



ORIENTAL HOLDINGS BERHAD

(Company No. 5286-U)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2018

	As at End of Current Quarter 30 Sept 2018 RM'000 (Unaudited)	As at Preceding Financial Year End 31 Dec 2017 RM'000 (Restated)	Changes %
Assets			
Property, plant and equipment	2,137,076	2,218,678	-3.7
Prepaid land lease payments	60,448	62,960	-4.0
Investment properties	1,065,181	1,018,773	4.6
Intangible assets	28,738	29,594	-2.9
Investments in associates	613,657	593,124	3.5
Other investments	791,782	709,083	11.7
Land held for property development	36,255	36,199	0.2
Deferred tax assets	49,622	53,111	-6.6
Total non-current assets	<u>4,782,759</u>	<u>4,721,522</u>	1.3
Inventories	306,129	305,365	0.3
Biological assets	13,279	18,191	-27.0
Trade and other receivables	558,977	508,092	10.0
Contract assets	2,838	2,838	0.0
Other investments	26,464	23,581	12.2
Current tax assets	25,608	32,091	-20.2
Short term investments	723,860	906,095	-20.1
Cash and cash equivalents	3,341,825	3,040,600	9.9
Total current assets	<u>4,998,980</u>	<u>4,836,853</u>	3.4
Total assets	<u><u>9,781,739</u></u>	<u><u>9,558,375</u></u>	2.3
Equity			
Share capital	620,462	620,462	0.0
Reserves	1,392,250	1,365,020	2.0
Retained earnings	4,542,824	4,383,898	3.6
Treasury stocks	(249)	(249)	0.0
Total equity attributable to stockholders of the Company	<u>6,555,287</u>	<u>6,369,131</u>	2.9
Non-controlling interests	<u>867,625</u>	<u>936,532</u>	-7.4
Total Equity	<u>7,422,912</u>	<u>7,305,663</u>	1.6
Liabilities			
Deferred tax liabilities	52,164	53,381	-2.3
Loans and borrowings	58,262	62,162	-6.3
Deferred income	124,049	89,395	38.8
Retirement benefits	21,352	21,679	-1.5
Total non-current liabilities	<u>255,827</u>	<u>226,617</u>	12.9
Trade and other payables	402,296	439,392	-8.4
Loans and borrowings	1,638,492	1,519,677	7.8
Current tax liabilities	62,212	67,026	-7.2
Dividend payables	-	-	0.0
Total current liabilities	<u>2,103,000</u>	<u>2,026,095</u>	3.8
Total liabilities	<u>2,358,827</u>	<u>2,252,712</u>	4.7
Total equity and liabilities	<u><u>9,781,739</u></u>	<u><u>9,558,375</u></u>	2.3
Net assets per stock (sen)	1056.63	1026.63	2.9

The selected explanatory notes form an integral part of, and, should be read in conjunction with, this interim financial report.



ORIENTAL HOLDINGS BERHAD

(Company No. 5286-U)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Individual Quarter		Changes %	Cumulative Quarters		Changes %
	Current Year Quarter 30 Sept 2018 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 2017 RM'000 (Unaudited)		Current Year To Date (Three quarters to 30 Sept 2018) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 2017) RM'000 (Unaudited)	
Revenue	1,612,913	1,286,676	25.4	4,967,965	4,601,554	8.0
Results from operating activities	134,646	143,216	-6.0	407,403	363,318	12.1
Finance costs	(4,052)	(3,803)	6.5	(9,664)	(9,386)	3.0
Share of profits after tax and non-controlling interest of associates	18,924	16,994	11.4	56,267	20,875	169.5
Profit before taxation	149,518	156,407	-4.4	454,006	374,807	21.1
Income tax expenses	(28,644)	(27,990)	2.3	(88,586)	(74,945)	18.2
Profit from continuing operations	120,874	128,417	-5.9	365,420	299,862	21.9
Other comprehensive income/(expense), net of tax						
Foreign currency translation differences for foreign operations	47,162	(27,303)	-272.7	(92,371)	(21,440)	330.8
Fair value of financial assets	130,729	(908)	-14497.5	87,398	25,902	237.4
Share of other comprehensive expense of equity accounted associates	-	-	0	-	(219)	100.0
Other comprehensive income/(expense) for the period, net of tax	177,891	(28,211)	-730.6	(4,973)	4,243	-217.2
Total comprehensive income for the period	298,765	100,206	198.2	360,447	304,105	18.5
Profit/(Loss) attributable to:						
Stockholders of the Company	115,073	105,478	9.1	396,025	284,886	39.0
Non-controlling interests	5,801	22,939	-74.7	(30,605)	14,976	-304.4
Profit for the period	120,874	128,417	-5.9	365,420	299,862	21.9
Total comprehensive income/(expense) attributable to:						
Stockholders of the Company	209,246	86,378	142.2	422,802	303,833	39.2
Non-controlling interests	2,857	13,828	-79.3	(62,355)	272	-23024.6
Total comprehensive income for the period	212,103	100,206	111.7	360,447	304,105	18.5
<i>Weighted average number of stocks in issue ('000)</i>	620,362	620,362		620,362	620,362	
Basic earnings per stock (sen) (based on the weighted average number of stocks)	18.55	17.00	9.1	63.84	45.92	39.0

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should be read in conjunction with, this interim financial report.



ORIENTAL HOLDINGS BERHAD

(Company No. 5286-U)
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30 Sept 2018 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 2017 RM'000 (Unaudited)	Current Year To Date (Three quarters to 30 Sept 2018) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 2017) RM'000 (Unaudited)
Included in the Total Comprehensive Income for the period are the followings :				
Interest income	(22,055)	(21,642)	(63,967)	(64,429)
Other income including investment income	(2,471)	(1,623)	(87,769)	(33,069)
Interest expense	4,052	3,803	9,664	9,386
Depreciation and amortisation	34,961	34,698	104,184	105,101
Bad debts recovered	(100)	(43)	(111)	(197)
(Reversal)/Write down of inventories	(485)	-	377	(12,871)
Write off of property, plant and equipment	24	64	52	79
Loss/(Gain) on disposal of quoted/unquoted investments	121	(4,211)	403	(26,587)
Gain on disposal of property, plant and equipment	(532)	(549)	(1,656)	(2,887)
Impairment loss on assets	18	41	5,160	232
Unrealised foreign exchange loss/(gain)	10,134	(4,870)	108,056	52,211
Realised foreign exchange loss/(gain)	1,193	1,846	(822)	1,569

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ORIENTAL HOLDINGS BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	← Attributable to stockholders of the Company →							Retained earnings	Capital reserve	Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Translation reserve	Non-distributable			Distributable					
			Fair value reserve	Capital redemption reserve	Asset revaluation reserve	Treasury stocks						
<i>In thousands of RM</i>												
At 1 January 2017												
As previously stated	620,394	2,172	1,016,084	85,035	68	474	(249)	4,103,638	40,248	5,867,864	951,046	6,818,910
Effects on adoption of MFRSs	-	(2,172)	-	303,520	-	(474)	-	13,763	-	314,637	8,866	323,503
At 1 January 2017, restated	620,394	-	1,016,084	388,555	68	-	(249)	4,117,401	40,248	6,182,501	959,912	7,142,413
Foreign currency translation differences for foreign operations	-	-	(1,175)	-	-	-	-	-	-	(1,175)	(20,265)	(21,440)
Fair value of financial assets	-	-	-	20,341	-	-	-	-	-	20,341	5,561	25,902
Share of other comprehensive expense of equity accounted associates	-	-	-	(219)	-	-	-	-	-	(219)	-	(219)
Total other comprehensive income for the year	-	-	(1,175)	20,122	-	-	-	-	-	18,947	(14,704)	4,243
Profit for the year	-	-	-	-	-	-	-	284,886	-	284,886	14,976	299,862
Total comprehensive (expense)/income for the year	-	-	(1,175)	20,122	-	-	-	284,886	-	303,833	272	304,105
Dividends to stockholders	-	-	-	-	-	-	-	(86,851)	-	(86,851)	-	(86,851)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,700)	(19,700)
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(84)	(84)
Total contribution from owners	-	-	-	-	-	-	-	(86,851)	-	(86,851)	(19,784)	(106,635)
Transfer in accordance with Section 618(2) of the Companies Act 2016	68	-	-	-	(68)	-	-	-	-	-	-	-
At 30 September 2017	620,462	-	1,014,909	408,677	-	-	(249)	4,315,436	40,248	6,399,483	940,400	7,339,883
<i>In thousands of RM</i>												
At 1 January 2018												
As previously stated	620,462	2,172	895,976	123,889	-	474	(249)	4,373,753	40,248	6,056,725	930,060	6,986,785
Effects on adoption of MFRSs	-	(2,172)	-	304,907	-	(474)	-	10,145	-	312,406	6,472	318,878
At 1 January 2018, restated	620,462	-	895,976	428,796	-	-	(249)	4,383,898	40,248	6,369,131	936,532	7,305,663
Foreign currency translation differences for foreign operations	-	-	(61,682)	-	-	-	-	-	-	(61,682)	(30,689)	(92,371)
Fair value of financial assets	-	-	-	88,912	-	-	-	(453)	-	88,459	(1,061)	87,398
Total other comprehensive expense for the year	-	-	(61,682)	88,912	-	-	-	(453)	-	26,777	(31,750)	(4,973)
Profit for the year	-	-	-	-	-	-	-	396,025	-	396,025	(30,605)	365,420
Total comprehensive (expense)/income for the year	-	-	(61,682)	88,912	-	-	-	395,572	-	422,802	(62,355)	360,447
Dividends to stockholders	-	-	-	-	-	-	-	(210,923)	-	(210,923)	-	(210,923)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,195)	(8,195)
Issuance of preference share by associate company	-	-	-	-	-	-	-	490	-	490	-	490
Distribution of dividends by associate to preference shareholder	-	-	-	-	-	-	-	(19,600)	-	(19,600)	-	(19,600)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(6,613)	-	(6,613)	1,643	(4,970)
Total distribution to owners	-	-	-	-	-	-	-	(236,646)	-	(236,646)	(6,552)	(243,198)
At 30 September 2018	620,462	-	834,294	517,708	-	-	(249)	4,542,824	40,248	6,555,287	867,625	7,422,912

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium and capital redemption reserve become part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary stocks in issue or the relative entitlement of any of the stockholders as a result of this transition.

The selected explanatory notes form an integral part of, and,
should be read in conjunction with, this interim financial report.



ORIENTAL HOLDINGS BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Current Year To Date (Three quarters to 30 Sept 2018) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 2017) RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	454,006	374,807
Adjustments for:		
Non-cash items	213,001	160,072
Non-operating items	(199,591)	(138,461)
Operating profit before working capital changes	467,416	396,418
Changes in working capital	(54,085)	245,587
Cash flow from operating activities	413,331	642,005
Dividend received, net	104,761	39,828
Tax paid	(84,293)	(74,919)
Interest paid	(8,577)	(8,139)
Payment of retirement benefits	(192)	(242)
<i>Net cash flows from operating activities</i>	425,030	598,533
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(151,566)	(314,224)
Purchase of investments	(34,964)	(126,530)
Proceeds from disposal of investments	36,873	87,556
Interest received	60,913	60,996
Additions of deferred expenditure	(56)	(65)
Acquisition of interest in existing subsidiaries	(4,971)	-
Decrease/(Increase) in short term investments, net	158,497	(125,165)
<i>Net cash flows from/(used in) investing activities</i>	64,726	(417,432)

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

	Current Year To Date (Three quarters to 30 Sept 2018) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 2017) RM'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings (net)	88,644	261,888
Dividends paid to stockholders	(210,923)	(86,851)
Fixed deposits pledged for banking facilities	12,918	(14,325)
Dividends paid to minority interest	(8,195)	(19,700)
<i>Net cash flows (used in)/from financing activities</i>	(117,556)	141,012
Net increase in cash and cash equivalents	372,200	322,113
Cash and cash equivalents at 1 January	2,375,587	2,192,937
Effects of exchange rates on cash and cash equivalents	(58,057)	(59,239)
Cash and cash equivalents at 30 September (Note 1)	<u>2,689,730</u>	<u>2,455,811</u>

NOTE

	RM'000	RM'000
1 Cash and cash equivalents consist of: -		
Cash and bank balances	1,126,814	1,264,563
Fixed deposits	2,060,638	1,738,834
Unit trust money market funds	154,373	94,236
	<u>3,341,825</u>	<u>3,097,633</u>
Less:		
Deposits pledged	(652,095)	(641,822)
	<u>2,689,730</u>	<u>2,455,811</u>

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ORIENTAL HOLDINGS BERHAD
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
30 SEPTEMBER 2018

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with MFRS 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 2017. 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 2017.

The financial statements of the Group for the financial period ended 31 March 2018 are the first set of financial statements prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) Framework. The date of transition to the MFRS Framework was on 1 January 2017.

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 2017 except for the adoption of the following new and revised MFRSs, IC Interpretations and Amendments which are effective from the annual period on or after 1 January 2018. The changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2018. The adoption of these standards, amendments and interpretations has no material impact to these interim financial statements, other than as disclosed below:

(i) MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*

a) Deemed cost of property, plant and equipment

In the prior years, land and buildings of the Company was measured at revalued amount. The revaluation of the land and buildings was done in 1978 as part of a restructuring event in that year. The Group availed the transitional provisions issued by the Malaysian Accounting Standards Board to have the 1978 revalued assets of land and buildings continue to be stated at their existing carrying amounts less accumulated depreciation. As permitted in MFRS 1, the Company has treated the revalued amount at the date of transition as the deemed cost of the land and buildings. The related revaluation reserve of the previous revaluation has been transferred to retained earnings at the date of transition.

(ii) MFRS 9, *Financial Instruments*

On the adoption of MFRS 9, the Group assessed the financial assets and liabilities for the classification and measurement, impairment and hedge accounting. In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments. MFRS 9 also requires unquoted investments in equity instruments to be measured at fair value, with changes in fair value recognised in other comprehensive income. The change in accounting policies was applied retrospectively.

ORIENTAL HOLDINGS BERHAD
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
30 SEPTEMBER 2018 (Cont'd)

1. Basis of Preparation (Cont'd)

(iii) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers, MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customers.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when or as the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled, according to the term and condition stipulated in the contracts with customers. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the Group’s performance; or at a point in time, when control of the goods or services is transferred to the customers.

(iv) MFRS 141, *Agriculture*

a) Bearer plants

The amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. After initial recognition, bearer plants will now be measured under MFRS 116 using the cost model.

b) Biological assets

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants, agricultural produce which form part of the bearer plants were not recognised. With the adoption of the Amendments to MFRS 116 and MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets was recognised in profit or loss.

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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
30 SEPTEMBER 2018 (Cont'd)

1. Basis of Preparation (Cont'd)

In summary, impact of MFRS 1, 9, 15 and 141 adoptions are as follows:

i) Reconciliation of equity as at 31 December 2017

	Previously reported under FRSs RM'000	Effects of adoption of MFRSs RM'000	Reported under MFRSs RM'000
Assets			
Property, plant and equipment	1,529,816	688,862	2,218,678
Biological assets (non-current)	688,862	(688,862)	-
Other investments	393,234	315,849	709,083
Inventories	304,247	1,118	305,365
Property development costs	3,228	(3,228)	-
Biological assets (current)	-	18,191	18,191
Contract assets	-	2,838	2,838
Impact to assets	<u>2,919,387</u>	<u>334,768</u>	<u>3,254,155</u>
Total equity and liabilities			
Reserves	1,062,759	302,261	1,365,020
Retained earnings	4,373,753	10,145	4,383,898
Non-controlling interests	930,060	6,472	936,532
Deferred tax liabilities	31,921	21,460	53,381
Provisions	88,317	(88,317)	-
Deferred income	4,727	84,668	89,395
Trade and other payables	441,313	(1,921)	439,392
Impact to equity and liabilities	<u>6,932,850</u>	<u>334,768</u>	<u>7,267,618</u>

ORIENTAL HOLDINGS BERHAD
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
30 SEPTEMBER 2018 (Cont'd)

1. Basis of Preparation (Cont'd)

Impact of MFRS 1, 9, 15 and 141 adoptions are as follows (cont'd):

ii) Reconciliation of equity as at 1 January 2017

	Previously reported under FRSs RM'000	Effects of adoption of MFRSs RM'000	Reported under MFRSs RM'000
Assets			
Property, plant and equipment	1,554,711	690,041	2,244,752
Biological assets (non-current)	690,041	(690,041)	-
Other investments	344,806	315,796	660,602
Inventories	490,772	2,484	493,256
Property development costs	3,113	(3,113)	-
Biological assets (current)	-	23,844	23,844
Contract assets	-	835	835
Impact to assets	<u>3,083,443</u>	<u>339,846</u>	<u>3,423,289</u>
Total equity and liabilities			
Reserves	1,144,081	300,874	1,444,955
Retained earnings	4,103,638	13,763	4,117,401
Non-controlling interests	951,046	8,866	959,912
Deferred tax liabilities	31,617	18,923	50,540
Provisions	73,422	(73,422)	-
Deferred income	4,890	71,033	75,923
Trade and other payables	469,611	(191)	469,420
Impact to equity and liabilities	<u>6,778,305</u>	<u>339,846</u>	<u>7,118,151</u>

iii) The impact of the adjustments on the initial application of the adoption of the MFRS 1, 9, 15 and 141 do not have a significant impact on profit for the period ended 30 September 2017 of the Group.

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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
30 SEPTEMBER 2018 (Cont'd)

1. Basis of Preparation (Cont'd)

MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayments Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlements*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have a material impact to the financial statements of the Group upon their initial recognition except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
30 SEPTEMBER 2018 (Cont'd)

1. Basis of Preparation (Cont'd)

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

2. Auditors' Qualification

There's no qualification on the audit report of the preceding annual financial statements of Oriental Holdings Berhad.

3. Seasonal 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 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.

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7. Dividends Paid

Since the end of the previous financial year, the Company paid:

- i) a single tier second interim dividend of 6 sen per ordinary stock (2016 : 6 sen per ordinary stock) totalling RM37,221,710 in respect of the financial year ended 31 December 2017 on 6 April 2018; and
- ii) a single tier final dividend of 8 sen per ordinary stock and single tier final special dividend of 20 sen per ordinary stock (2016 : a single tier final dividend of 8 sen per ordinary stock) totalling RM173,701,312 in respect of the financial year ended 31 December 2017 on 12 July 2018; and
- iii) a single tier interim dividend of 6 sen per ordinary stock (2017: 6 sen per ordinary stock) totalling RM37,221,710 in respect of the financial year ending 31 December 2018 on 22 November 2018.

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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 holdings RM'000	Investment properties & trading of building material products RM'000	Healthcare RM'000	Total of all segments RM'000	Reconciliation/ Elimination RM'000	Notes	Total per consolidated financial statements RM'000
30 September 2018											
Revenue from external customers	3,735,853	161,878	230,297	452,707	87,409	230,103	69,718	4,967,965	-		4,967,965
Inter-segment revenue	838	104	243	-	12,019	54	-	13,258	(13,258)		-
Total revenue	<u>3,736,691</u>	<u>161,982</u>	<u>230,540</u>	<u>452,707</u>	<u>99,428</u>	<u>230,157</u>	<u>69,718</u>	<u>4,981,223</u>	<u>(13,258)</u>		<u>4,967,965</u>
Results											
Segment profit/ (loss)	<u>303,271</u>	<u>952</u>	<u>41,075</u>	<u>(25,197)</u>	<u>88,168</u>	<u>4,794</u>	<u>(5,660)</u>	<u>407,403</u>	<u>46,603</u>	A	<u>454,006</u>
Assets											
Segment assets	<u>3,267,713</u>	<u>378,740</u>	<u>1,151,736</u>	<u>2,136,623</u>	<u>878,064</u>	<u>1,067,062</u>	<u>212,914</u>	<u>9,092,852</u>	<u>688,887</u>	B	<u>9,781,739</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:

	30 September 2018 RM'000
Share of results of associates	56,267
Finance costs	<u>(9,664)</u>
	<u>46,603</u>

B The following items are added to segment assets to arrive at total assets reported in the condensed consolidated statement of financial positions:

	30 September 2018 RM'000
Investment in associates	613,657
Current tax assets	25,608
Deferred tax assets	<u>49,622</u>
	<u>688,887</u>

9. 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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10. 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) Armstrong Component Parts (Vietnam) Co., Ltd (“ACPV”), a wholly-owned subsidiary of Armstrong Auto Parts Sdn Berhad which in turn is 60.26% owned by the Company had on 6 February 2017 submitted the notice of voluntary dissolution and termination of activities to the Vietnamese tax authority. ACPV was involved in the manufacturing of automotive parts before cessation of its business operations in November 2014. The liquidation is still in progress.
- (ii) The Company had on 16 November 2017 entered into Sale and Purchase Agreement to acquire from Honda Motor Company Ltd. (“Honda Motor”) its entire 23.62% equity interest in Armstrong Auto Parts Sdn Berhad (“AAP”) for a total cash consideration of RM1.00 only. OHB holds 83.88% interest in AAP where 77.23% is held directly and remaining 6.65% is held indirectly through a wholly owned subsidiary as of completion of the acquisition on 12 January 2018.
- (iii) The Company had on 16 November 2017 entered into Sale and Purchase Agreement to acquire from Honda Motor its entire 25.0% equity interest in Armstrong Cycle Parts (Sdn) Bhd (“ACP”) for a total cash consideration of RM2,898,500.00. OHB holds 82.14% in ACP as of completion of the acquisition on 12 January 2018.
- (iv) The Company had on 22 November 2017 entered into Sale and Purchase Agreement to acquire from Dato’ Syed Mohamad Bin Syed Murtaza his entire 12.858% equity interest in ACP for a total cash consideration of RM1,490,756.52. OHB holds 95.00% in ACP as of completion of the acquisition on 12 January 2018.
- (v) The Company had on 30 July 2018 entered into Sale and Purchase Agreement to acquire from Hi-lex Corporation its entire 5% equity interest in ACP for a total cash consideration of RM579,700.00. OHB holds 100% in ACP as of completion of the acquisition on 9 August 2018.
- (vi) Armstrong Realty Sdn. Bhd. (“AR”), a wholly-owned subsidiary of Armstrong Auto Parts Sdn. Bhd. which in turn is a 89.65% owned subsidiary of OHB. AR had on 28 September 2018 been placed under member’s voluntary winding up proceeding. AR was incorporated in Malaysia on 19 June 1978 with its former name as Stanley Bulbs (M) Sdn Berhad. It had on 10 November 1982 changed its name to Oriental Showa Sdn. Berhad before assumed its current name on 3 January 1994. Its issued and paid up share capital is RM4,200,000.00 comprised 4,200,000 ordinary shares. ARSB had ceased operations and is dormant since 2008.

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11. 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 is 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.

12. Review of Group's Performance

Overall Review

The Group recorded year to date revenue of RM 4,968.0 million, an increase of 8.0% or RM 366.4 million as compared to RM 4,601.6 million in the corresponding period last year. The improvement in revenue was mainly attributable to higher contribution by the automotive segment of RM 391.5 million as a result of the hike in number of cars sold especially retail operations in Singapore. Group's operating profits improved by RM 44.1 million impacted mostly by the higher gross profit margin mainly from automotive and related products, and investment holding segments off-setting unfavourable unrealised foreign exchange loss due to weakening of IDR against JPY borrowings (2018 : RM 97.3 million; 2017 : RM 41.5 million) from the plantation segment.

The Group achieved year to date profit before tax of RM 454.0 million, a 21.1% or RM 79.2 million higher as compared to RM 374.8 million in the corresponding period last year. The higher year to date profit before tax was mainly attributable to higher contribution from automotive and investment holdings segments as described below.

Segmental Analysis

Performance for each operating segment is as follows:-

The revenue from the automotive segment increased by 11.7% to RM 3,735.9 million while operating profit increased by 46.8% to RM 303.3 million.

For the retail operations in Singapore, revenue and operating profit increased by 16.7% and 55.3% respectively mainly from higher number of cars sold by 16.0% and fall in COE prices in July 2018 help to push the demand particularly in Q3FY18. For the retail operations in Malaysia, revenue increased by 4.5% mainly from sales of high value models and after sales operation.

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

The revenue for plantation segment decreased by 18.5% and operating loss was RM 25.2 million as compared to operating profit of RM 76.9 million in corresponding period last year. The overall decline in revenue and performance of plantation was impacted by the decrease in commodity selling prices compared to 2017 (CPO decreased by 20.5%; PK decreased by 26.8% and FFB decreased by 25.0%) and unrealised foreign exchange loss (2018 : RM 97.3 million; 2017 : RM 41.5 million) mainly from JPY denominated borrowings.

Plastic segment has shown improvement in both revenue and operating profit in 2018 compared to corresponding period last year. The revenue for the segment increased by 11.2% while operating profit was RM 1.0 million (operating loss 2017 : RM 2.6 million) attributable to increase in orders particularly from its automotive products.

Slight increase in hotels and resorts segment revenue and operating profit by RM 9.7 million (4.4%) and RM 4.4 million (12.1%) respectively. Both revenue and operating profit were driven by the improvement in overall average occupancy rate for hotels especially in Singapore and UK.

The revenue for investment holding segment increased by 175.7% attributable to higher dividend income from other investments. Operating profit has increased by 117.6% (2018 : RM 88.2 million; 2017 : RM 40.5 million) attributable to unrealised foreign exchange gain of RM 4.4 million (2017 unrealised foreign exchange loss : RM 14.3 million) on JPY denominated borrowings.

The revenue and operating profit for investment properties and trading of building material products segment decreased by 8.0% and 73.4% respectively. Decrease in revenue and operating profit were attributable to lower sales volume and net selling prices in the depressed property market.

Healthcare segment's revenue improved by 30.3% with increasing patients load especially for outpatients but remained at operating loss of RM 5.7 million (2017 : RM 12.7 million) due to high fixed operating cost since its commencement in January 2015.

13. Material Change in Profit/ Loss Before Taxation ("PBT"/ "LBT") reported as compared with the immediate preceding quarter

Overall Review

The Group's revenue for the third quarter of 2018 was RM 1,612.9 million, a decrease of RM 261.4 million or 13.9% from RM 1,874.3 million in Q2FY18, mainly due to lower contribution from automotive segment with lower number of cars sold especially for the retail operations in Singapore. Decrease in the Group's operating profits by RM 94.6 million (Q3FY18 : RM 134.6 million; Q2FY18 : RM 229.2 million) was mainly due to unrealised foreign exchange loss in Q3FY18 of RM 10.1 million (unrealised foreign exchange gain in Q2FY18 : RM 0.7 million).

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13. Material Change in Profit/ Loss Before Taxation (“PBT”/ “LBT”) reported as compared with the immediate preceding quarter (Cont'd)

The Group’s profit before tax for Q3FY18 decreased from RM 251.8 million in Q2FY18 to RM 149.5 million. The lower profit before tax was mainly due to lower performance from automotive and investment holdings segment.

Segmental Analysis

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

Revenue and operating profit from automotive segment decreased by 13.7% to RM 1,221.0 million and RM 94.0 million (Q2FY18 : RM 128.3 million) respectively. Revenue for retail operation decreased by 14.7% mainly due to lower number of cars sold especially from retail operations in Singapore. Operating profit decreased mainly due to the segment incurred higher unrealised foreign exchange loss of RM 5.9 million in Q3FY18 (unrealised foreign exchange gain Q2FY18 : RM 1.5 million) mainly from fixed deposits in AUD and JPY.

Revenue from plantation segment decreased by 13.6% (Q3FY18 : RM 140.3 million ; Q2FY18 : RM 162.4 million) while operating profit was RM 15.2 million in Q3FY18 (Q2FY18 : RM 0.2 million). Lower revenue for the quarter was mainly due to decrease in CPO sales volume and selling price by 0.1% and 13.1% respectively. The segment registered higher operating profit impacted mainly from the lower foreign exchange loss on the JPY borrowings (Q3FY18 : RM 7.8 million; Q2FY18 : RM 11.0 million) due to weakening of JPY against IDR.

Revenue for plastic segment increased by 13.7% to RM 59.6 million (Q2FY18 : RM 52.4 million), while operating profit decreased by 38.4% to RM 0.8 million (Q2FY18 : RM 1.3 million). Plastic segment has been operating under competitive environment with marginal profit.

Revenue for hotels and resorts segment increased by 11.8% (Q3FY18 : RM 79.7 million; Q2FY18 : RM 71.3 million) and operating profit improved by 153.1% (Q2FY18 : RM 16.1 million; Q2FY18 : RM 6.3 million) attributable to the increase in hotels’ average occupancy rate and average room rate due to seasonal factor.

Revenue and operating profit for investment holding segment decreased by 95.2% and 90.1 % respectively. Lower revenue and operating profit were due to lower dividend income received from other investment.

Revenue for investment properties and trading of building material products segment was higher by 21.2% mainly due to higher sales volume and net selling prices. However, the operating profit was lower by 54.8% (Q3FY18 : RM 0.5 million; Q2FY18 : RM 1.1 million) mainly due to higher unrealised foreign exchange loss from USD denominated advances.

Healthcare segment’s revenue recorded at RM 24.0 million (Q2FY18 : RM 22.9 million), with operating loss of RM 1.3 million (Q2FY18 : RM 2.1 million) as a result of high fixed operating costs.

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14. Current Year Prospects

The automotive segment will continue to contribute to the Group's performance under very competitive market conditions with strong and aggressive promotional campaigns by car companies that are keen to grow their market shares. The automotive segment will continue to expand and upgrade its showrooms and service centres. Consumers spending is expected to slow down after "tax holiday" period before the automotive firms starts the year end promotion.

The plastic segment continues to face stiff competition environment from the local industry players. Limited growth in the automotive industry in Malaysia with upcoming new models at smaller volume has impacted the segment's performance. The management will continue to exercise cost control, productivity improvement and source for new business ventures to improve the performance of the segment.

The plantation segment will continue to take necessary steps to ensure that all the estates and mills remain efficient and competitive. The forex exposure of the JPY loans are closely monitored and the loans are backed by fixed deposits pledged to banks.

The hotels and resorts segment will optimise the utilisation of its existing assets and improve operational execution through various organic measures. The hotel in Singapore re-opened for business at the end of October 2017 after undergoing major refurbishment. Hence, this has been further contribute to the bottom line of the segment.

The investment properties segment continues to reclaim the remaining 140 acres of land in Melaka and commence the construction of mixed use service apartments and commercial complex in Australia which is targeted for completion in second half of 2019.

Healthcare segment will continue to focus on enhancing brand awareness and positioning the hospital for sustainable growth. The hospital is expected to generate profit by year 2020.

Given the above Group's operating segment commitments, the Board is optimistic that the Group's performance for the year 2018 will be satisfactory.

15. Variance of Actual Profit from Forecast Profit/Profit Guarantee

Not Applicable.

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16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sept 18 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 17 RM'000 (Unaudited)	Current Year To date 30 Sept 18 RM'000 (Unaudited)	Preceding Year To date 30 Sept 17 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	3,593	4,649	10,106	13,307
- (Over)/Under provision in respect of prior period	(338)	37	(429)	(241)
	3,255	4,686	9,677	13,066
Foreign taxation				
- Based on profit for the period	23,103	23,272	75,948	60,596
	26,358	27,958	85,625	73,662
Deferred taxation				
- Current period	2,286	32	2,359	(21)
- Under provision in respect of prior period	-	-	602	1,304
	2,286	32	2,961	1,283
	<u>28,644</u>	<u>27,990</u>	<u>88,586</u>	<u>74,945</u>

17. 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 7 June 2018 for the buy-back of up to 10% or up to 62,039,363 ordinary stocks. There were no stocks buy-back for the period to date.

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18. Group Borrowings

	Interest rate %	Borrowings denominated in		Source Currency	RM Equivalent RM'000	Total RM'000
		Ringgit	← Foreign Currencies →			
Short Term		RM'000			RM'000	RM'000
		I			II	I + II
Finance lease obligations	2.5 - 2.8	4,188		-	-	4,188
Borrowings – secured						
-Revolving credit	4.8 – 7.5	2,103		-	-	2,103
	0.9 - 1.4	-	JPY 22.385 billion		833,681	833,681
	3.0 - 3.5	-	SGD 0.052 billion		155,683	155,683
					989,364	991,467
-Term loans– secured	2.7	-	SGD 0.001 billion		1,774	1,774
	3.0	-	THB 0.004 billion		512	512
					2,286	2,286
Borrowings – unsecured						
-Bankers acceptance	4.2 - 4.4	19,231		-	-	19,231
-Revolving credit	0.9 - 1.4	-	JPY 16.760 billion		621,320	621,320
		<u>25,522</u>			<u>1,612,970</u>	<u>1,638,492</u>
Long Term						
Finance lease obligations	2.5 - 2.8	6,782		-	-	6,782
Term loans – secured	2.7	-	SGD 0.014 billion		43,293	43,293
	3.0	-	THB 0.064 billion		8,187	8,187
					51,480	51,480
		<u>6,782</u>			<u>51,480</u>	<u>58,262</u>
Total Borrowings		<u>32,304</u>			<u>1,664,450</u>	<u>1,696,754</u>

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19. Trade receivables

The ageing analysis of trade receivables (included under trade and other receivables category) as at 30 September 2018 is as follows:

	RM'000	%
Not past due	251,667	84.4
Past due < 3 months	29,199	9.8
Past due 3-6 months	10,337	3.5
Past due 6-12 months	3,958	1.3
Past due more than 1 year	2,841	1.0
	<hr/>	
	298,002	100.0
	<hr/>	

The Group did not impair the past due trade receivables but monitor these receivables closely. No bad and past due debts are anticipated that could materially affect the financial results and financial position of the Group as a whole.

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 18 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 17 RM'000 (Unaudited)	Current Year To Date (Three quarters to 30 Sept 18) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 17) RM'000 (Unaudited)
Net profit for the period attributable to Stockholders of the Company (RM'000)	<u>115,073</u>	<u>105,478</u>	<u>396,025</u>	<u>284,886</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>18.55</u>	<u>17.00</u>	<u>63.84</u>	<u>45.92</u>

By Order of the Board

ONG TZE-EN
Company Secretary

DATED THIS 27 NOVEMBER 2018