

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2012

1. Basis of Preparation

The Group falls within the scope definition of Transitioning Entities. Transitioning Entities will be allowed to defer the adoption of the new Malaysian Financial Reporting Standard (MFRS) Framework for an additional one year. Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2013. For the financial year ending 31 December 2012, 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.

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 2011. 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 2011.

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 2011 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments :-

Adoption of Revised FRSs, IC Interpretations and Amendments

IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets
Amendments to FRS 112, Income Taxes ó Deferred Tax: Recovery of Underlying Assets
FRS 124, Related Party Disclosures (revised)

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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1. Basis of Preparation (Cont'd)

At the date of authorization of these interim financial statements, the following FRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

Amendments to FRS 101, Presentation of Financial Statements ó Presentation of Items of Other Comprehensive Income
FRS 10, Consolidated Financial Statements
FRS 11, Joint Arrangements
FRS 12, Disclosure of Interests in Other Entities
FRS 13, Fair Value Measurement
FRS 119, Employee Benefits (2011)
FRS 127, Separate Financial Statements (2011)
FRS 128, Investments in Associates and Joint Ventures (2011)
IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
Amendments to FRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 132, Financial Instruments: Presentation ó Offsetting Financial Assets and Financial Liabilities
FRS 9, Financial Instruments (2009)
FRS 9, Financial Instruments (2010)
Amendments to FRS 7, Financial Instruments: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures

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.

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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% (2010: 3%) totalling RM18,610,855 for the year ended 31 December 2011 on 11 May 2012.

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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 2012 | | | | | | | | | | |
| Revenue from external customers | 235,220 | 73,438 | 51,828 | 125,987 | 22,203 | 106,318 | 614,994 | - | | 614,994 |
| Inter-segment revenue | 556 | 906 | - | - | 12 | 1,676 | 3,150 | (3,150) | | - |
| Total revenue | <u>235,776</u> | <u>74,344</u> | <u>51,828</u> | <u>125,987</u> | <u>22,215</u> | <u>107,994</u> | <u>618,144</u> | <u>(3,150)</u> | | <u>614,994</u> |
| Results | | | | | | | | | | |
| Segment profit | <u>(6,743)</u> | <u>763</u> | <u>7,354</u> | <u>53,488</u> | <u>34,484</u> | <u>49</u> | <u>89,395</u> | <u>15,616</u> | A | <u>105,011</u> |
| Assets | | | | | | | | | | |
| Segment assets | <u>2,379,398</u> | <u>449,079</u> | <u>647,326</u> | <u>1,060,995</u> | <u>435,769</u> | <u>570,249</u> | <u>5,542,816</u> | <u>359,662</u> | B | <u>5,902,478</u> |

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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 2011 | | | | | | | | | | |
| Revenue from external customers | 399,621 | 96,068 | 46,977 | 137,807 | 23,223 | 94,331 | 798,027 | - | | 798,027 |
| Inter-segment revenue | 568 | 729 | - | - | 19 | 232 | 1,548 | (1,548) | | - |
| Total revenue | <u>400,189</u> | <u>96,797</u> | <u>46,797</u> | <u>137,807</u> | <u>23,242</u> | <u>94,563</u> | <u>799,575</u> | <u>(1,548)</u> | | <u>798,027</u> |
| Results | | | | | | | | | | |
| Segment profit | <u>3,941</u> | <u>3,115</u> | <u>8,983</u> | <u>65,075</u> | <u>21,525</u> | <u>715</u> | <u>103,354</u> | <u>8,053</u> | A | <u>111,407</u> |
| Assets | | | | | | | | | | |
| Segment assets | <u>2,457,513</u> | <u>439,258</u> | <u>496,328</u> | <u>989,564</u> | <u>459,770</u> | <u>517,824</u> | <u>5,360,257</u> | <u>309,091</u> | B | <u>5,669,348</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

| | Three months ended | |
|--------------------------------|--------------------|---------|
| | 31 Mar | |
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Share of results of associates | 17,956 | 9,184 |
| Finance costs | (2,340) | (1,131) |
| | 15,616 | 8,053 |

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:

| | Three months ended | |
|---|--------------------|----------|
| | 31 Mar | |
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Investment in associates | 347,520 | 321,373 |
| Current tax assets | 28,816 | 6,830 |
| Deferred tax assets | 6,193 | 3,755 |
| Investment in non-consolidated subsidiary | (22,867) | (22,867) |
| | 359,662 | 309,091 |

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.

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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) Teck See Plastic Sdn. Bhd. (TSP), a 60% subsidiary of the Company, had on 20 April 2012 entered into a Joint Venture Agreement with Kasai Kogyo Co. Ltd (Kasai) to establish a new Joint Venture Company to be named Kasai Teck See (Malaysia) Sdn. Bhd. (KTSM) with the proposed shareholding structure of 75:25 basis to conduct the business of designing, research and development, manufacturing, sale of plastic and automotive interior parts as well as to streamline the operations of TSP.

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) Oriental Boon Siew (Mauritius) Pte. Ltd. (OBSM), a 50.5% subsidiary of the Company had incorporated a wholly-owned subsidiary, known as OAM Asia (Singapore) Pte. Ltd.(OAMS) in Singapore on 6 March 2012 with an initial issued and paid up share capital of SGD2. The intended principal activity of OAMS is that of an investment holding company.
- (ii) The Company entered into a Share Purchase Agreement (SPA) to dispose of its 1% equity interest in Boon Siew Honda Sdn. Bhd. comprising 25,000 ordinary shares of RM1.00 each for a total cash consideration of RM1,079,080 to Honda Motor Co. Ltd.. The disposal was completed on 10 February 2012.

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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 RM615.0 million was 22.9% lower than the corresponding period last year with the year to date profit before tax of RM105.0 million, a 5.7% decrease from the corresponding period last year.

Overall, the Group posted lower PBT across all major operating segments except investment holding segment. Performance of each operating segment are discussed below :-

The disruption of supply caused by the flood in Thailand in October 2011 has spilled over to current quarter and this resulted in 41% drop in revenue and 271% drop in operating profit for the automotive segment. Furthermore, consumers spending were impacted by the stringent lending conditions imposed by BNM. For Singapore operation, even new car bookings were strong, the booking have not convert to sales due to higher cost of COE and reduced numbers of COE issued.

Revenue and operating profit from the plantation segment declined by 8.6% and 17.8% respectively. The lower production of CPO and FFB during the first quarter of the year is in line with seasonal trend. Selling prices of CPO and PK were also lower during this current quarter.

The plastic segment was impacted by the drop in sales volume. This has resulted in the drop of revenue and operating profit by 23.6% and 75.5% respectively.

Revenue from the hospitality segment was higher by 10.3%. However, operating profit was lower by 18.1% mainly due to combined effect of favourable exchange, but lower occupancy rates for local and overseas hotels as the industry faced weaker demand, increase in the supply of rooms and increased price competition.

Revenue for investment holding segment decreased slightly by 4.4% but operating profit increased by 60.2% mainly due to favourable unrealised foreign exchange gain from JPY borrowings.

Revenue from others including property development segment and nursing college operating increased by 12.7% mainly due to higher sales units during the period. However, operating profit dropped by 93.1% mainly due to high operating cost from nursing college as low students intake.

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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 first quarter of 2012 was RM105.0 million compared to RM145.0 million in the preceding quarter. The Group's revenue for the first quarter of 2012 was RM615.0 million when compared to RM695.3 million in the preceding quarter.

The Group's PBT for the first quarter of 2012 decreased by RM40.0 million or 27.6% and the revenue decreased by RM80.3 million or 11.5% as compared to the preceding quarter.

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

The contribution from automotive segment (revenue and operating profit dropped by 10.4% and 120.5% respectively) was lower mainly attributed to the drop in sales volume caused by disruption of supply following the flood in Thailand in October 2011. Furthermore, consumers spending were impacted by the stringent lending conditions imposed by BNM. For Singapore operation, although new car bookings were strong, the booking have not been converted to sales due to higher cost of COE and reduced numbers of COE issued.

Revenue and operating profit for the plantation segment declined by 6.7% and 12.3% respectively mainly due to lower production of CPO and FFB which is in line with the traditional trend of lower production during the first quarter of the year.

As a substantial portion of the plastic segment is related to the automotive sector and hence drop in automotive industry in general has resulted in lower revenue for the Group's plastic segment. Revenue and operating profit drop approximately by 20.2% and 97.1% respectively.

Performance for hospitality segment is also lower (revenue and operating profit dropped by 4.0% and 26.5% respectively) mainly due to lower average room rates and occupancy rates for both local and overseas operations as the industry faced weaker demand, increase in supply of rooms and increased price competition.

The favourable unrealised foreign exchange gains from the Group's JPY borrowings due to stronger MYR against JPY has resulted in operating profit increase by 678.8% for the investment holding segment.

Lower revenue from other including property development and related products segment by 9.4% mainly resulted from lower sales units and increase in building material costs. Despite the lower revenue, operating profit improved by 101.1% mainly due to one-off impairment of intangible assets in the immediate preceding quarter, and none in current period.

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15. Current Year Prospects

The Group's performance will be impacted by the volatility of the CPO prices and the cyclical conditions including weather patterns on the crop production. The 42,100 hectares of land purchased in 2011 will be developed in stages during the year.

In tandem with the industry, the automotive segment will be faced with stiff competition from the many models available in the market.

The Board is of the view that the performance for the Group for the year ahead will be challenging in light of the global volatility.

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 12 RM'000 (Unaudited) | Preceding Year Quarter 31 Mar 11 RM'000 (Unaudited) | Current Year To date 31 Mar 12 RM'000 (Unaudited) | Preceding Year To date 31 Mar 11 RM'000 (Unaudited) |
| Current taxation | | | | |
| Malaysian taxation | | | | |
| - Based on profit for the period | 3,404 | 5,722 | 3,404 | 5,722 |
| - Under/ (Over) provision in respect of prior period | (623) | 376 | (623) | 376 |
| | 2,781 | 6,098 | 2,781 | 6,098 |
| Foreign taxation | | | | |
| - Based on profit for the period | 17,968 | 22,892 | 17,968 | 22,892 |
| | 20,749 | 28,990 | 20,749 | 28,990 |
| Deferred taxation | | | | |
| - Current period | - | 4 | - | 4 |
| - Under provision in respect of prior period | 190 | - | 190 | - |
| | 190 | 4 | 190 | 4 |
| | 20,939 | 28,994 | 20,939 | 28,994 |

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 | ← Foreign Currencies → | | Total RM'000 |
|------------------------------|---------|--|----------------------------|-----------------------|
| | RM'000 | Source Currency | RM Equivalent RM'000 | |
| | | I | II | |
| Finance lease obligations | 1,260 | | - | 1,260 |
| Other borrowings ó secured | 8,011 | USD 0.05 million AUD 2.05 million RMB 1.40 million | 168 6,534 681 | 8,179 6,534 681 |
| | | | 7,383 | 15,394 |
| Other borrowings ó unsecured | 32,399 | JPY 10.38 billion USD 2.11 million | 388,179 6,450 | 420,578 6,450 |
| | | | 394,629 | 427,028 |
| | 41,670 | | 402,012 | 443,682 |

20. Changes in Material Litigations

Not applicable.

21. Dividends Proposed

The Board of Directors has recommended a final single tier dividend of 6% totaling RM37,221,710 in respect of the year ended 31 December 2011, 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 12 RM000 (Unaudited) | Preceding Year Quarter 31 Mar 11 RM000 (Unaudited) | Current Year To Date (One quarter to 31 Mar 12) RM000 (Unaudited) | Preceding Year To Date (One quarter to 31 Mar 11) RM000 (Unaudited) |
| Net profit for the period (RM000) | <u>52,973</u> | <u>46,193</u> | <u>52,973</u> | <u>46,193</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>8.54</u> | <u>7.45</u> | <u>8.54</u> | <u>7.45</u> |

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

| | As at 31 March 2012 (RMø000) | As at 31 December 2011 (RMø000) |
|--|------------------------------------|---------------------------------------|
| Total retained profits of the Company and its subsidiaries | | |
| - Realised | 4,454,168 | 4,326,404 |
| - Unrealised | (6,090) | (50,419) |
| | 4,448,078 | 4,275,985 |
| Total share of retained earnings of associates | | |
| - Realised | 254,979 | 242,429 |
| - Unrealised | 1,443 | 1,491 |
| | 4,704,500 | 4,519,905 |
| Less : Consolidation adjustments | (1,415,232) | (1,283,610) |
| Total retained profits | 3,289,268 | 3,236,295 |

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 24 MAY 2012