

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134₂₀₀₄, 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

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

- (a) an interim dividend of 5 cents (2003 : 5 cents) less tax, and a special dividend of 5 cents (2003 : 5 cents) less tax, totalling RM37,221,710 in respect of the year ended 31 December 2004 on 28 January 2005;
- (b) the final dividend of 8 cents (2003 : 8 cents) less tax, and a special dividend of 2.5 cents (2003 : 2.5 cents) less tax, totalling RM39,082,795 for the year ended 31 December 2004 on 28 July 2005; and
- (c) an interim dividend of 10% (2004 : 5% interim and 5% special) less tax, totalling RM37,221,710 for the year ended 31 December 2005 on 23 January 2006.

8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Year To Date → 31 December 2005			
	Revenue RM'000	%	Operating Profit Before Tax RM'000	%
Automotive and related products	3,031,255	72.0	178,263	55.9
Plastic products	535,458	12.7	26,987	8.4
Hotels and resorts	178,445	4.3	14,441	4.5
Plantation	174,774	4.2	55,737	17.5
Investment holding and financial services	42,268	1.0	34,374	10.8
Property development and others	245,257	5.8	9,342	2.9
	4,207,457	100.0	319,144	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

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 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.
- iv) The Company entered into a Share Sale Agreement to dispose of 10,000 ordinary shares of RM1.00 each, representing 0.068% of the total issued and paid-up share capital in OA, at a cash consideration of RM51,571 to Datuk Haji Mohd Isahak Bin Mohd Yusuf, a non-executive director of OA. The announcement was made by the Company on 29 November 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 31 Dec 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	(33,388)	289,289
	323,818	(33,388)	290,430
	364,055	(33,388)	330,667

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 RM4,207.5 million was 2.3% higher than the corresponding period last year with the year-to-date profit before tax of RM335.6 million, a 6.2% 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. Despite the overall lower CPO price and the unfavourable foreign exchange losses during the second and third quarter of this year that have trimmed the contribution from the overseas plantation, the performance of the overseas plantation was better than that of last year. 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 fourth quarter of 2005 was RM83.9 million as compared to RM82.8 million in the preceding quarter. The Group's revenue for the fourth quarter of 2005 was RM969.1 million when compared to RM1,031.0 million in the preceding quarter.

The Group's PBT for the fourth quarter of 2005 increased by RM1.1 million or 1.3% and the revenue decreased by RM61.9 million or 6.0% when compared to the preceding quarter. Contribution for the overseas plantation was higher this quarter mainly due to better production output and favourable foreign exchange during the current quarter. However, the Group's revenue and margin were affected by the automotive retailing subsidiaries which 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 be firmer than 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.

Barring unforeseen circumstances, the Board of Directors expects the Group's performance for Year 2006 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 31 Dec 05 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 04 RM'000 (Unaudited)	Current Year To date 31 Dec 05 RM'000 (Unaudited)	Preceding Year To date 31 Dec 04 RM'000 (Audited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	11,103	9,060	26,499	38,963
- (Over)/Under provision in respect of prior year	(5,588)	182	(5,379)	(2,425)
	5,515	9,242	21,120	36,538
Foreign taxation				
- Based on profit for the period	17,295	13,336	50,894	38,498
- Under provision in respect of prior year	-	-	-	34
	17,295	13,336	50,894	38,532
	<u>22,810</u>	<u>22,578</u>	<u>72,014</u>	<u>75,070</u>
Deferred taxation				
- Current period	1,112	(1,126)	1,112	(3,004)
- (Over)/Under provision in respect of prior year	(1,900)	3,385	(1,900)	294
	(788)	2,259	(788)	(2,710)
On share of results of associated companies				
- Based on profit for the period	3,976	2,288	8,091	6,648
	<u>25,998</u>	<u>27,125</u>	<u>79,317</u>	<u>79,008</u>

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

	31 Dec 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>60,678</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

	Ringgit	← Foreign Currencies →	RM Equivalent RM'000	Total RM'000 I + II	
	RM'000	Source Currency			RM
	I				II
Short term borrowings					
Bank overdrafts – secured	646		-	646	
Bank overdrafts – unsecured	9,193		-	9,193	
Other borrowings – secured	3,799		-	3,799	
Other borrowings – unsecured	7,738				
		JPY 4.51 billion	142,633	150,371	
		USD 24.21 million	91,852	91,852	
		RMB 49.87 million	21,861	21,861	
		AUD 9.08 million	24,970	24,970	
		BAHT 240 million	21,432	21,432	
			302,748	310,486	
	21,376		302,748	324,124	

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 have proposed a final dividend of 10.25 cents (2004 : 8 cents and a special dividend of 2.5 cents) less 28% tax, totalling RM38,152,253 in respect of the year ended 31 December 2005, subject to stockholders' approval at the forthcoming Annual General Meeting.

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 31 Dec 05 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 04 RM'000 (Unaudited)	Current Year To Date (Four quarters to 31 Dec 05) RM'000 (Unaudited)	Preceding Year To Date (Four quarters to 31 Dec 04) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>49,895</u>	<u>64,098</u>	<u>231,486</u>	<u>244,429</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>9.65</u>	<u>12.40</u>	<u>44.78</u>	<u>47.28</u>

By Order of the Board

C.T. DIONG
Joint Secretary

DATED THIS 27 FEBRUARY 2006