

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

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

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

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 was paid on 13 May 2011.

A final single tier dividend of 3% totalling RM18,610,855 in respect of the year ended 31 December 2010 was paid on 13 September 2011.

ORIENTAL HOLDINGS BERHAD
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

8. Segment Revenue and Results

	Automotive and related products RM'000	Plastic products RM'000	Hotels and resorts RM'000	Plantation RM'000	Investment holding and financial services RM'000	Others including property development RM'000	Total of all segments RM'000	Reconciliation/ Elimination RM'000	Notes	Total per consolidated financial statements RM'000
30 September 2011										
Revenue from external customers	1,155,389	284,475	139,233	397,948	130,624	306,012	2,413,681	-		2,413,681
Inter-segment revenue	1,359	2,500	-	-	6,817	2,602	13,278	(13,278)		-
Total revenue	<u>1,156,748</u>	<u>286,975</u>	<u>139,233</u>	<u>397,948</u>	<u>137,441</u>	<u>308,614</u>	<u>2,426,959</u>	<u>(13,278)</u>		<u>2,413,681</u>
Results										
Segment profit	<u>16,728</u>	<u>8,507</u>	<u>20,329</u>	<u>151,069</u>	<u>100,297</u>	<u>4,708</u>	<u>301,638</u>	<u>14,442</u>	A	<u>316,080</u>
Assets										
Segment assets	<u>2,377,522</u>	<u>440,666</u>	<u>641,684</u>	<u>1,127,338</u>	<u>666,365</u>	<u>389,036</u>	<u>5,642,611</u>	<u>307,909</u>	B	<u>5,950,520</u>

ORIENTAL HOLDINGS BERHAD
(Company No. 5286-U)
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

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	20,353
Finance costs	<u>(5,911)</u>
	<u>14,442</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	317,349
Current tax assets	9,631
Deferred tax assets	3,796
Investment in non-consolidated subsidiary	<u>(22,867)</u>
	<u>307,909</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.

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

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 its members' voluntary liquidation.
- ii) The Company through its indirect subsidiary, OBS (Singapore) Pte Ltd had on 31 January 2011 acquired 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 million. PT GSSL is a new palm oil plantation company in Indonesia.
- iii) 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, had on 8 June 2011 acquired 50% of the total issued and paid-up share capital in Unique Mix Sdn. Bhd. ("UM"), for a total cash consideration of RM0.900 million. UM became a 63.7% sub- subsidiary of the Company.
- iv) The Company through its indirect subsidiary, OBS (Singapore) Pte Ltd had on 18 July 2011 acquired 90% of the fully paid-up share capital of PT Pratama Palm Abadi ("PT PPA") and PT Dapo Agro Makmur ("PT DAPO") from Karli Boenjamin and Effendi Suryono for a total cash consideration of RM14.600 million and 10.370 million respectively. PT PPA and PT DAPO are new palm oil plantation companies in Indonesia.
- v) Loh Boon Siew Education Sdn Bhd ("LBSE"), a wholly owned subsidiary of the Company entered into a Share Sale Agreement on 11 August 2011 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 RM0.600 million to Dato' Dr Abdul Latiff Bin Awang. The disposal was completed on 18 August 2011 thereupon LBSE become a 70% subsidiary of the Company.

Prior to this, LBSE has entered into a Share Sale Agreement on 8 April 2011 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") for a total cash consideration of RM0.500 million. The transaction was completed on 30 August 2011 following approval from MOHE on 22 July 2011. Consequently, NHE became a 70% owned sub-sub-sidiary of the Group.

- vi) Kah Motor Company Berhad ("Kah Motor"), a wholly owned subsidiary, incorporated an offshore wholly owned subsidiary company, known as Kingdom Properties Co. Limited ("KPCL") in Federal Territory of Labuan on 23 August 2011. In return, KPCL has on 9 September 2011 acquired 79% voting rights in Suanplu Bhiman Limited ("SBL") a Company incorporated in Thailand.

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

11. Changes in Group's Composition (Cont'd)

Prior to this, Kah Motor had on 29 July 2011 entered into a Share Sale and Purchase Agreement with STC Capital Holding Co., Ltd., Garden View Terrace Co., Ltd., and Grand Will Properties Limited (collectively referred to as "Vendors") to acquire from the Vendors all of the total issued and outstanding capital of Park Suanplu Holdings Co., Ltd., ("Park Suanplu") consisting of 4,300,000 shares (the "Shares"), with a par value of Baht 100 each for a total consideration of Baht 791.317 million (equivalent to approximately RM 79.130 million).

Upon incorporation of KPCL and SBL, Kah Motor assigned the above mentioned Share Sale and Purchase Agreement to both KPCL and SBL. Upon completion of the acquisition of Park Suanplu, KPCL and SBL collectively hold 49% and 51% respectively of Park Suanplu.

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.

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

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 RM2,413.7 million was 1.2% higher than the corresponding period last year with the year to date profit before tax of RM316.1 million, a 53.3% 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 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 third quarter of 2011 was RM61.4 million when compared to PBT of RM143.3 million in the preceding quarter. The Group’s revenue for the third quarter of 2011 was RM765.1 million when compared to RM850.6 million in the preceding quarter.

The Group’s PBT for the third quarter of 2011 decreased by RM81.9 million or 57.2% and the revenue decreased by RM85.5 million or 10.1% as compared to the preceding quarter. Revenue from the plantation sector was slightly higher mainly due to higher FFB production. However, this was set off due to lower contributions mainly from lower CPO prices and unfavourable foreign exchange during current quarter.

The contributions from automotive sector were lower mainly due to lower revenue in term of motor vehicle sales and sales of manufactured automotive parts.

Performance for tourism sector performed better this quarter as compared to the preceding quarter mainly due to improve occupancy rates in overseas’ hotels especially Singapore and New Zealand with high tourist arrivals.

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.

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(Company No. 5286-U)
(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

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

Not Applicable.

17. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sept 11 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 10 RM'000 (Unaudited)	Current Year To date 30 Sept 11 RM'000 (Unaudited)	Preceding Year To date 30 Sept 10 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	5,904	4,887	17,098	17,579
- Under/ (Over) provision in respect of prior period	19	(364)	385	84
	5,923	4,523	17,483	17,663
Foreign taxation				
- Based on profit for the period	13,405	14,007	51,404	27,014
	19,328	18,530	68,887	44,677
Deferred taxation				
- Current period	(1)	-	2	205
- Over provision in respect of prior period	-	-	-	(331)
	(1)	-	2	(126)
	<u>19,327</u>	<u>18,530</u>	<u>68,889</u>	<u>44,551</u>

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.

ORIENTAL HOLDINGS BERHAD
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

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 11
RM'000

Quoted securities in Malaysia

Fair value

Balance at 1 January 2011	24,344
Exchange differences	34
Disposal during the period	(6,638)
Fair value adjustment to equity/fair value reserve	(16,154)
Balance at 30 Sept 2011	<u>1,586</u>

Quoted securities outside Malaysia

Fair value

Balance at 1 January 2011	196,273
Purchases during the period	38,429
Disposal during the period	(10,964)
Exchange differences	8,028
Fair value adjustment to equity/fair value reserve	(5,160)
Impairment losses	(8,498)
Balance at 30 Sept 2011	<u>218,108</u>

Market value of quoted securities

199,907

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

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 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.

21. Group Borrowings

	Ringgit	← Foreign Currencies →	RM Equivalent RM'000	Total RM'000
	RM'000	Source Currency		
	I		II	I + II
Finance lease obligations	1,398		-	1,398
Other borrowings – secured	9,286	JPY 0.90 billion USD 0.09 million AUD 2.05 million RMB 1.73 million	37,649 298 6,372 863	46,934 298 6,372 863
			45,182	54,467
Other borrowings – unsecured	34,258	JPY 10.88 billion USD 2.16 million	453,674 6,893	487,932 6,893
			460,567	494,825
	44,941		505,749	550,690

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.

ORIENTAL HOLDINGS BERHAD
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

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 Sept 11 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 10 RM'000 (Unaudited)	Current Year To Date (Three quarters to 30 Sept 11) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 10) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>29,390</u>	<u>58,020</u>	<u>179,731</u>	<u>124,847</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>4.74</u>	<u>9.35</u>	<u>28.97</u>	<u>20.12</u>

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

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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

26. Realised and Unrealised Profit or Losses Disclosure

	As at 30 Sept 2011 (RM'000)	As at 31 December 2010 (RM'000)
Total retained profits of the Company and its subsidiaries		
- Realised	4,276,151	4,254,981
- Unrealised	(53,086)	(61,756)
	4,223,065	4,193,225
Total share of retained earnings of associates		
- Realised	225,920	228,085
- Unrealised	1,663	(5,012)
	4,450,648	4,416,298
Less : Consolidation adjustments	(1,304,778)	(1,412,937)
Total retained profits	3,145,870	3,003,361

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 18 NOV 2011