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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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 ended 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

1. Basis of Preparation (Cont'd)

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

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

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 4% (2011: 3%) totalling RM24,814,473 for the year ended 31 December 2012 on 10 May 2013,

ii) a single tier final dividend of 4% (2011: 6%) totalling RM24,814,473 for the year ended 31 December 2012 on 30 August 2013.

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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 2013										
Revenue from external customers	1,402,183	254,820	224,647	289,908	114,562	474,797	2,760,917	-		2,760,917
Inter-segment revenue	370	11,870	771	-	5,932	12,051	30,994	(30,994)		-
Total revenue	1,402,553	266,690	225,418	289,908	120,494	486,848	2,791,911	(30,994)		2,760,917
Results										
Segment profit	(19,490)	(936)	32,515	65,089	135,637	1,896	214,711	51,574	**A**	266,285
Assets										
Segment assets	2,294,291	435,163	900,393	1,144,662	384,376	725,134	5,884,019	460,501	**B**	6,344,520

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 2012										
Revenue from external customers	1,289,060	309,347	222,297	425,679	114,436	446,230	2,807,049	-		2,807,049
Inter-segment revenue	753	6,214	750	-	9,699	6,630	24,046	(24,046)		-
Total revenue	1,289,813	315,561	223,047	425,679	124,135	452,860	2,831,095	(24,046)		2,807,049
Results										
Segment profit	252	9,684	31,901	151,910	114,698	695	309,140	66,605	**A**	375,745
Assets										
Segment assets	2,300,006	463,257	878,278	1,131,845	363,807	574,024	5,711,217	426,623	**B**	6,137,840

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 RM'000	2012 RM'000
Share of results of associates	59,618	76,695
Finance costs	(8,044)	(10,090)
	51,574	66,605

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 RM'000	2012 RM'000
Investment in associates	437,243	395,989
Current tax assets	36,362	45,507
Deferred tax assets	9,763	7,994
Investment in non-consolidated subsidiary	(22,867)	(22,867)
	460,501	426,623

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 an 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 on 16 October 2013, OKS ceased to be a subsidiary of the Company.

(iv) Kah Australia Pty. Ltd. (a 100% owned subsidiary of the Company), had on 31 December 2013, entered into an Agreement for the sale of Shares and Units with Inapo Pty. Ltd. ("Inapo") and Whitemark Pty. Ltd. ("Whitemark") as Trustee for the Geographe Bay Motel Unit Trust, for the proposed acquisition of the remaining 49% stake and 50% interest in Geographe Bay Motel Unit Trust ("GBM Trust") and Whitemark respectively from Inapo on an "as is where is basis", based on the total purchase consideration of AUD7,815,502 (or approximately RM22.791 million equivalent).

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 2,760.9 million was 1.6% lower than the corresponding period last year with the year to date profit before tax of RM 266.3 million, a 29.1% decrease from the corresponding period last year.

Performances for each operating segment are as follows:-

The revenue for the automotive segment increased by 8.8% to RM 1,402.2 million but recorded an operating loss of RM19.5 million (FY2012: operating profit of RM0.3 million).

For the retail operations in Malaysia, sales units increased 35% assisted by new models and attractive pricing during the festival session to boost sales.

For the retail operations in Singapore, although sales units declined 18%, operating profit recorded was higher mainly due to improved profit margin with careful pricing strategy and lower cost of sales.

Auto parts manufacturing and assembly operations incurred operating losses mainly due to the phased out of a major customer's main products in motorcycles industry in the last quarter of the year as well as provision for a voluntary separate scheme for its associates for approximately RM 29 million. A further RM 5.0 million has been provided for the impairment of certain plant and machinery in its overseas manufacturing plant in Vietnam.

The revenue and operating profit for the plantation segment declined by 32% and 57% respectively mainly due to lower FFB processed, CPO production and PK production compared to last year in addition to the decrease in CPO prices. The performance was also affected by unrealised foreign exchange losses on its JPY denominated borrowings due to weakened Rp.

The revenue for the plastic segment declined by 18% and recorded an operating loss of RM 0.9 million compared to an operating profit of RM 9.7 million last year mainly attributed to the drop in its electrical and automotive businesses as a result of competitive pricing from its customers and having to cope with the high fixed overhead cost despite cost saving exercise.

The revenue and operating profit from hospitality segment remains constant (revenue: 2013 : RM 224.6 million ; 2012 : RM 222.3 million and operating profit: 2013 : RM 32.5 million ; 2012 : RM 31.9 million).

The revenue for the investment holding remains constant while recorded higher operating profit by 18.3% mainly due to gain from disposal of an overseas subsidiary.

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 1.9 million was attributed to the competitive conditions in the building materials industry 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 fourth quarter of 2013 was RM 757.3 million an increase of RM 48.9 million or 6.9% from RM 708.4 million in Q3FY13.

The Group's PBT for the fourth quarter of 2013 increased significantly to RM 98.1 million compared to RM 31.8 million in Q3FY13.

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

Revenue from automotive segment increased by 4%, but incurred an operating loss of RM 31 million (Q3FY13 : profit RM 13.7 million) mainly due to the phased out of a major customer's main products in motorcycles industry in the last quarter of the year as well as provision for a voluntary separate scheme for its associates for approximately RM 29 million from its manufacturing and assembly operations. A further RM 5.0 million has been provided for the impairment of certain plant and machinery in its overseas manufacturing plant in Vietnam.

For the automotive retail operations, slight increase in units of car sold by 0.5% and lower cost of sales and careful pricing strategies help cushion the opposing impact for the segment.

Revenue and operating profit for the plantation segment showed a marked improvement by 41% and 257% respectively by higher CPO and FFB production.

The revenue for the plastic segment dropped marginally by 0.2% but recorded an operating profit of RM 4.6 million (Q3FY13 : loss RM 2.8 million) mainly due to reversal of impairment on plant and equipment, and disposal of an overseas subsidiary.

Revenue for hospitality segment increased by 9% and recorded slightly lower operating profit (Q4FY13: RM 8.2 million; Q3FY13: RM 9.0 million). Occupancy rate and average room rates were generally higher compared to immediate quarter, however the performance was affected by higher depreciation charge in the current quarter.

Lower revenue from investment holding segment by 7% mainly due to lower dividend income by RM 9.3 million despite increase in interest income of RM 6.3 million. However, operating profit improved by 173% mainly attributable by favourable unrealised foreign exchange from JPY borrowings and gain on disposal of an overseas subsidiary.

Slightly higher in revenue from property development and related products segment by 7.0% while recorded lower operating profit of RM 0.1 million mainly due to competitive market price.

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 added contributions from the latest acquisitions and improve 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.

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 13 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 12 RM'000 (Unaudited)	Current Year To date 31 Dec 13 RM'000 (Unaudited)	Preceding Year To date 31 Dec 12 RM'000 (Audited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	6,937	14,171	29,811	26,557
- Under/(Over) provision in respect of prior period	682	331	1,588	(286)
	7,619	14,502	31,399	26,271
Foreign taxation				
- Based on profit for the period	13,212	7,444	34,705	48,663
	20,831	21,946	66,104	74,934
Deferred taxation				
- Current period	(722)	(2,177)	(722)	(2,177)
- Under/(Over) provision in respect of prior period	(816)	244	(816)	434
	(1,538)	(1,933)	(1,538)	(1,743)
	19,293	20,013	64,566	73,191

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	5,110	-	-	5,110
Other borrowings – secured	-	AUD 1.99 million	5,804	5,804
		JPY 4.38 billion	136,874	136,874
			142,678	142,678
Other borrowings – unsecured	36,909	JPY 10.00 billion	312,314	349,223
		USD 0.21 million	675	675
			312,989	349,898
	42,019		455,667	497,686

20. Changes in Material Litigations

Not applicable.

21. Dividend Proposed

The Board of Directors has declared a single tier interim dividend of 3.5% (2012 : a single tier interim dividend of 4%), totalling RM21,712,664 in respect of the year ended 31 December 2013 on 30 April 2014.

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 13 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 12 RM'000 (Unaudited)	Current Year To Date 31 Dec 13 RM'000 (Unaudited)	Preceding Year To Date 31 Dec 12 RM'000 (Audited)
Net profit for the period (RM'000)	74,222	40,737	187,479	200,633
Weighted average number of stocks in issue ('000)	620,362	620,362	620,362	620,362
Basic earnings per stock (sen)	11.96	6.57	30.22	32.34

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23. Realised and Unrealised Profit or Losses Disclosure

	As at 31 December 2013 (RM'000)	As at 31 December 2012 (RM'000)
Total retained profits of the Company and its subsidiaries		
- Realised	4,591,221	4,539,086
- Unrealised	(10,031)	(14,039)
	4,581,190	4,525,047
Total share of retained earnings of associates		
- Realised	338,988	291,291
- Unrealised	501	(5,607)
	4,920,679	4,810,731
Less : Consolidation adjustments	(1,406,188)	(1,429,636)
Total retained profits	3,514,491	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 February 2014