

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

**SELECTED EXPLANATORY NOTES**  
**TO THE INTERIM FINANCIAL REPORT**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

**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 2010. 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 2010.

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 2010 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments :-

*Adoption of Revised FRSs, IC Interpretations and Amendments*

FRS 1, First-time Adoption of Financial Reporting Standards  
FRS 3, Business Combinations  
FRS 127, Consolidated and Separate Financial Statements  
Improvements to FRSs (2010)  
Amendments to FRS 1, Additional Exemptions for First-time Adopters  
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations  
Amendments to FRS 132, Financial Instruments: Presentation (Classification of Rights Issues)  
Amendments to FRS 138, Intangible Assets  
IC Interpretation 4, Determining whether an Arrangement contains a Lease  
IC Interpretation 17, Distributions of Non-cash Assets to Owners  
IC Interpretation 18, Transfers of Assets from Customers  
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

The initial application of the above FRSs, Amendments to FRSs and IC Interpretation did not have any material impact on this interim financial report the Group.

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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 a single tier interim dividend of 3% totalling RM18,610,855 for the year ended 31 December 2010 on 21 January 2011.

A second single tier interim dividend of 3% totalling RM18,610,855 in respect of the year ended 31 December 2010 on 13 May 2011.

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**8. Segment Revenue and Results**

	<b>Automotive and related products RM'000</b>	<b>Plastic products RM'000</b>	<b>Hotels and resorts RM'000</b>	<b>Plantation RM'000</b>	<b>Investment holding and financial services RM'000</b>	<b>Others including property development RM'000</b>	<b>Total of all segments RM'000</b>	<b>Reconciliation/ Elimination RM'000</b>	<b>Notes</b>	<b>Total per consolidated financial statements RM'000</b>
<b>30 June 2011</b>										
Revenue from external customers	805,702	188,940	89,526	267,453	101,261	195,716	1,648,598	-		1,648,598
Inter-segment revenue	1,009	1,654	-	-	6,798	434	9,895	(9,895)		-
Total revenue	<u>806,711</u>	<u>190,594</u>	<u>89,526</u>	<u>267,453</u>	<u>108,059</u>	<u>196,150</u>	<u>1,658,493</u>	<u>(9,895)</u>		<u>1,648,598</u>
<b>Results</b>										
Segment profit	<u>12,157</u>	<u>5,158</u>	<u>13,732</u>	<u>112,070</u>	<u>95,620</u>	<u>1,907</u>	<u>240,644</u>	<u>14,056</u>	<b>A</b>	<u>254,700</u>
<b>Assets</b>										
Segment assets	<u>2,547,299</u>	<u>426,993</u>	<u>501,917</u>	<u>1,040,424</u>	<u>655,071</u>	<u>358,649</u>	<u>5,530,353</u>	<u>310,666</u>	<b>B</b>	<u>5,841,019</u>

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**8. Segment Revenue and Results (Cont'd)**

*Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated interim financial report*

A The following items are added to/ (deducted from) segment profit to arrive at "Profit before tax" presented in the condensed consolidated statements of comprehensive income

	RM'000
Share of results of associates	16,335
Finance costs	<u>(2,279)</u>
	<u>14,056</u>

B The following items are added to/ (deducted from) segment assets to arrive at total assets reported in the condensed consolidated statement of financial positions:

	RM'000
Investment in associates	322,537
Current tax assets	7,216
Deferred tax assets	3,780
Investment in non-consolidated subsidiary	<u>(22,867)</u>
	<u>310,666</u>

**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 following:-

- i) Unique Mix (Penang) Sdn Bhd ("UMP"), a 70% subsidiary of Simen Utara Sdn. Bhd. ("SU"), which in turn is a 91% owned subsidiary of Kwong Wah Enterprise Sdn. Bhd. ("KWE"), a wholly owned subsidiary of OHB, wishes to acquire 750,000 ordinary shares of RM1.00 each, representing 50% of the total issued and paid-up share capital in Unique Mix Sdn. Bhd. ("UM"), for a total cash consideration of RM900,000. Upon completion of the said acquisition, UM will be a wholly owned subsidiary of UMP.

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**10. Material Post Balance Sheet Events (Cont'd)**

- ii) The Company through its indirect subsidiary, OBS (Singapore) Pte Ltd had on 15 July 2011 obtained the approval from Menteri Hukum and Hak Asasi Manusia Republik Indonesia for the acquisition of 90% of the fully paid-up share capital of both PT Pratama Palm Abadi (“PT PPA”) and PT Dapo Agro Makmur (“PT DAPO”) from Karli Boenjamin and Effendi Suryono for total cash consideration of RM14.6 million equivalent and RM10.37 million equivalent respectively. PT PPA and PT DAPO are currently dormant and the intended activities of the companies are cultivation of oil palm plantation and related activities.
- iii) Further to the announcement on 8 April 2011 pertaining to the acquisition of Nilam Healthcare Education Centre Sdn Bhd (“NHE”) by Loh Boon Siew Education Sdn Bhd (“LBSE”), a wholly owned subsidiary of the Company, LBSE has entered into a Share Sale Agreement on 11 August 2011 with Dato’ Dr Abdul Latiff Bin Awang to dispose of 600,000 ordinary shares, representing 30% of the total issued and paid-up share capital in LBSE for a total cash consideration of RM600,000.

Upon completion of the disposal, LBSE become a 70% subsidiary of the Company.

- iv) On 23 August 2011, Kah Motor Company Berhad (“Kah Motor”), its wholly owned subsidiary, incorporated an offshore subsidiary company, known as Kingdom Properties Co. Limited (“KPCL”) in Labuan. KPCL will be 100% owned by Kah Motor with an initial issued and paid up share capital of USD1,000.

The incorporation of KPCL is to enable the Group to expand its hospitality division and to enlarge the business opportunities which in turn will enhance its long term value and profitability of the Group.

**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 the following:-

- i) Key Digital Sdn Bhd, a 30% associate of the Company had on 26 January 2011 commenced it’s members’ voluntary liquidation.
- ii) The Company through its indirect subsidiary, OBS (Singapore) Pte Ltd had on 31 January 2011 approved the acquisition of 90% of the fully paid-up share capital of PT Gunung Sawit Selatan Lestari (“PT GSSL”) from Karli Boenjamin and Effendi Suryono for a total cash consideration of RM23,665,000. PT GSSL is a new oil palm plantation company in Indonesia.

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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 RM1,648.6 million was 4.2% higher than the corresponding period last year with the year to date profit before tax of RM254.7 million, a 114.0% increase from the corresponding period last year.

The better than expected profit before tax for the current quarter as compared to the corresponding period last year was mainly due to the performance of the plantation sector. The higher crop output, and the higher average CPO prices contributed to the improved performance especially the overseas plantation.

The performance of the automotive subsidiaries for both Malaysia and Singapore was in tandem with the overall performance of the motor industry.

The tourism sector also contributed positively in the current quarter.

**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 2011 was RM143.3 million when compared to PBT of RM111.4 million in the preceding quarter. The Group’s revenue for the second quarter of 2011 was RM850.6 million when compared to RM798.0 million in the preceding quarter.

The Group’s PBT for the second quarter of 2011 increased by RM31.9 million or 28.6% and the revenue increased by RM52.6 million or 6.6% as compared to the preceding quarter. Revenue from the plantation sector was slightly lower mainly due to lower CPO price despite the high FFB production and relating stable foreign exchange during the current quarter. The contributions from automotive sector were higher mainly due to higher revenue in term of motor vehicle sales and sales of manufactured automotive parts. However, performance for tourism sector was lower as compared to the preceding quarter.

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**15. Current Year Prospects**

The Group's performance will be affected by the volatility of the foreign exchange and in the case of plantation, 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.

**16. Variance of Actual Profit from Forecast Profit**

Not Applicable.

**17. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 June 11 RM'000 (Unaudited)	Preceding Year Quarter 30 June 10 RM'000 (Unaudited)	Current Year To date 30 June 11 RM'000 (Unaudited)	Preceding Year To date 30 June 10 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	5,472	9,724	11,194	12,692
- (Over)/ Under provision in respect of prior period	(10)	(99)	366	448
	5,462	9,625	11,560	13,140
Foreign taxation				
- Based on profit for the period	15,107	927	37,999	13,007
	20,569	10,552	49,559	26,147
Deferred taxation				
- Current period	(1)	-	3	205
- Over provision in respect of prior period	-	(771)	-	(331)
	(1)	(771)	3	(126)
	<u>20,568</u>	<u>9,781</u>	<u>49,562</u>	<u>26,021</u>

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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.

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 11  
RM'000

**Quoted securities in Malaysia**

**Fair value**

Balance at 1 January 2011	24,344
Exchange differences	33
Fair value adjustment to equity/fair value reserve	<u>(14,492)</u>
Balance at 30 June 2011	<u><u>9,885</u></u>

**Quoted securities outside Malaysia**

**Fair value**

Balance at 1 January 2011	196,273
Purchases during the period	17,374
Disposal during the period	(7,874)
Exchange differences	4,755
Fair value adjustment to equity/fair value reserve	(3,088)
Impairment losses	(3)
Balance at 30 June 2011	<u><u>207,437</u></u>

**Market value of quoted securities**

217,548



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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:-

- i) The Stock Buy-Back which was approved by the stockholders at the Annual General Meeting on 28 June 2011 for the buy-back of up to 10% or up to 62,039,364 ordinary stocks. There were no stocks buy-back for the period to date.
- ii) Loh Boon Siew Education Sdn. Bhd. ("LBSE"), a 70% owned subsidiary of the Company has entered into a Share Sale Agreement with Dato' Dr Abdul Latiff Bin Awang and Mah Sock Kuan for the acquisition of 500,000 ordinary shares of RM1.00 each, representing 100% of the total issued and paid-up share capital in Nilam Healthcare Education Centre Sdn. Bhd. ("NHE") at a total cash consideration of RM9,800,000.

Upon the completion of the acquisition, NHE will be a 70% owned sub-subsi-dary of the Company.

The announcement was made on 8 April 2011.

**21. Group Borrowings**

	Borrowings denominated in			Total RM'000 I + II
	Ringgit	← Foreign Currencies →		
	RM'000 I	Source Currency	RM Equivalent RM'000 II	
Finance lease obligations	1,456		-	1,456
Other borrowings – secured	9,691	JPY 2.38 billion	89,566	99,257
		USD 0.11 million	335	335
		AUD 2.05 million	6,644	6,644
		RMB 1.40 million	654	654
			97,199	106,890
Other borrowings – unsecured	30,204	JPY 8.90 billion	334,352	364,556
		USD 1.88 million	5,665	5,665
			340,017	370,221
	41,351		437,216	478,567

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

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**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.

**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 30 June 11 RM'000 (Unaudited)	Preceding Year Quarter 30 June 10 RM'000 (Unaudited)	Current Year To Date (Two quarters to 30 June 11) RM'000 (Unaudited)	Preceding Year To Date (Two quarters to 30 June 10) RM'000 (Unaudited)
Net profit for the period (RM'000)	104,148	22,572	150,341	66,827
<i>Weighted average number of stocks in issue ('000) *</i>	620,362	620,362	620,362	620,362
Basic earnings per stock (sen)	16.79	3.64	24.23	10.77

\* *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 30 June 2011 (RM'000)	As at 31 December 2010 (RM'000)
Total retained profits of the Company and its subsidiaries		
- Realised	4,206,593	4,254,981
- Unrealised	(12,292)	(61,756)
	<u>4,194,301</u>	<u>4,193,225</u>
Total share of retained earnings of associates		
- Realised	230,154	228,085
- Unrealised	(5,928)	(5,012)
	<u>4,418,527</u>	<u>4,416,298</u>
Less : Consolidation adjustments	(1,302,047)	(1,412,937)
Total retained profits	<u>3,116,480</u>	<u>3,003,361</u>

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 25 AUG 2011**