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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2013

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. 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 2012. 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 2012.

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 2012 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 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 1, First-time Adoption of Financial Reporting Standards – Government Loans
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)

1. Basis of Preparation (Cont'd)

Adoption of Revised FRSs, IC Interpretations and Amendments (Cont'd)

Amendments to FRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to FRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to FRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to FRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to FRS 10, Consolidated Financial Statements: Transition Guidance
Amendments to FRS 11, Joint Arrangements: Transition Guidance
Amendments to FRS 12, Disclosure of Interests in Other Entities: Transition Guidance

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.

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 10, *Consolidated Financial Statements: Investment Entities*
Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
Amendments to FRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
FRS 9, *Financial Instruments (2010)*
FRS 9, *Financial Instruments (2011)*
Amendments to FRS 7, *Financial Instruments: Disclosures - Mandatory Effective 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 4% (2011: 3%) totalling RM24,814,473 for the year ended 31 December 2012 on 10 May 2013.

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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2013 (Cont'd)

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 2013										
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	639,850	123,386	107,173	141,965	56,958	245,164	1,314,496	(19,238)		1,295,258
Results										
Segment profit	(2,742)	(5,548)	10,952	46,774	57,952	1,225	108,613	27,830	**A**	136,443
Assets										
Segment assets	2,307,237	468,283	845,079	1,131,010	342,420	576,820	5,670,849	455,925	**B**	6,126,774

ORIENTAL HOLDINGS BERHAD
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2013 (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 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	(5,427)	1,591	11,478	63,075	58,364	1,314	130,395	43,590	**A**	173,985
Assets										
Segment assets	2,216,446	467,499	895,056	1,087,859	475,271	564,336	5,706,467	402,661	**B**	6,109,128

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

	2013	2012
	RM'000	RM'000
Share of results of associates	31,237	48,364
Finance costs	(3,407)	(4,774)
	27,830	43,590

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:

	2013	2012
	RM'000	RM'000
Investment in associates	424,706	376,383
Current tax assets	46,286	42,912
Deferred tax assets	7,800	6,233
Investment in non-consolidated subsidiary	(22,867)	(22,867)
	455,925	402,661

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) 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. Hymold had ceased operations and remained dormant since September 2009.

(ii) Teck See Plastic Sdn. Bhd. ("TSP"), a 60% owned subsidiary of the Company and its existing joint venture partner, Ikegami Mold Engineering Co. Ltd. ("Ikegami") had invited Kasai Kogyo Co. Ltd. ("Kasai") to participate in Lipro Mold Engineering Sdn Bhd ("LME") by each selling and transferring 500,000 ordinary shares of RM1 each (representing 5% of the interest in LME) in LME to Kasai for a consideration of RM540,000 each respectively. TSP, Ikegami and Kasai had on 18 April 2013 entered into a new Joint Venture Agreement to regulate their interests in LME. Upon completion on 21 May 2013, TSP holds 80% interest in LME while Ikegami and Kasai each holds 10%. LME is principally engaged in the business of design, manufacture, sale and repairs of molds, jigs and fixtures.

(iii) Jutajati Sdn Bhd (a 100% owned subsidiary of the Company), Selasih Permata Sdn Bhd (a 50.5% owned subsidiary of the Company) and Teck See Plastic Sdn Bhd (a 60% owned subsidiary of the Company) had disposed of their entire respective investment in Oriental Kyowa Plastic Industries (Shanghai Pudong New Area) Co. Ltd. ("OKS") to Shanghai HuiYang Industry Co., Ltd. ("SHY") for aggregate cash consideration of RMB144,225,000 ("Disposal"). The Disposal was formalized in an Equity Transfer Agreement entered into by the Sellers and SHY on 09 August 2013. Upon completion of the Disposal, OKS shall cease 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.

13. Review of Group's Performance

The year to date revenue of RM 1,295.3 million was 2.0% lower than the corresponding period last year with the year to date profit before tax of RM 136.4 million, a 21.6% decrease from the corresponding period last year.

Performances for each operating segment are as follows:-

The revenue for the automotive segment increased 14.6 % to RM 639.7 million while the operating loss decreased by 49.5 % to RM 2.7 million.

For the retail operations in Malaysia, sales units increased 72% assisted by the new model of CRV.

For the retail operations in Singapore, sales units declined 35% and margins continue to be sacrificed to offset the high COE costs in order to close sales. The performance was also impacted by unrealized foreign exchange losses on its AUD denominated deposits with the weakening of the AUD.

Auto parts manufacturing and assembly operations continue to incur losses being impacted by the low volume of production and assembly volume and having to contend with its high fixed and semi-fixed overheads.

The revenue and operating profit for the plantation segment declined by 40.1% and 25.8% respectively mainly due to the significant drop in average CPO prices and volume of CPO sold of about 19.4% and 24.9% respectively. The average yield per Ha and FFB processed, CPO and Palm Kernel produced dropped is attributed to seasonal and climatic factors.

The revenue for the plastic segment declined by 24.9% and recorded an operating loss of RM 5.5 million compared to an operating profit of RM 1.6 million for the corresponding period last year mainly attributed to the drop in its electrical and automotive businesses and having to cope with its high fixed overheads.

The revenue declined marginally by 0.9% and operating profits declined by 4.6% for its hospitality segment on the back of higher occupancy and average room rates for its Malaysian and Singapore units. Lower occupancy and average room rates were recorded for its Australian, New Zealand, Thailand and London units.

Revenue for the investment holding segment was higher by 3.1% mainly from higher dividend, and rental income. Operational profit was marginally down by 0.7%.

The performance for others including property development and building material segment and nursing college remain challenging with the year to date operating profit recorded at RM 1.2 million due to the competitive conditions in the building materials market and the lower student intake for its nursing college.

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 2013 was RM 661.8 million an increase of RM 28.3million or 4.5% from RM 633.5 million in Q1FY13.

The Group's PBT for the second quarter of 2013 decreased by RM 72.6 million or 69.5% to RM 31.9 million compared to RM 104.5 million in Q1FY13.

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

The revenue from the automotive segment increased by 7.5%, operating loss of RM 9.1 million recorded mainly from retail operations. Overall lower units of cars sold due to automotive market remain challenging.

Revenue and operating profit for the plantation segment declined by 13.4% and 95.8% respectively. The performance was affected by significant drop in CPO and FFB production attributed to seasonal and climatic factors.

The revenue for the plastic segment improved by 11.0% but recorded an operating loss of RM2.5million in current quarter mainly having to cope with its high fixed overheads.

Revenue and operating profit for hospitality segment decreased by 18.5% and 92.3% respectively. The dropped in revenue and operating profit was due to lower average room rates and occupancy rate for overseas operations compared to immediate preceding quarter.

Higher revenue and operating profit from investment holding segment by 15.5% and 1.3% respectively mainly due to higher interest income and dividend income received.

Higher revenue from property development and related products segment by 14.9% mainly from higher sales volume, while the operating profit remain as compared to immediate preceding quarter.

15. Current Year Prospects

The automotive and plastic segments will continue to contribute to the Group's performance under very competitive market conditions with the rising costs arising from the implementation of minimum wages effective 1 January 2013.

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 and improve operational execution through various organic measures.

Investment and interest income will be impacted by the current global economic uncertainties and expansion on business development of its investment companies.

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.

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 June 13 RM'000 (Unaudited)	Preceding Year Quarter 30 June 12 RM'000 (Unaudited)	Current Year To date 30 June 13 RM'000 (Unaudited)	Preceding Year To date 30 June 12 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	8,268	4,015	16,350	7,419
- Under/(Over) provision in respect of prior period	431	134	684	(489)
	8,699	4,149	17,034	6,930
Foreign taxation				
- Based on profit for the period	3,793	10,316	18,601	28,284
	12,492	14,465	35,635	35,214
Deferred taxation				
- Current period	-	-	-	-
- Under/(Over) provision in respect of prior period	-	-	-	190
	-	-	-	190
	12,492	14,465	35,635	35,404

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.

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	4,595		-	4,595
Other borrowings – secured	7,581	AUD 2.01 million	5,875	13,456
		JPY 2.10 billion	67,014	67,014
			72,889	80,470
Other borrowings – unsecured	43,749	JPY 7.00 billion	223,379	267,128
		USD 21.63 million	68,364	68,364
			291,743	335,492
	55,925		364,632	420,557

20. Changes in Material Litigations

Not applicable.

21. Dividend Proposed

A single tier final dividend of 4% totalling RM24,814,473 in respect of the year ended 31 December 2012, payable on 30 August 2013 to depositors registered in the Record of Depositors at close of business on 31 July 2013.

No dividend has been proposed for the current quarter.

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FOR THE PERIOD ENDED 30 JUNE 2013 (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 13 RM'000 (Unaudited)	Preceding Year Quarter 30 June 12 RM'000 (Unaudited)	Current Year To Date (Two quarter to 30 June 13) RM'000 (Unaudited)	Preceding Year To Date (Two quarter to 30 June 12) RM'000 (Unaudited)
Net profit for the period (RM'000)	20,624	52,178	75,370	105,151
Weighted average number of stocks in issue ('000)	620,362	620,362	620,362	620,362
Basic earnings per stock (sen)	3.32	8.41	12.15	16.95

23. Realised and Unrealised Profit or Losses Disclosure

	As at 30 June 2013 (RM'000)	As at 31 December 2012 (RM'000)
Total retained profits of the Company and its subsidiaries		
- Realised	4,559,296	4,539,086
- Unrealised	(1,638)	(14,039)
	4,557,658	4,525,047
Total share of retained earnings of associates		
- Realised	322,904	291,291
- Unrealised	(177)	(5,607)
	4,880,385	4,810,731
Less : Consolidation adjustments	(1,448,734)	(1,429,636)
Total retained profits	3,431,651	3,381,095

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 August 2013