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

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

i) a single tier interim dividend of 3% (2010: 3%) totalling RM18,610,855 for the year ended 31 December 2011 on 11 May 2012.

ii) a single tier final dividend of 6% (2010: 3%) totalling RM 37,221,710 for the year ended 31 December 2011 on 14 September 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 December 2012										
Revenue from external customers	1,276,736	309,347	222,224	425,679	113,175	439,629	2,786,790	-		2,786,790
Inter-segment revenue	8,443	6,214	750	-	9,699	7,718	32,824	(32,824)		-
Total revenue	1,285,179	315,561	222,974	425,679	122,874	447,347	2,819,614	(32,824)		2,786,790
Results										
Segment profit	(1,096)	8,174	27,599	143,770	128,329	96	306,872	69,436	**A**	376,308
Assets										
Segment assets	2,299,449	463,420	882,209	1,134,117	363,893	571,028	5,714,116	429,087	**B**	6,143,203

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 December 2011										
Revenue from external customers	1,417,883	376,465	193,217	533,003	165,077	423,353	3,108,998	-		3,108,998
Inter-segment revenue	1,953	3,482	-	-	6,833	4,686	16,954	(16,954)		-
Total revenue	1,419,836	379,947	193,217	533,003	171,910	428,039	3,125,952	(16,954)		3,108,998
Results										
Segment profit	49,541	37,739	30,256	212,098	105,765	(1,158)	434,241	26,814	**A**	461,055
Assets										
Segment assets	2,390,511	463,203	652,297	1,143,440	396,937	572,330	5,618,718	346,848	**B**	5,965,566

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

	2012 RM'000	2011 RM'000
Share of results of associates	79,406	37,189
Finance costs	(9,970)	(10,375)
	69,436	26,814

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:

	2012 RM'000	2011 RM'000
Investment in associates	392,084	334,522
Current tax assets	52,138	28,859
Deferred tax assets	7,732	6,334
Investment in non-consolidated subsidiary	(22,867)	(22,867)
	429,087	346,848

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. KTSM had on 22 June 2012 obtained the Certificate of Incorporation of the Company.

(iv) Unique Mix (Penang) Sdn. Bhd. ("U Mix"), a 70% subsidiary of Simen Utara Sdn. Bhd. ("SU"), which in turn is a 91% subsidiary of Kwong Wah Enterprise Sdn. Bhd. ("KWE"), a wholly-owned subsidiary of the Company, acquired 21,000 ordinary shares of RM1.00 each, representing 7% of the total issued and paid-up share capital in Konkrit Utara Sdn. Bhd. ("K Utara") at a cash consideration of RM2,100.00. Upon completion of the said acquisition on 21 November 2012, U Mix owned 100% in K Utara.

(v) AT-TS Marketing Sdn. Bhd. ("AT-TS"), a wholly-owned subsidiary of Teck See Plastic Sdn. Bhd. ("TSP") which in turn is a 60% owned subsidiary of the Company, had on 18 December 2012 commenced winding up proceedings voluntarily. AT-TS was incorporated in Malaysia on 9 April 1994 with an authorised share capital of RM5 million comprising 5 million ordinary shares of RM1.00 each whilst its issued and paid up share capital is RM1.3million comprising 1.3 million ordinary shares of RM1.00 each. AT-TS had ceased operations and remained dormant currently.

(vi) Hymold (Suzhou) Co., Ltd. ("Hymold") a 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 currently. Hymold had ceased operations and remained dormant currently.

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 RM2,786.8 million was 10.4% lower than last year with the year to date profit before tax of RM376.3 million, a 18.4% decrease compare with last year.

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

The revenue and operating profit from the automotive segment which declined by 10.0% and 102.2% 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 last year and current productions have to absorb the high cost of overheads.

For the retail operations in Singapore, bookings for new car 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 beginning of the quarter, sales units have improved significantly since second quarter but are still lower than 2011, due to uncertainties over local market condition as well as the global economic outlook.

The revenue and operating profit from the plantation segment declined by 20.1% and 32.2% respectively mainly due to the lower FFB and CPO productions due to climatic factors. Average CPO selling price in current year was significantly lower than 2011 (2012: RM2,300/MT; 2011: RM2,700/MT).

The revenue and operating profit for plastic segment declined by 17.8% and 78.3% respectively because of lower sales volume due to fierce competition in the industry and the impact of declining demand for its main customer's products.

The revenue for its hospitality segment improved 15.0%, however operating profit was lower by 8.8%. Higher revenue was due to the contributions from the two newly acquired hotels. However, occupancy rates were generally lower as compared to 2011.

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

Revenue for investment holding segment decreased by 31.4% mainly due to lower dividend income. Operating profit however improved by 21.3% mainly derived from realised foreign exchange gain generated from settlement of JPY loan as weakening of JPY.

Revenue and operating profit from other segments including property development, trading of building materials and nursing college operations increased 3.8% and 108.3% respectively mainly due to higher sales volume and contracts secured during the year. Besides, operating profit improved also due to one-off impairment of intangible assets in last year.

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 2012 was RM116.3 million compared to RM86.0 million in the preceding quarter. The Group's revenue for the fourth quarter of 2012 was RM723.7 million when compared to RM740.9 million in the preceding quarter.

The Group's PBT for the fourth quarter of 2012 increased by RM30.3 million or 35.2%, however the Group's revenue dropped by RM17.2 million or 2.3% as compared to the preceding quarter.

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

The revenue from the automotive segment decreased by 5.1% but the operating profit increased by 331.3%. Revenue of the retailing operations dropped due to lower units of cars sold. However, the increased of operating profit mainly due to the reversal of provision for slow moving stock.

The revenue for the plantation segment declined by 9.5% but operating profit increased by 27.0%. The performance was affected by significant drop in CPO selling price (Q42012: RM2,000/MT; Q32012: RM2,300/MT), lower crop productions caused by climatic factors despite favourable foreign exchange.

The revenue for plastic segment maintained however recorded a lower operating profit mainly due to aggressive cost down request by customers.

The revenue and operating profit for hospitality segment increased by 4.8% and 10.0% respectively. The improved of revenue and operating profit due to increase of corporate activities and festive seasons during year end.

The favourable unrealised foreign exchange from the Group's JPY borrowings due to stronger MYR against JPY have increased the operating profit by 65.7%, but revenue decreased by 16.6% due to lower dividend received for the investment holding segment.

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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FOR THE YEAR ENDED 31 DECEMBER 2012 (Cont'd)

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 12 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 11 RM'000 (Unaudited)	Current Year To date 31 Dec 12 RM'000 (Unaudited)	Preceding Year To date 31 Dec 11 RM'000 (Audited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	4,451	7,604	16,837	24,702
- Under/(Over) provision in respect of prior period	14	(423)	(603)	(38)
	4,465	7,181	16,234	24,664
Foreign taxation				
- Based on profit for the period	14,348	19,989	55,567	71,393
	18,813	27,170	71,801	96,057
Deferred taxation				
- Current period	(2,534)	(2,133)	(2,534)	(2,131)
- Under/(Over) provision in respect of prior period	477	(2,118)	667	(2,118)
	(2,057)	(4,251)	(1,867)	(4,249)
	16,756	22,919	69,934	91,808

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	4,287		-	4,287
Other borrowings – secured	28,113	AUD 2.05 million	6,508	34,621
		JPY 2.10 billion	74,538	74,538
		RMB 0.45 million	220	220
			81,266	109,379
Other borrowings – unsecured	39,090	JPY 8.98 billion	318,982	358,072
		USD 1.78 million	5,454	5,454
			324,436	363,526
	71,490		405,702	477,192

20. Changes in Material Litigations

Not applicable.

21. Dividend Proposed

The Board of Directors has declared a single tier interim dividend of 4% (2011 : a single tier interim dividend of 3%), totalling RM24,814,473 in respect of the year ended 31 December 2012 on 28 February 2013.

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 12 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 11 RM'000 (Unaudited)	Current Year To Date 31 Dec 12) RM'000 (Unaudited)	Preceding Year To Date 31 Dec 11) RM'000 (Audited)
Net profit for the period (RM'000)	75,954	90,425	235,850	270,156
Weighted average number of stocks in issue ('000)	620,362	620,362	620,362	620,362
Basic earnings per stock (sen)	12.24	14.58	38.02	43.55

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23. Realised and Unrealised Profit or Losses Disclosure

	As at 31 December 2012 (RM'000)	As at 31 December 2011 (RM'000)
Total retained profits of the Company and its subsidiaries		
- Realised	4,545,087	4,326,404
- Unrealised	(14,039)	(50,419)
	4,531,048	4,275,985
Total share of retained earnings of associates		
- Realised	291,291	242,429
- Unrealised	(5,607)	1,491
	4,816,732	4,519,905
Less : Consolidation adjustments	(1,400,420)	(1,283,610)
Total retained profits	3,416,312	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

ONG TZE-EN
Secretary

DATED THIS 28 FEB 2013