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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 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 2014.

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 2014. For the financial year ending 31 December 2013, 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 – 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.

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 – 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 – 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.

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.

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 June 2012										
Revenue from external customers	558,221	154,878	107,778	237,050	49,497	214,798	1,322,222	-		1,322,222
Inter-segment revenue	2,944	1,716	-	-	9,687	3,288	17,635	(17,635)		-
Total revenue	561,165	156,594	107,778	237,050	59,184	218,086	1,339,857	(17,635)		1,322,222
Results										
Segment profit	(5,425)	1,738	11,478	63,075	58,364	1,165	130,395	43,590	**A**	173,985
Assets										
Segment assets	2,216,437	463,778	895,056	1,087,859	475,271	568,066	5,706,467	402,661	**B**	6,109,128

ORIENTAL HOLDINGS BERHAD
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2012 (Cont'd)

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
30 June 2011										
Revenue from external customers	805,702	188,940	89,526	267,453	101,261	195,716	1,648,598	-		1,648,598
Inter-segment revenue	1,009	1,654	-	-	6,798	434	9,895	(9,895)		-
Total revenue	806,711	190,594	89,526	267,453	108,059	196,150	1,658,493	(9,895)		1,648,598
Results										
Segment profit	12,157	5,158	13,732	112,070	96,220	1,307	240,644	14,056	**A**	254,700
Assets										
Segment assets	2,551,149	431,796	501,909	1,079,601	422,836	543,062	5,530,353	310,666	**B**	5,841,019

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

	Six months ended 30 June	
	2012	2011
	RM'000	RM'000
Share of results of associates	48,364	16,335
Finance costs	(4,774)	(2,279)
	43,590	14,056

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:

	Six months ended 30 June	
	2012	2011
	RM'000	RM'000
Investment in associates	376,383	322,537
Current tax assets	42,912	7,216
Deferred tax assets	6,233	3,780
Investment in non-consolidated subsidiary	(22,867)	(22,867)
	402,661	310,666

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.

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.

(iii) 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.

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 RM1,322.2 million was 19.8% lower than the corresponding period last year with the year to date profit before tax of RM174.0 million, a 31.7% decrease from the corresponding period last year.

Overall, the Group posted lower PBT across all major operating segments. Performances for each operating segment are discussed as below:-

The revenue and operating profit from the automotive segment declined by 30.7% and 144.6% respectively were adversely impacted by losses incurred by its auto parts manufacturing and assembly operations where the level of activity is still recovering from the disruptions to supplies following the calamities in Japan and Thailand and having to contend with the high cost of overheads.

For the retail operations in Singapore, bookings for new cars have, however, not been translated to sales due to the high costs of COEs following the reduced number of COEs issued by the authorities.

For the retail operations in Malaysia, with the resumption of operations by Honda Malaysia during the quarter, sales units have improved significantly for the current quarter but are still lower than the corresponding period in 2011.

The revenue and operating profit from the plantation segment declined by 11.4% and 43.7% respectively mainly due to the lower FFB, CPO and PK productions due to seasonal and climatic factors. Average selling price in current period was also lower than the corresponding period in 2011. However, oil extraction rates have not been impacted.

The revenue and operating profit for plastic segment declined by 18.0% and 66.3% respectively because of fierce competition in the industry and the impact of declining demand for its main customer's products.

13. Review of Group's Performance (Cont'd)

The revenue for its hospitality segment improved 20.4% but operating profit was lower by 16.4%. Higher revenue was due to two newly acquired hotels. However, average room rates and occupancy rates generally lower compared to the corresponding period in 2011. The travel trade continues to be affected by stiff competition and the global economic uncertainties.

Revenue and operating profit for investment holding segment decreased by 51.1% and 39.3% respectively mainly due to lower dividend income and despite a favorable unrealized foreign exchange gain from its JPY borrowings.

Revenue from other segments including property development, building materials and nursing college operations increased 9.7% mainly due to the increase in trading of building materials products. Operating profit however decreased 10.9% due to the competitive conditions in the building materials trade which have impacted profit margins and high operating costs for the nursing college caused by the reduced student intake following the higher entry requirements.

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

The Group's PBT for the second quarter of 2012 was RM69.0 million compared to RM105.0 million in the preceding quarter. The Group's revenue for the second quarter of 2012 was RM707.2 million when compared to RM615.0 million in the preceding quarter.

The Group's PBT for the second quarter of 2012 decreased by RM36.0 million or 34.3% but the revenue increased by RM92.2 million or 15.0% as compared to the preceding quarter.

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

The revenue and operating profit from the automotive segment increased by 37.3% and 119.5% respectively following the resumption of Honda operations in the Malaysia in the early part of the second quarter. However, the segment continues to be impacted by losses incurred by its auto parts manufacturing and assembly operations where the level of activity is still recovering from the disruptions to supplies following the calamities in Japan and Thailand and having to contend with the high cost of overheads.

For the retail operations in Malaysia and Singapore, with the resumption of Honda Malaysia during the current quarter and various promotional campaigns to boost the sales, sales units have improved for current quarter and higher than immediate preceding quarter.

14. **Material Change in Profit Before Taxation ("PBT") reported on as compared with the immediate preceding quarter (Cont'd)**

The revenue and operating profit for the plantation segment declined by 11.8% and 82.1% respectively mainly due to lower FFB, CPO and PK production due to seasonal and climatic factors. However, oil extraction rates have not been impacted. The segment's performance was further impacted by unfavourable foreign exchange.

The revenue and operating profit for plastic segment increased by 10.9% and 27.8% respectively mainly due to slightly higher demand from its main customer's products and the management implemented better cost saving exercise during the current period.

The revenue for its hospitality segment improved 8.0% but operating profit was lower by 43.9%. Higher revenue was due to the newly acquired hotel. However, average room rates and occupancy rates generally lower especially for the overseas operations compared to preceding quarter. The travel trade continues to be affected by stiff competition and the global economic uncertainties.

The unfavourable unrealised foreign exchange from the Group's JPY borrowings due to weaken MYR against JPY has decreased operating profit by 30.8% for the investment holding segment despite higher revenue of 22.9% mainly from interest and dividend income.

Revenue and operating profit from other segment including property development, building materials and nursing college operations increased 2.0% and 2,177.6% respectively mainly due to increase trading of building materials. The improved conditions in the building materials trade which have improved profit margins.

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 feature significantly for the Group's performance which will therefore be impacted by the volatility of commodity prices. FFB production will be subject to the cyclical conditions in part caused by the changing climatic conditions.

The hospitality segment is expected to improve on its profitability with added contributions from the latest acquisitions.

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

The property development and building material segments will perform satisfactory 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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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2012 (Cont'd)

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 June 12 RM'000 (Unaudited)	Preceding Year Quarter 30 June 11 RM'000 (Unaudited)	Current Year To date 30 June 12 RM'000 (Unaudited)	Preceding Year To date 30 June 11 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	4,015	5,472	7,419	11,194
- Under/ (Over) provision in respect of prior period	134	(10)	(489)	366
	4,149	5,462	6,930	11,560
Foreign taxation				
- Based on profit for the period	10,316	15,107	28,284	37,999
	14,465	20,569	35,214	49,559
Deferred taxation				
- Current period	-	(1)	-	3
- Under provision in respect of prior period	-	-	190	-
	-	(1)	190	3
	14,465	20,568	35,404	49,562

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 2012 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.

19. **Group Borrowings**

	Borrowings denominated in Ringgit	← Foreign Currencies →		
		Source Currency	RM Equivalent	Total
	RM'000		RM'000	RM'000
	I		II	I + II
Finance lease obligations	1,313		-	1,313
Other borrowings – secured	26,795	USD 0.73 million	2,308	29,103
		AUD 2.05 million	6,627	6,627
		RMB 1.40 million	700	700
			9,635	36,430
Other borrowings – unsecured	38,117	JPY 11.78 billion	473,779	511,896
		USD 1.09 million	3,376	3,376
			477,155	515,272
	66,225		486,790	553,015

20. **Changes in Material Litigations**

Not applicable.

21. **Dividends Proposed**

A single tier final dividend of 6% totalling RM37,221,710 in respect of the year ended 31 December 2011, payable on 14 September 2012 to depositors registered in the Record of Depositors at close of business on 15 August 2012.

No dividend has been proposed for the current quarter.

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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2012 (Cont'd)

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 12 RM'000 (Unaudited)	Preceding Year Quarter 30 June 11 RM'000 (Unaudited)	Current Year To Date (Two quarter to 30 June 12) RM'000 (Unaudited)	Preceding Year To Date (Two quarter to 30 June 11) RM'000 (Unaudited)
Net profit for the period (RM'000)	52,178	104,148	105,151	150,341
Weighted average number of stocks in issue ('000)	620,362	620,362	620,362	620,362
Basic earnings per stock (sen)	8.41	16.79	16.95	24.23

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23. Realised and Unrealised Profit or Losses Disclosure

	As at 30 June 2012 (RM'000)	As at 31 December 2011 (RM'000)
Total retained profits of the Company and its subsidiaries		
- Realised	4,446,084	4,326,404
- Unrealised	(30,918)	(50,419)
	4,415,166	4,275,985
Total share of retained earnings of associates		
- Realised	286,832	242,429
- Unrealised	(1,706)	1,491
	4,700,292	4,519,905
Less : Consolidation adjustments	(1,377,457)	(1,283,610)
Total retained profits	3,322,835	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 27 AUG 2012