 09) RM'000 (Audited)
Net profit for the period/ year (RM'000)	102,800	74,631	227,647	270,656
<i>Weighted average number of stocks in issue ('000) *</i>	620,362	620,362	620,362	620,362
Basic earnings per stock (sen)	16.57	12.03	36.70	43.63

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

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26. Realised and Unrealised Profit or Losses Disclosure

	As at 31 Dec 2010 (RM'000)	As at 30 Sep 2010 (RM'000)
Total retained profits of the Company and its subsidiaries		
- Realised	4,247,092	4,167,988
- Unrealised	54,104	43,173
	4,301,196	4,211,161
Total share of retained earnings of associates		
- Realised	215,739	188,310
- Unrealised	6,659	6,638
	222,398	194,948
Less : Consolidation adjustments	(1,578,354)	(1,543,998)
Total retained profits	2,945,240	2,862,111

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purposes of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

By Order of the Board

**LAM VOON KEAN**  
**Secretary**

**DATED THIS 24 FEBRUARY 2011**