

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2005

1. Basis of Preparation

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.

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 2004.

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 2004.

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 and Extraordinary Items

There were no material exceptional and extraordinary 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 year to date.

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7. Dividends Paid and Proposed

The Board of Directors declared a final dividend of 8% (2003: 8%) less tax, and a special dividend of 2.5% (2003: 2%) less tax, totalling RM39,082,795 for the year ended 31 December 2004. The dividends were paid on 28 July 2005.

8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Period To Date →			
	30 September 2005			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	2,356,831	72.8	143,633	59.6
Plastic products	403,993	12.5	13,849	5.7
Hotels and resorts	131,692	4.1	15,130	6.3
Plantation	115,510	3.5	35,767	14.8
Investment holding and financial services	33,255	1.0	24,701	10.3
Property development and others	197,111	6.1	8,000	3.3
	3,238,392	100.0	241,080	100.0

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.

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10. Material Post Balance Sheet Events

Subsequent to the end of the period,

- i) The wholly owned subsidiary of the Company, Kah Motor Company Sdn. Bhd., transferred its operations in the assembly of motorcycles to Kah Assemblers Sdn. Bhd., a 100% owned subsidiary of the Company, for a consideration of RM2.2 million; and
- ii) The Company acquired one (1) ordinary share of RM1 each in the capital of Key Digital Sdn. Bhd., representing 50% of the total issued and paid up capital, for a cash consideration of RM1.

11. Changes in Group's Composition

There were no changes in the composition of the Group during the current financial year to-date other than the following: -

- i) The Company entered into a Share Sale Agreement to dispose of 9,299,400 ordinary shares of RM1.00 each, representing 35.6% of the total issued and paid up share capital in Hitachi Construction Machinery (Malaysia) Sdn. Bhd. ("HCMM" - formerly known as Oriental-Hitachi Construction Machinery Sdn. Bhd.), at a cash consideration of RM15,504,808 to Hitachi Construction Machinery Co. Ltd., a company incorporated in Japan. The sale of HCMM was completed on 17 March 2005. Following the partial disposal, HCMM since then became a 30% associated company of Oriental Holdings Berhad. The announcement on the sale of HCMM was made by the Company on 11 March 2005.
- ii) Simen Utara Sdn. Bhd., a 91% owned subsidiary of Oriental Holdings Berhad, acquired 875,000 ordinary shares of RM1.00 each, representing 25% of the total issued and paid-up share capital in Unique Mix (Penang) Sdn. Bhd. ("U Mix"), at a cash consideration of RM1,531,250 from Unique Rhythm Sdn. Bhd. and Mr. Loh Sum Min. The acquisition was completed on 9 June 2005 and U Mix has since then become a 70% subsidiary of Simen Utara Sdn. Bhd. The announcement was made by the Company on 24 May 2005.
- iii) The Company entered into a Share Purchase Agreement to acquire 3,300,000 ordinary shares of RM1.00 each, representing 22.5% of the total issued and paid-up capital in Oriental Assemblers Sdn. Bhd. ("OA"), at a cash consideration of RM17,018,305 from Honda Motor Co., Ltd. Upon completion of the said acquisition on 26 July 2005, OHB's equity interest in OA increased from 74.7% to 97.2%. The announcement was made by the Company on 7 June 2005.

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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. Reserves

	At 1 Jan 2005 RM'000	Currency translation differences RM'000	At 30 Sept 2005 RM'000
Distributable			
Capital reserves	40,237	-	40,237
Non-distributable			
Reserves attributable to Capital	1,141	-	1,141
Reserves attributable to Revenue	322,677	(49,616)	273,061
	323,818	(49,616)	274,202
	364,055	(49,616)	314,439

14. Review of earnings and/or revenue of the Company and its subsidiaries for current quarter and financial year-to-date

The year-to-date revenue of RM3,238.4 million was 5.4% higher than the corresponding period last year with the year-to-date profit before tax of RM251.7 million, a 1.9% lower than the corresponding period last year.

Production of CPO increased as compared to the corresponding period last year due to increase in yield and acreage of matured trees. However, the lower CPO price and unfavourable foreign exchange loss have reduced the contribution from the overseas plantation. In tandem with the overall reduction in volume from the motor industry, the performance of the automotive retailing subsidiaries was lower except for Singapore, which has performed better than expected. The performance of the hotel and resort sector continues to improve.

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15. Material Change in Profit Before Taxation ("PBT") reported on as compared with the immediate preceding quarter

The Group's PBT for the third quarter of 2005 was RM82.8 million as compared to RM89.3 million in the preceding quarter. The Group's revenue for the third quarter of 2005 was RM1,031.0 million when compared to RM1,104.0 million in the preceding quarter.

The Group's PBT for the third quarter of 2005 decreased by RM6.5 million or 7.3% and the revenue decreased by RM73.0 million or 6.6% when compared to the preceding quarter. Contribution for the overseas plantation was lower this quarter despite a better production output mainly due to the unfavourable foreign exchange loss during the current quarter. Both revenue and margin for automotive retailing subsidiaries were lower in tandem with the industry trend.

16. Current year prospects

Performance of the plantation subsidiaries is expected to improve further with the increase in crop production and yield as it recovers from the seasonal low. The CPO price is expected to stay at the present level.

The performances of the automotive related subsidiaries are expected to be in tandem with the industry trend. The fierce competitions from all the automobile distributors will inevitably erode the thin margin already faced by the industry.

The main focus for the other business segment in the Group will be to have efficient management to cater to customer demands and to manage costs.

Barring unforeseen circumstances, the Board of Directors expects the Group's performance for Year 2005 to be satisfactory.

17. Variance of Actual Profit from Forecast Profit

Not Applicable.

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18. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sept 05 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 04 RM'000 (Unaudited)	Current Year To date 30 Sept 05 RM'000 (Unaudited)	Preceding Year To date 30 Sept 04 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	4,989	9,309	15,396	24,420
- Under provision in respect of prior year	218	185	209	219
	5,207	9,494	15,605	24,639
Foreign taxation				
- Based on profit for the period	8,637	10,165	33,599	29,374
	13,844	19,659	49,204	54,013
Deferred taxation				
- Current period	(128)	-	-	-
- Foreign deferred tax	-	(732)	-	(1,314)
	(128)	(732)	-	(1,314)
On share of results of associated companies				
- Based on profit for the period	1,933	840	4,115	4,360
	15,649	19,767	53,319	57,059

19. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

There were no profit/(loss) on sale of unquoted investments and/or properties for the period under review.

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20. Purchase or Disposal of Quoted Securities

(a) There were no material purchases or disposals of quoted shares for the current financial year to date.

(b) Total investments in quoted shares

	30 Sept 05 RM'000
Quoted shares in Malaysia	
At cost	<u>7,571</u>
Quoted shares outside Malaysia	
At cost	<u>32,679</u>
Market value of quoted investments	<u>62,548</u>

21. 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:-

- (i) The Stock Buy-Back which was approved by the stockholders at the Annual General Meeting on 28 June 2005 for the buy-back of up to 10% or up to 51,700,000 ordinary stocks. As at to-date, the Company repurchased 100,000 of its issued share capital from the open market. On 2 March 2001, 68,192 of these Treasury Stocks were cancelled which reduced the issued capital of the Company to 517,000,000 stocks of RM1 each. The remaining 31,808 stocks repurchased are being held as treasury stocks in accordance with the requirement of Section 67A of the Companies Act, 1965. There were no stocks buy-back during this quarter.
- (ii) The proposed change in equity structure of its subsidiary, Oriental-Logistics Sdn Bhd from 70% to 51%, by way of renouncing rights entitlement by Jutajati Sdn Bhd (a 100% owned subsidiary) and Selasih Permata Sdn Bhd (a 50.5% subsidiary) to its existing foreign shareholder. Announcement was made by the Company on 6 April 2004.

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22. Group Borrowings

	Borrowings denominated in		Total RM'000 I + II																		
	Ringgit RM'000 I	← Foreign Currencies → Source Currency RM Equivalent RM'000 II																			
Short term borrowings																					
Bank overdrafts – secured	540	-	540																		
Bank overdrafts – unsecured	4,572	-	4,572																		
Other borrowings – secured	2,953	-	2,953																		
Other borrowings – unsecured	8,038	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: left;">JPY 4.51 billion</td> <td style="text-align: right;">135,388</td> <td style="text-align: right;">143,426</td> </tr> <tr> <td style="text-align: left;">USD 18.99 million</td> <td style="text-align: right;">51,195</td> <td style="text-align: right;">51,195</td> </tr> <tr> <td style="text-align: left;">RMB 45.55 million</td> <td style="text-align: right;">44,815</td> <td style="text-align: right;">44,815</td> </tr> <tr> <td style="text-align: left;">AUD 10.88 million</td> <td style="text-align: right;">32,096</td> <td style="text-align: right;">32,096</td> </tr> <tr> <td style="text-align: left;">BAHT 250 million</td> <td style="text-align: right;">22,325</td> <td style="text-align: right;">22,325</td> </tr> <tr> <td></td> <td style="text-align: right;">285,819</td> <td style="text-align: right;">293,857</td> </tr> </table>	JPY 4.51 billion	135,388	143,426	USD 18.99 million	51,195	51,195	RMB 45.55 million	44,815	44,815	AUD 10.88 million	32,096	32,096	BAHT 250 million	22,325	22,325		285,819	293,857	143,426
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BAHT 250 million	22,325	22,325																			
	285,819	293,857																			
	16,103	285,819	301,922																		

The borrowings denominated in foreign currencies are in respect of borrowings obtained by the Group's foreign subsidiaries/operations.

23. Off Balance Sheet Financial Instruments

There are no off balance sheet financial instruments as at the date of this report.

24. Changes in Material Litigations

Not applicable.

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25. Dividends Proposed

The Board of Directors has declared an Interim Dividend of 10% (2004: 5% interim plus 5% special) less tax, totalling RM37,221,710 for the year ending 31 December 2005. The dividend will be payable on 23 January 2006 to stockholders whose names appear in the Record of Depositors at the close of business on 30 December 2005.

26. Basic Earnings per Share

The basic earnings per share are computed based on the net profit for the period divided by the weighted average number of stocks in issue.

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30 Sept 05 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 04 RM'000 (Unaudited)	Current Year To Date (Three quarters to 30 Sept 05) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 04) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>65,003</u>	<u>86,709</u>	<u>181,591</u>	<u>174,883</u>
<i>Weighted average number of stocks in issue ('000)</i>	516,968	516,968	516,968	516,968
Basic earnings per shares (sen)	<u>12.57</u>	<u>16.77</u>	<u>35.13</u>	<u>33.83</u>

By Order of the Board

C.T. DIONG
Secretary

DATED THIS 28 NOV 2005