

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2014

1. Basis of Preparation

The Group falls within the scope definition of Transitioning Entities. Transitioning Entities are allowed to defer the adoption of the new Malaysian Financial Reporting Standard (“MFRS”) Framework.

For the financial year ending 31 December 2014, the Group will continue to prepare financial statements using Financial Reporting Standards (“FRS”).

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. These interim financial statements also comply with IAS34 Interim Financial Reporting issued by the International Accounting Standards Board.

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 2013. 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 2013.

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 2013 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments :-

Adoption of Revised FRSs, IC Interpretations and Amendments

Amendments to FRS10, Consolidated Financial Statements: Investment Entities

Amendments to FRS 12, Disclosure of Interests in Other Entities: Investment Entities

Amendments to FRS 127, Separation Financial Statements (2011): Investment Entities

Amendments to FRS 132: Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 136, Impairment of Assets- Recoverable Amount Disclosure for Non-financial Assets

Amendments to FRS 139, Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21, Levies

The adoption of the above amendments to FRSs and IC Interpretation do not have material impact on this interim financial report of the Group.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

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1. Basis of Preparation (Cont'd)

Amendments to FRS 2, <i>Share-based Payment (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to FRS 3, <i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to FRS 8, <i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to FRS 13, <i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to FRS 116, <i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to FRS 119, <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to FRS 124, <i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to FRS 138, <i>Intangible Assets (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to FRS 140, <i>Investment Property (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014

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.

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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 3.5% (2012: 4%) totalling RM21,712,664 for the year ended 31 December 2013 on 30 April 2014.

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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 March 2014										
Revenue from external customers	379,444	63,051	63,895	102,729	4,996	118,749	732,864	-		732,864
Inter-segment revenue	381	1,797	240	-	-	3,098	5,516	(5,516)		-
Total revenue	<u>379,825</u>	<u>64,848</u>	<u>64,135</u>	<u>102,729</u>	<u>4,996</u>	<u>121,847</u>	<u>738,380</u>	<u>(5,516)</u>		<u>732,864</u>
Results										
Segment profit	<u>19,390</u>	<u>554</u>	<u>11,933</u>	<u>58,647</u>	<u>5,870</u>	<u>2,036</u>	<u>98,430</u>	<u>22,861</u>	A	<u>121,291</u>
Assets										
Segment assets	<u>2,335,521</u>	<u>425,695</u>	<u>902,026</u>	<u>1,270,293</u>	<u>397,367</u>	<u>754,126</u>	<u>6,085,028</u>	<u>479,837</u>	B	<u>6,564,865</u>

* Dividend income, rental income and interest income are regarded as part of the revenue and operating profit earned by each division on its own from Q1 2014 onwards.

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8. Segment Revenue and Results (Cont'd)

	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 March 2013										
Revenue from external customers	308,304	55,117	58,874	76,076	23,674	111,410	633,455	-		633,455
Inter-segment revenue	50	4,913	214	-	3	2,811	7,991	(7,991)		-
Total revenue	<u>308,354</u>	<u>60,030</u>	<u>59,088</u>	<u>76,076</u>	<u>23,677</u>	<u>114,221</u>	<u>641,446</u>	<u>(7,991)</u>		<u>633,455</u>
Results										
Segment profit	<u>6,389</u>	<u>(3,092)</u>	<u>10,171</u>	<u>44,872</u>	<u>28,788</u>	<u>620</u>	<u>87,748</u>	<u>16,790</u>	A	<u>104,538</u>
Assets										
Segment assets	<u>2,311,316</u>	<u>461,124</u>	<u>882,535</u>	<u>1,147,809</u>	<u>276,170</u>	<u>573,064</u>	<u>5,652,018</u>	<u>447,975</u>	B	<u>6,099,993</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

	2014	2013
	RM'000	RM'000
Share of results of associates	24,355	18,612
Finance costs	<u>(1,494)</u>	<u>(1,822)</u>
	<u>22,861</u>	<u>16,790</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:

	2014	2013
	RM'000	RM'000
Investment in associates	454,069	417,390
Current tax assets	36,254	45,410
Deferred tax assets	12,381	8,042
Investment in non-consolidated subsidiary	<u>(22,867)</u>	<u>(22,867)</u>
	<u>479,837</u>	<u>447,975</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.

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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 the following:-

- (i) Hymold (Suzhou) Co., Ltd. ("Hymold"), an 88.99% subsidiary of Oriental International (Mauritius) Pte. Ltd. ("OIM") which in turn, is a 100% owned subsidiary of the Company, had on 1 January 2013 resolved to wind up Hymold voluntarily. Hymold was incorporated in Suzhou New District, China on 17 December 1993 with a registered capital of USD9 million. Hymold had ceased operations and remained dormant since September 2009. Winding up proceedings have been concluded via approval letter dated 9 May 2014 from the Industrial and Commercial Administration Bureau of Suzhou High Tech New Area (Hu Qiu), Hymold ceased to be a subsidiary of the Company.

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.

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13. Review of Group's Performance

The year to date revenue of RM 732.9 million was 15.7% higher than the corresponding period last year with the year to date profit before tax of RM 121.3 million, a 16.0% increase from the corresponding period last year.

Performances for each operating segment are as follows:-

The revenue and operating profit for the automotive segment increased by 23.1% to RM 379.4 million and by 191.1% to RM19.4 million respectively.

For the retail operations in Malaysia, sales units increased by 24% to 2,184 units from 1,761 units for corresponding quarter in Q1FY2013 with added contribution from new branches in Tebrau and Selayang which contributed approximate 14% of total units sold.

For the retail operations in Singapore, the revenue and operating profit increased by 62% and 68% respectively mainly due to improvement in unit sold by 117%.

Auto parts manufacturing and assembly operations recorded lower revenue by 15% but recorded lower operating loss (RM4.3million) compared with operating loss (RM6.8 million) in corresponding period last year mainly due to increase demand from its Vietnam operation. Segmental profit includes interest, dividend and rental income approximately RM7 million.

The revenue and operating profit for the plantation segment increased by 35.0% and 30.7% respectively mainly due to higher CPO and PK selling prices and FFB processed, CPO production and PK production compared to corresponding period last year.

The revenue for the plastic segment increased by 14.4% and recorded an operating profit of RM 0.6 million instead of operating loss of RM 3.1 million in last year corresponding period mainly attributed to pick-up in orders from its electrical businesses and recorded a lower operating cost with the cost saving exercise. Also included in segment results includes interest, and rental income approximately RM 2.3 million.

Revenue and operating profit from hospitality segment remains constant (revenue: 2014 : RM 63.9 million ; 2013 : RM 58.9 million and operating profit: 2014 : RM 11.9 million ; 2013 : RM 10.2 million).

The revenue and operating profit for the investment holding declined by 78.9% and 79.6% compared to last year corresponding period mainly due to reclassification of rental, interest and dividend income to its origin business units due to change in monitoring operating results.

The performance for others including property development and building material segment and nursing college remain challenging. The year to date operating profit recorded at RM 2.0 million mainly due to higher rental income received from its food and beverage properties in Tanjung Tokong and higher sales volume for trading of building material related products.

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

The Group’s revenue for the first quarter of 2014 was RM 732.9 million a decrease of RM 17.5 million or 2.3% from RM 750.4 million in the preceding quarter.

The Group’s operating profit for the first quarter of 2014 increased significantly to RM 98.4 million compared to RM 94.5 million in the preceding quarter.

Performances of each operating segment as compared to the preceding quarter are as follows:-

Revenue from automotive segment decreased by 0.4%, but recorded an operating profit of RM 19.4 million (Q4FY13: loss RM 30.5 million) mainly due to in last quarter, there was provision for a voluntary separation scheme for its associates for approximately RM 29 million and phased out of a major customer’s main products in motorcycles industry from its manufacturing and assembly operations and further impairment of certain plant and machinery in its overseas manufacturing plant.

For the automotive retail operations, marginal drop in operating profit by 3.9%, mainly due to lower car sales and lower margin pursuant to higher cost incurred.

Revenue and operating profit for the plantation segment showed a marked improvement by 18.6% and 17.3% respectively by higher CPO, and PK prices.

The revenue and operating profit for the plastic segment dropped by 8.9% and 88.1% respectively mainly due to supply and production disruption from electrical business from its major customers.

Revenue and operating profit for hospitality segment increased by 4.5% and 45.7% respectively. Occupancy rate remains constant while average room rates were generally higher compared to immediate quarter.

Lower revenue and operating profit from investment holding segment by 83.7% and 90.6% respectively mainly due to reclassification of rental, interest and dividend income to its origin business units. In last immediate quarter, there was a gain derived on disposal from an overseas subsidiary namely Oriental Kyowa Plastic Industries (Shanghai Pudong New Area) Co. Ltd.

Revenue from property development and related products segment declined by 2.4% while recorded higher operating profit by RM 2.7 million mainly due to competitive market.

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15. Current Year Prospects

The automotive and plastic segments will continue to contribute to the Group's performance under very competitive market conditions.

The plantation segment will continue to expand its division through its long term prospect in oil palm planting programme in Indonesia as well as to improve yields and be cost effective.

The hospitality segment is expected to improve on its profitability with improve operational execution through various organic measures.

Investment and interest income will be affected by the current global economic uncertainties.

The property development and building material segments is expected to perform satisfactorily under competitive market conditions.

The Board is of the view that the Group's performance for the year will be a respectable one given the current global economic condition.

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

Not Applicable.

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17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Mar 14 RM'000 (Unaudited)	Preceding Year Quarter 31 Mar 13 RM'000 (Unaudited)	Current Year To date 31 Mar 14 RM'000 (Unaudited)	Preceding Year To date 31 Mar 13 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	9,878	8,082	9,878	8,082
- Under/(Over) provision in respect of prior period	(1,072)	253	(1,072)	253
	8,806	8,335	8,806	8,335
Foreign taxation				
- Based on profit for the period	17,010	14,808	17,010	14,808
	25,816	23,143	25,816	23,143
Deferred taxation				
- Current period	-	-	-	-
- Under provision in respect of prior period	340	-	340	-
	340	-	340	-
	<u>26,156</u>	<u>23,143</u>	<u>26,156</u>	<u>23,143</u>

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 12 June 2013 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	← Foreign Currencies →		Total RM'000 I + II
	RM'000 I	Source Currency	RM Equivalent RM'000	
		II		
Finance lease obligations	4,778	-	-	4,778
Other borrowings – secured	-	AUD 1.95 million	5,877	5,877
		JPY 5.38 billion	172,394	172,394
			178,271	178,271
Other borrowings – unsecured	36,984	JPY 12.00 billion	382,712	419,696
	41,762		560,983	602,745

20. Changes in Material Litigations

Not applicable.

21. Dividend Proposed

The Board of Directors has recommended a single tier final dividend of 3.5% totalling RM21,712,664 in respect of the year ended 31 December 2013, subject to the approval of the stockholders at the forthcoming Annual General Meeting.

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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 Mar 14 RM'000 (Unaudited)	Preceding Year Quarter 31 Mar 13 RM'000 (Unaudited)	Current Year To Date (One quarter to 31 Mar 14) RM'000 (Unaudited)	Preceding Year To Date (One quarter to 31 Mar 13) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>69,732</u>	<u>54,746</u>	<u>69,732</u>	<u>54,746</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>11.24</u>	<u>8.82</u>	<u>11.24</u>	<u>8.82</u>

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23. Realised and Unrealised Profit or Losses Disclosure

	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	4,739,761	4,580,715
- Unrealised	6,882	1,351
	4,746,643	4,582,066
Total share of retained earnings of associates		
- Realised	363,550	336,620
- Unrealised	(2,931)	760
	5,107,262	4,919,446
Less : Consolidation adjustments	(1,525,116)	(1,407,032)
Total retained profits	3,582,146	3,512,414

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

ONG TZE-EN
Company Secretary

DATED THIS 29 May 2014