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

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2006

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134_{2004}, 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 2005. 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 2005.

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 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006 :

FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 102, 108, 110, 116, 121, 127, 128, 132, 133, 136 and 138 does not have any significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below :

FRS 3 Business Combinations

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. Prior to 1 January 2006, negative goodwill was treated as a permanent item without amortisation. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM8,670,000 was derecognised with a corresponding increase in retained earnings.

1. **Basis of Preparation (Cont'd)**

FRS 101 Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

FRS 140 Investment Property

The adoption of this new FRS has resulted in a reclassification of property held for rental or long term appreciation in value as investment property. The Group has adopted the Cost Model in the measurement of investment property.

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 year to date.

7. Dividends Paid

Since the end of the previous financial year, the Company paid an interim dividend of 10% (2004: 5%) less tax, and a special dividend of Nil (2004: 5% less tax), totalling RM37,221,710 in respect of the year ended 31 December 2005 on 23 January 2006.

The Board of Directors declared a final dividend of 10.25% (2004: 8% final and 2.5% special) less tax, totalling RM38,152,253 for the year ended 31 December 2005. The dividend was paid on 20 July 2006.

8. Segment Revenue and Results

Financial data by business segment for the Group

	Current Period To Date 30 June 2006			
	Revenue RM'000	%	Operating Profit Before Tax RM'000	%
Automotive and related products	1,455,088	72.2	130,007	69.0
Plastic products	233,218	11.6	6,817	3.6
Hotels and resorts	79,080	3.9	5,780	3.1
Plantation	90,733	4.5	18,587	9.9
Investment holding and financial services	23,275	1.2	22,248	11.8
Property development and others	133,756	6.6	4,911	2.6
	2,015,150	100.0	188,350	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.

10. Material Post Balance Sheet Events

On 27 July 2006, a new company called EPTS Manufacturing Sdn. Bhd. (" EPTS") was incorporated as part of the joint venture arrangement between Teck See Plastic Sdn. Bhd., a 60% subsidiary of the Company, EP Polymers (M) Sdn. Bhd and Elite Simfoni Sdn Bhd.

The shareholdings structure in EPTS are as follows:-

49% held by Teck See Plastics Sdn Bhd
30% held by EP Polymers (M) Sdn . Bhd; and
21% held by Elite Simfoni Sdn. Bhd.

EPTS will provide the parties with a platform for future growth in the automotive industry.

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 :-

Simen Utara Sdn. Bhd., a 91% owned subsidiary of the Company, acquired 875,000 ordinary shares of RM1.00 each, representing 25% of the total issued and paid-up share capital in Unique Pave Sdn. Bhd. ("U Pave"), at a cash consideration of RM1,531,250 from Ultra Bina Sdn. Bhd. Upon completion of the said acquisition on 12 January 2006, Simen Utara Sdn. Bhd's equity interest in U Pave increased to 82.3%.

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 2006 RM'000	Currency translation differences RM'000	At 30 June 2006 RM'000
Distributable			
Capital reserves	40,237	-	40,237
Non-distributable			
Reserves attributable to Capital	1,141	-	1,141
Reserves attributable to Revenue	285,520	(21,593)	263,927
	286,661	(21,593)	265,068
	326,898	(21,593)	305,305

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 RM2,015.2 million was 8.7% lower than the corresponding period last year with year-to-date profit before tax of RM192.3 million, a 13.9% higher than the corresponding period last year.

Contribution from the Group's overseas plantation subsidiaries was higher as more matured trees became available. Operating profit was also higher due to the higher yield and slightly higher CPO price. The favourable foreign exchange also improved the contribution from the overseas plantation. The performance of the automotive retailing subsidiaries for both Malaysia and Singapore was in tandem with the overall sentiment of the motor industry. The motor vehicle sales in Malaysia were affected by the increase in hire purchase interest rates and aggressive marketing from major models. However, motor vehicle sales in Singapore continued to improve further. The performance of other non-automotive related subsidiaries in the Group was slightly better. The performance of the hotel and resort sector was slightly lower as compared to the corresponding period last year.

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

The Group's PBT for the second quarter of 2006 was RM102.6 million as compared to RM89.7 million in the preceding quarter. The Group's revenue for the second quarter of 2006 was RM1,010.8 million when compared to RM1,004.3 million in the preceding quarter.

The Group's PBT for the second quarter of 2006 increased by RM12.9 million or 14.4% and the revenue increased by RM6.5 million or 0.6% when compared to the preceding quarter. The lower crop production due to dry season, the slightly higher CPO prices but unfavourable foreign exchange effect have resulted in lower contribution from the overseas plantation for this quarter. However, revenue and contribution from the automobile retailing in Singapore continue to improve during this quarter. There was also slight improvement in the performance of the hotel and resort sector during this current quarter.

16. **Current year prospects**

The performance of the plantation subsidiaries is expected to improve further with the increase in crop production and the anticipated increase in the CPO price.

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 uptrend in the interest rates and the oversupply in motor industry will affect the automobile retailing subsidiaries in Malaysia.

The revenue and the contribution from the overseas subsidiaries in the tourism and hospitality industry is expected to improve.

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.

18. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 June 06 **RM'000** (Unaudited)	Preceding Year Quarter 30 June 05 **RM'000** (Unaudited)	Current Year To date 30 June 06 **RM'000** (Unaudited)	Preceding Year To date 30 June 05 **RM'000** (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	5,077	5,188	9,195	12,589
- Over provision in respect of prior year	(190)	-	(190)	(9)
	4,887	5,188	9,005	12,580
Foreign taxation				
- Based on profit for the period	15,813	11,086	40,273	24,962
	20,700	16,274	49,278	37,542
Deferred taxation				
- Current period	160	128	160	128
- Foreign deferred tax	881	-	881	-
	1,041	128	1,041	128
	21,741	16,402	50,319	37,670

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.

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 June 06 RM'000
Quoted shares in Malaysia	
At cost	7,599
Quoted shares outside Malaysia	
At cost	33,124
Market value of quoted investments	67,455

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 26 June 2006 for the buy-back of up to 10% or up to 51,700,000 ordinary stocks. 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		
	Ringgit	← **Foreign Currencies** →		
		Source Currency	**RM Equivalent**	**Total**
	RM'000		**RM'000**	**RM'000**
	I		**II**	**I + II**
Short term borrowings				
Bank overdrafts – unsecured	11,457		-	11,457
Other borrowings – secured	5,500		-	5,500
Other borrowings – unsecured	20,590	JPY 408 billion	109,276	129,866
		USD 17.77 million	63,500	63,500
		RMB 51.17 million	23,623	23,623
		AUD 9.97 million	26,906	26,906
		BAHT 275 million	25,685	25,685
			248,990	269,580
	37,547		248,990	286,537

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**

No dividend has been proposed for the current quarter.

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 June 06 RM'000 (Unaudited)	Preceding Year Quarter 30 June 05 RM'000 (Unaudited)	Current Year To Date (Two quarters to 30 June 06) RM'000 (Unaudited)	Preceding Year To Date (Two quarters to 30 June 05) RM'000 (Unaudited)
Net profit for the period (RM'000)	78,635	71,142	116,733	116,588
Weighted average number of stocks in issue ('000)	516,968	516,968	516,968	516,968
Basic earnings per shares (sen)	15.21	13.76	22.58	22.55

By Order of the Board

C.T. DIONG
Joint Secretary

DATED THIS 28 AUGUST 2006