

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

**SELECTED EXPLANATORY NOTES**  
**TO THE INTERIM FINANCIAL REPORT**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

**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 ending 31 December 2014, 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.

This interim financial report has been reviewed by the external auditors.

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 2013. 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 2013.

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 2013 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 FRS10, Consolidated Financial Statements: Investment Entities*

*Amendments to FRS 12, Disclosure of Interests in Other Entities: Investment Entities*

*Amendments to FRS 127, Separation Financial Statements (2011): Investment Entities*

*Amendments to FRS 132: Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities*

*Amendments to FRS 136, Impairment of Assets- Recoverable Amount Disclosure for Non-financial Assets*

*Amendments to FRS 139, Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting*

*IC Interpretation 21, Levies*

The adoption of the above amendments to FRSs and IC Interpretation do not have material impact on this interim financial report of the Group.

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**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 3.5% (2012: 4%) totalling RM21,712,664 for the year ended 31 December 2013 on 30 April 2014,
- ii) a single tier final dividend of 3.5% (2012: 4%) totalling RM21,712,664 for the year ended 31 December 2013 on 8 August 2014.

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**8. Segment Revenue and Results**

	<b>Automotive and related products RM'000</b>	<b>Plastic products RM'000</b>	<b>Hotels and resorts RM'000</b>	<b>Plantation RM'000</b>	<b>Investment holding and financial services RM'000</b>	<b>Others including property development RM'000</b>	<b>Total of all segments RM'000</b>	<b>Reconciliation/ Elimination RM'000</b>	<b>Notes</b>	<b>Total per consolidated financial statements RM'000</b>
<b>30 September 2014</b>										
Revenue from external customers	1,372,163	207,453	181,251	335,338	20,725	380,629	2,497,559	-		2,497,559
Inter-segment revenue	1,044	5,886	652	-	4,135	7,814	19,531	(19,531)		-
Total revenue	<u>1,373,207</u>	<u>213,339</u>	<u>181,903</u>	<u>335,338</u>	<u>24,860</u>	<u>388,443</u>	<u>2,517,090</u>	<u>(19,531)</u>		<u>2,497,559</u>
<b>Results</b>										
Segment profit	<u>52,946</u>	<u>3,067</u>	<u>25,452</u>	<u>148,620</u>	<u>33,275</u>	<u>5,990</u>	<u>269,350</u>	<u>57,654</u>	<b>A</b>	<u>327,004</u>
<b>Assets</b>										
Segment assets	<u>2,384,734</u>	<u>417,501</u>	<u>872,935</u>	<u>1,294,134</u>	<u>416,609</u>	<u>764,386</u>	<u>6,150,299</u>	<u>481,820</u>	<b>B</b>	<u>6,632,119</u>

\* Dividend income, rental income and interest income are regarded as part of the revenue and operating profit earned by each division on its own from Q1 2014 onwards.

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**8. Segment Revenue and Results (Cont'd)**

	<b>Automotive and related products RM'000</b>	<b>Plastic products RM'000</b>	<b>Hotels and resorts RM'000</b>	<b>Plantation RM'000</b>	<b>Investment holding and financial services RM'000</b>	<b>Others including property development RM'000</b>	<b>Total of all segments RM'000</b>	<b>Reconciliation/ Elimination RM'000</b>	<b>Notes</b>	<b>Total per consolidated financial statements RM'000</b>
<b>30 September 2013</b>										
Revenue from external customers	1,014,348	185,640	163,317	203,277	83,985	353,083	2,003,650	-		2,003,650
Inter-segment revenue	321	9,430	559	-	5,932	8,645	24,887	(24,887)		-
Total revenue	<u>1,014,669</u>	<u>195,070</u>	<u>163,876</u>	<u>203,277</u>	<u>89,917</u>	<u>361,728</u>	<u>2,028,537</u>	<u>(24,887)</u>		<u>2,003,650</u>
<b>Results</b>										
Segment profit	<u>10,696</u>	<u>(9,933)</u>	<u>17,599</u>	<u>14,826</u>	<u>85,253</u>	<u>1,927</u>	<u>120,368</u>	<u>47,849</u>	<b>A</b>	<u>168,217</u>
<b>Assets</b>										
Segment assets	<u>2,319,834</u>	<u>475,159</u>	<u>896,571</u>	<u>1,127,297</u>	<u>329,111</u>	<u>634,114</u>	<u>5,782,086</u>	<u>462,802</u>	<b>B</b>	<u>6,244,888</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:

	2014	2013
	RM'000	RM'000
Share of results of associates	63,617	52,715
Finance costs	<u>(5,963)</u>	<u>(4,866)</u>
	<u>57,654</u>	<u>47,849</u>

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:

	2014	2013
	RM'000	RM'000
Investment in associates	479,162	432,344
Current tax assets	13,082	45,811
Deferred tax assets	12,443	7,514
Investment in non-consolidated subsidiary	<u>(22,867)</u>	<u>(22,867)</u>
	<u>481,820</u>	<u>462,802</u>

**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.

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**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"), an 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. Winding up proceedings have been concluded via approval letter dated 9 May 2014 from the Industrial and Commercial Administration Bureau of Suzhou High Tech New Area (Hu Qiu). Hymold ceased to be a subsidiary of the Company.
- (ii) The Company through its indirect subsidiary, OAM Asia (Singapore) Pte. Ltd. (50.50%) ("OAMS") had on 24 September 2014 incorporated a wholly owned subsidiary company known as OAM (Aust) Pty. Ltd. ("OAMA") in Australia. The initial issued and paid up share capital of OAMA is AUD100 represented by 100 Ordinary Shares. The issued and paid up capital of OAMA will be increased as and when necessary. The intended principal activity of OAMA is property investment holding.

**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.

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**13. Review of Group's Performance**

The year to date revenue of RM 2,497.6 million was 24.6% higher than the corresponding period last year with the year to date profit before tax of RM 327.0 million, a 94.4% increase from the corresponding period last year.

Performances for each operating segment are as follows:-

The revenue and operating profit for the automotive segment increased by 35.3% to RM 1,372.2 million and by 394.4% from RM 10.7 million last year to RM 52.9 million.

For the retail operations in Malaysia and Singapore, the number of cars sold has increased by 52.5% compared with corresponding period last year. The retail performance was contributed mainly by the opening of two new branches in Tebrau, Johor and Selayang which contributed approximately 16.1% of total units sold as well as the newly launched models during the year. However, auto parts manufacturing and assembly operations incurred operating losses during the year mainly impacted by low production volume and assembled units and having to contend with its fixed overhead cost.

The revenue and operating profit for the plantation segment increased by 64.9% and 904.1% respectively derived from higher CPO and PK selling prices, and higher FFB processed, CPO and PK production compared to corresponding period last year. Besides, the increase also attributed to foreign exchange gain from strengthening of IDR on its JPY denominated borrowings.

The revenue for the plastic segment increased by 11.8% and recorded an operating profit of RM 3.1 million instead of operating loss of RM 9.9 million in last year corresponding period mainly attributed to pick-up in orders from its electrical businesses. Also included in segment results are interest and rental income approximately RM 8.2 million.

Revenue and operating profit from hospitality segment has improved by 11.0% and 44.9% respectively mainly due to occupancy rate were generally higher compared to corresponding period last year.

Revenue and operating profit from the investment holding segment decreased by 75.4% and 61.0% respectively compared to last year's corresponding period mainly due to reclassification of rental, interest and dividend income back to its business segment due to change in monitoring of operating results.

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 6.0 million mainly generated from sale of completed houses and higher sales volume for trading of building material related products.

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

The Group’s revenue for the third quarter of 2014 was RM 875.4 million, a slight decrease of RM 13.9 million or 1.6% from RM 889.3 million in Q2FY14.

The Group’s profit for the third quarter of 2014 increased significantly by 77.2% or RM 57.3 million to RM 131.5 million compared to RM 74.2 million in the preceding quarter.

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

Revenue from automotive segment increased slightly by 7.2% and recorded a decline in operating profit by 64.5% to RM 8.8 million (Q2FY14: RM 24.8 million). Revenue hike is mainly derived from higher units of car sold from overseas operations as a result of newly launched models during the quarter. Operating profit declined by 64.5% due to the provision of voluntary separation scheme approximately RM10.0 million for one of the manufacturing subsidiary as part of the restructuring program with the slow down of the two wheeler demand. In addition, the local retails business also recorded dropped in units sold by 12.9%.

Revenue from the plantation segment decreased by 23.0% but recorded an increase in operating profit by 116.9%. Revenue declined mainly due to lower FFB processed, CPO and PK production and dropped in CPO selling price. However, higher operating profit mainly attributable to unrealised foreign exchange gain from its JPY denominated borrowings.

The revenue and operating profit from the plastic segment declined by 17.4% and 76.2% respectively mainly attributable to lower sales demand from customers despite cost saving exercise.

Revenue from hospitality segment increased slightly by 1.7% but recorded a vast improvement in operating profit by 54.7%. Higher occupancy rates especially from overseas operations due to strong convention business and ski season.

Revenue from investment holding segment increased significantly by 723.5% and recorded an operating profit of RM 31.9 million (Q2FY14 loss: RM 4.5 million). The significant increased in both revenue and operating profit mainly due to higher dividend income received and unrealised foreign exchange gain from its JPY denominated borrowings.

Both revenue and operating profit from property development and related products segment declined by 12.7% due to sales volume affected by the competitive conditions in the building materials industry and high operating costs.



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**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 improved 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.

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**17. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sept 14 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 13 RM'000 (Unaudited)	Current Year To date 30 Sept 14 RM'000 (Unaudited)	Preceding Year To date 30 Sept 13 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	4,348	6,524	18,852	22,874
- Under/(Over) provision in respect of prior period	(750)	222	(1,823)	906
	3,598	6,746	17,029	23,780
Foreign taxation				
- Based on profit for the period	10,763	2,892	45,804	21,493
	14,361	9,638	62,833	45,273
Deferred taxation				
- Current period	(212)	-	(646)	-
- Under provision in respect of prior period	-	-	340	-
	(212)	-	(306)	-
	<u>14,149</u>	<u>9,638</u>	<u>62,527</u>	<u>45,273</u>

**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 6 June 2014 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 →	RM	Total RM'000
	RM'000	Source Currency	Equivalent RM'000	
	I		II	
Finance lease obligations	5,298	-	-	5,298
Other borrowings– secured	-	JPY 5.98 billion	179,533	179,533
Other borrowings – unsecured	44,062	JPY 12.57 billion	377,410	421,472
	49,360		556,943	606,303

**20. Changes in Material Litigations**

Not applicable.

**21. Dividend Proposed**

No dividend has been proposed for the current quarter.

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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 30 Sept 14 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 13 RM'000 (Unaudited)	Current Year To Date (Three quarters to 30 Sept 14) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 13) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>91,588</u>	<u>37,887</u>	<u>212,920</u>	<u>113,257</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>14.76</u>	<u>6.11</u>	<u>34.32</u>	<u>18.26</u>

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

	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	4,822,599	4,580,715
- Unrealised	13,924	1,351
	4,836,523	4,582,066
Total share of retained earnings of associates		
- Realised	387,729	336,620
- Unrealised	(3,764)	760
	5,220,488	4,919,446
Less : Consolidation adjustments	(1,538,580)	(1,407,032)
Total retained profits	3,681,908	3,512,414

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**  
**Company Secretary**

**DATED THIS 20 November 2014**