

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

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

This interim financial report has been reviewed by the external auditors.

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.

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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:

- i) 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,
- ii) a single tier final dividend of 3.5% (2012: 4%) totalling RM21,712,664 for the year ended 31 December 2013 on 8 August 2014.

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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 2014</b>										
Revenue from external customers	858,528	142,122	122,053	234,102	6,727	258,587	1,622,119	-		1,622,119
Inter-segment revenue	548	4,171	421	-	4,135	5,775	15,050	(15,050)		-
Total revenue	<u>859,076</u>	<u>146,293</u>	<u>122,474</u>	<u>234,102</u>	<u>10,862</u>	<u>264,362</u>	<u>1,637,169</u>	<u>(15,050)</u>		<u>1,622,119</u>
<b>Results</b>										
Segment profit	<u>44,178</u>	<u>2,614</u>	<u>17,242</u>	<u>87,068</u>	<u>1,375</u>	<u>4,147</u>	<u>156,624</u>	<u>38,838</u>	<b>A</b>	<u>195,462</u>
<b>Assets</b>										
Segment assets	<u>2,361,912</u>	<u>419,290</u>	<u>895,408</u>	<u>1,266,832</u>	<u>372,238</u>	<u>755,153</u>	<u>6,070,833</u>	<u>475,797</u>	<b>B</b>	<u>6,546,630</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)**

	<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 2013</b>										
Revenue from external customers	639,740	116,315	106,831	141,965	51,027	239,380	1,295,258	-		1,295,258
Inter-segment revenue	110	7,071	342	-	5,931	5,784	19,238	(19,238)		-
Total revenue	<u>639,850</u>	<u>123,386</u>	<u>107,173</u>	<u>141,965</u>	<u>56,958</u>	<u>245,164</u>	<u>1,314,496</u>	<u>(19,238)</u>		<u>1,295,258</u>
<b>Results</b>										
Segment profit	<u>(2,742)</u>	<u>(5,548)</u>	<u>10,952</u>	<u>46,774</u>	<u>57,952</u>	<u>1,225</u>	<u>108,613</u>	<u>27,830</u>	<b>A</b>	<u>136,443</u>
<b>Assets</b>										
Segment assets	<u>2,307,237</u>	<u>468,283</u>	<u>845,079</u>	<u>1,131,010</u>	<u>342,420</u>	<u>576,820</u>	<u>5,670,849</u>	<u>455,925</u>	<b>B</b>	<u>6,126,774</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	42,198	31,237
Finance costs	<u>(3,360)</u>	<u>(3,407)</u>
	<u>38,838</u>	<u>27,830</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	463,685	424,706
Current tax assets	22,577	46,286
Deferred tax assets	12,404	7,800
Investment in non-consolidated subsidiary	<u>(22,867)</u>	<u>(22,867)</u>
	<u>475,799</u>	<u>455,925</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 1,622.1 million was 25.2% higher than the corresponding period last year with the year to date profit before tax of RM 195.5 million, a 43.3% 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 34.2% to RM 858.5 million and by 1,711.2% from loss of RM 2.7 million to profit of RM 44.2 million.

For the retail operations in Malaysia and Singapore, the number of cars sold has increased by 64.2% to 5,861 units from 3,570 units for corresponding period last year with opening of two new branches in Tebrau, Johor and Selayang which contributed approximately 15.9% of total units sold.

The revenue and operating profit for the plantation segment increased by 64.9% and 86.1% 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 22.2% and recorded an operating profit of RM 2.6 million instead of operating loss of RM 5.5 million in last year corresponding period mainly attributed to pick-up in orders from its electrical businesses. Also included in segment results are interest and rental income approximately RM 5.3 million.

Revenue and operating profit from hospitality segment has improved by 14.2% and 57.4% respectively mainly due to occupancy rate and average room rates were generally higher compared to corresponding period last year.

The revenue and operating profit for the investment holding segment decreased by 86.8% and 97.6% respectively compared to last year's corresponding period mainly due to reclassification of rental, interest and dividend income back to its business segment due to change in monitoring of 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 4.1 million mainly generated from sale of completed houses 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 second quarter of 2014 was RM 889.3 million, an increase of RM 156.4 million or 21.3% from RM 732.9 million in Q1FY14.

The Group’s profit for the second quarter of 2014 decreased by 38.7% or RM 47.1 million to RM 74.2 million compared to RM 121.3 million in the preceding quarter.

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

Revenue from automotive segment increased by 26.3% and recorded an operating profit of RM 24.8 million (Q1FY14: RM 19.4 million) mainly contributed by automotive retail operations with an increase in units of car sold by 43.9% boosted by newly launched models and attractive promotions.

Revenue for the plantation segment has improved by 27.9% but recorded a decline in operating profit by 51.4% due to drop in CPO price and unrealised foreign exchange loss from its JPY denominated borrowings.

The revenue and operating profit for the plastic segment improved by 25.4% and 271.8% respectively mainly attributable to higher demand for electrical businesses during soccer World Cup season and increased in sales demand from vendors.

Revenue and operating profit for hospitality segment has declined by 9.0% and 55.5% respectively. Average room rates and occupancy rate has decreased especially for overseas operations due to seasonal factor; winter season and increase in supply of rooms.

Revenue from investment holding segment has declined by 65.4% and recorded an operating loss of RM 4.5 million (Q1FY14 profit: RM 5.9 million) due to lower dividend and interest income received and unrealised foreign exchange loss from its JPY borrowings.

Revenue from property development and related products segment improved by 17.8% while recorded slightly lower operating profit by 3.7% as a result of higher sales volume but to contain with high overhead cost.



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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 improved 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 30 June 14 RM'000 (Unaudited)	Preceding Year Quarter 30 June 13 RM'000 (Unaudited)	Current Year To date 30 June 14 RM'000 (Unaudited)	Preceding Year To date 30 June 13 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	4,626	8,268	14,504	16,350
- Under/(Over) provision in respect of prior period	(1)	431	(1,073)	684
	4,625	8,699	13,431	17,034
Foreign taxation				
- Based on profit for the period	18,031	3,793	35,041	18,601
	22,656	12,492	48,472	35,635
Deferred taxation				
- Current period	(434)	-	(434)	-
- Under provision in respect of prior period	-	-	340	-
	(434)	-	(94)	-
	<u>22,222</u>	<u>12,492</u>	<u>48,378</u>	<u>35,635</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 6 June 2014 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	5,186	-	-	5,186
Other borrowings – secured	-	AUD 1.93 million JPY 5.38 billion	5,837 172,260	5,837 172,260
			178,097	178,097
Other borrowings – unsecured	59,417	JPY 11.17 billion	356,246	415,663
	64,603		534,343	598,946

**20. Changes in Material Litigations**

Not applicable.

**21. Dividend Proposed**

No dividend has been proposed for the current quarter.

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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 30 June 14 RM'000 (Unaudited)	Preceding Year Quarter 30 June 13 RM'000 (Unaudited)	Current Year To Date (Two quarters to 30 June 14) RM'000 (Unaudited)	Preceding Year To Date (Two quarters to 30 June 13) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>51,600</u>	<u>20,624</u>	<u>121,332</u>	<u>75,370</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>8.32</u>	<u>3.32</u>	<u>19.56</u>	<u>12.15</u>

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

	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	4,787,554	4,580,715
- Unrealised	(16,090)	1,351
	4,771,464	4,582,066
Total share of retained earnings of associates		
- Realised	372,607	336,620
- Unrealised	(3,777)	760
	5,140,294	4,919,446
Less : Consolidation adjustments	(1,528,261)	(1,407,032)
Total retained profits	3,612,033	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 21 August 2014**