

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 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 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.

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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
31 December 2011										
Revenue from external customers	1,441,580	376,165	193,213	533,003	165,138	423,129	3,132,228	-		3,132,228
Inter-segment revenue	2,011	3,482	-	-	6,833	4,623	16,949	(16,949)		-
Total revenue	<u>1,443,591</u>	<u>379,647</u>	<u>193,213</u>	<u>533,003</u>	<u>171,971</u>	<u>427,752</u>	<u>3,149,177</u>	<u>(16,949)</u>		<u>3,132,228</u>
Results										
Segment profit	<u>53,023</u>	<u>41,235</u>	<u>31,413</u>	<u>195,194</u>	<u>120,287</u>	<u>475</u>	<u>441,627</u>	<u>19,634</u>	A	<u>461,261</u>
Assets										
Segment assets	<u>2,388,751</u>	<u>462,002</u>	<u>647,697</u>	<u>1,120,316</u>	<u>681,735</u>	<u>382,347</u>	<u>5,682,848</u>	<u>322,280</u>	B	<u>6,005,128</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	29,996
Finance costs	<u>(10,362)</u>
	<u>19,634</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	327,330
Current tax assets	13,447
Deferred tax assets	4,370
Investment in non-consolidated subsidiary	<u>(22,867)</u>
	<u>322,280</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 :-

- (i) Kah Motor Company Sdn Berhad (Kah Motor), a wholly owned subsidiary of the Company, incorporated three offshore wholly owned subsidiary companies, known as Silver Beech Holdings Limited, Silver Beech Operations UK Limited and Silver Beech (IOM) Limited.

Silver Beech Holdings Limited, a limited liability company was incorporated in Jersey, United Kingdom on 22 November 2011 with an authorised share capital of £10,000 divided into 10,000 shares of £1.00 each. 2 fully paid shares of £1.00 each have been issued to Kah Motor. Its principal activity is as an investment holding company.

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

Silver Beech Operations UK Limited, a limited liability company was incorporated in London, United Kingdom on 28 November 2011 with an authorized share capital of £10,000 divided 10,000 share of £1.00 each. 2 fully paid shares of £1.00 each have been issued to Kah Motor. Its principal activity is managing an operating of hotels.

Silver Beech (IOM) Limited, a limited liability company was incorporated in the Isle of Man, United Kingdom on 20 December 2011 with an authorized share capital is £2,000 divided into 2,000 shares of £1.00 each. 2 fully paid shares of £1.00 each was issued to Silver Beech Holdings Limited. Its principal activity is as an investment holding company.

Subsequently, Silver Beech Operations UK Limited and Silver Beech (IOM) Limited entered into a Sale and Purchase Agreement on 3 February 2012 with Curzon Hotel Properties (GP) Limited, The Curzon Hotel Properties Limited Partnership and Curzon Hotels (Operator) Limited for the acquisition of the business, lease an assets (öBusinessö) of Kingsley Hotel (öPropertyö) in London, United Kingdom for a total cash consideration of GBP42,712,000 (equivalent to approximately RM205 million).

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 (öPT GSSLö) 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 (öUMPö), a 70% subsidiary of Simen Utara Sdn. Bhd. (öSUö), which in turn is a 91% owned subsidiary of Kwong Wah Enterprise Sdn. Bhd. (öKWEö), 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. (öUMö), 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 (öPT PPAö) and PT Dapo Agro Makmur (öPT DAPOö) 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.

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

- (v) Loh Boon Siew Education Sdn Bhd (öLBSEö), 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 Datoø 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 Datoø 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. (öNHEö) 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-subsiary of the Group.

- (vi) Kah Motor Company Berhad (öKah Motorö), a wholly owned subsidiary, incorporated an offshore wholly owned subsidiary company, known as Kingdom Properties Co. Limited (öKPCLö) 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 (öSBLö) a Company incorporated in Thailand.

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 öVendorsö) to acquire from the Vendors all of the total issued and outstanding capital of Park Suanplu Holdings Co., Ltd., (öPark Suanpluö) consisting of 4,300,000 shares (the öSharesö), 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.

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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 Group's Performance

The year to date revenue of RM3,132.2 million was 3.0% lower than the corresponding period last year with the year to date profit before tax of RM461.3 million, a 20.0% increase from the corresponding period last year.

Overall, the Group posted higher PBT across all major operating segments. The automotive, plantation and investment holding remained the largest operating segments of the Group. Performance of each operating segment are discussed below :-

Revenue for the automotive segment dropped by 19% mainly due to inventory shortages during the year. However, profit increased substantially as the Group was able to sell some of the existing models slightly higher than its carrying value.

Revenue and profit from the plantation segment increased by 29.6 % and 20.2% respectively. This was due to higher average selling prices for CPO and PK, increased in FFB, production and yields.

Performance from the plastic segment was impacted by disruptions in supply of components caused by the natural disaster in Thailand. However, profit increased due to the reversal of impairment and gain on disposal of property, plant and equipment by its overseas subsidiary.

Revenue from the hospitality segment was higher due to improved occupancy rate, higher average room rate and lower operating costs.

Investment holding performed better this year mainly due to higher dividend received from its investment.

Revenue from property development and related products segment increased by 23% mainly due to higher sales volume and contracts secured during the year. However, drop in profit mainly due to increase in building material costs.

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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 2011 was RM145.2 million compared to RM61.4 million in the preceding quarter. The Group's revenue for the fourth quarter of 2011 was RM718.5 million when compared to RM765.1 million in the preceding quarter.

The Group's PBT for the fourth quarter of 2011 increased by RM83.8 million or 136.5% and the revenue decreased by RM46.6 million or 6.1% as compared to the preceding quarter.

Performance of each operating segment are as follows :-

The contribution from automotive segment was lower mainly due to inventory shortage. However, profit was higher due to the reversal of provisions for inventories amounting to RM21.9 million and reduction in operating expenses.

Revenue and operating profit from plantation segment was slightly higher mainly due to higher FFB production, despite slightly lower in CPO prices during the current quarter.

For plastic segment, revenue remain low during current quarter due to the disruption in supply of components caused by the natural disasters in Japan and Thailand. Profit was higher due to the reversal of impairment and disposal of property, plant and equipment of an overseas subsidiary.

Performance for hospitality segment is better this quarter as compared to the preceding quarter mainly due to improve occupancy rates for the overseas hotels. Investment holding segment performed better this quarter mainly due to favourable foreign exchange.

15. Current Year Prospects

The Group's performance will be exposed to 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. Additional land bank of 42,100 hectares purchased in 2011 will be developed in stages during the year.

In tandem with the industry, the automotive segment will be faced with competitions from the many marques was available in the market.

Barring unforeseen circumstances, the Board is of the view that the performance for the Group for the year ahead will be satisfying in light of the global economic uncertainty.

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16. Variance of Actual Profit from Forecast Profit/Profit Guarantee

Not Applicable.

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 11 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 10 RM'000 (Unaudited)	Current Year To date 31 Dec 11 RM'000 (Unaudited)	Preceding Year To date 31 Dec 10 RM'000 (Audited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	3,794	10,904	20,892	28,483
- Under/ (Over) provision in respect of prior period	39	(1,166)	424	(1,082)
	3,833	9,738	21,316	27,401
Foreign taxation				
- Based on profit for the period	21,679	23,154	73,083	50,168
	25,512	32,892	94,399	77,569
Deferred taxation				
- Current period	(4,312)	(3,018)	(4,310)	(2,813)
- (Over)/ Under provision in respect of prior period	(28)	2,042	(28)	1,711
	(4,340)	(976)	(4,338)	(1,102)
	21,172	31,916	90,061	76,467

18. 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.

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19. **Group Borrowings**

	Ringgit	← Borrowings denominated in Foreign Currencies →		Total RM'000
	RM'000	Source Currency	RM Equivalent RM'000	
		I	II	
Finance lease obligations	1,485		-	1,485
Other borrowings ó secured	8,476	JPY 0.90 billion USD 0.08 million AUD 2.05 million RMB 1.40 million	36,687 239 6,596 705	45,163 239 6,596 705
			44,227	52,703
Other borrowings ó unsecured	31,122	JPY 10.88 billion USD 1.81 million	443,935 5,737	475,057 5,737
			449,672	480,794
	<u>41,083</u>		<u>493,899</u>	<u>534,982</u>

20. **Changes in Material Litigations**

Not applicable.

21. **Dividends Proposed**

The Board of Directors has declared a single tier dividend of 3% (2010: second single tier interim dividend of 3%), totaling RM18,610,855 in respect of the year ended 31 December 2011 on 23 February 2012.

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22. 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 11 RMø000 (Unaudited)	Preceding Year Quarter 31 Dec 10 RMø000 (Unaudited)	Current Year To Date (Four quarters to 31 Dec 11) RMø000 (Unaudited)	Preceding Year To Date (Four quarters to 31 Dec 10) RMø000 (Audited)
Net profit for the period (RMø000)	108,772	124,743	288,503	249,590
<i>Weighted average number of stocks in issue ('000) *</i>	620,362	620,362	620,362	620,362
Basic earnings per stock (sen)	17.53	20.11	46.51	40.23

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

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23. **Realised and Unrealised Profit or Losses Disclosure**

	As at 31 December 2011 (RMø000)	As at 31 December 2010 (RMø000)
Total retained profits of the Company and its subsidiaries		
- Realised	4,378,141	4,254,981
- Unrealised	(38,785)	(61,756)
	4,339,356	4,193,225
Total share of retained earnings of associates		
- Realised	235,218	228,085
- Unrealised	1,509	(5,012)
	4,576,083	4,416,298
Less : Consolidation adjustments	(1,321,441)	(1,412,937)
Total retained profits	3,254,642	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 23 FEB 2012