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

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont'd)

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 :

(i) 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;

(ii) a final dividend of 10.25% (2004: 8% final and 2.5% special) less tax, totalling RM38,152,253 in respect of the year ended 31 December 2005 on 20 July 2006.; and

(iii) an interim dividend of 10% (2005 : 10%) less tax, totalling RM37,221,710 for the year ended 31 December 2006 on 24 January 2007.

8. **Segment Revenue and Results**

Financial data by business segment for the Group

	Current Period To Date 31 December 2006			
	Revenue RM'000	%	Operating Profit Before Tax RM'000	%
Automotive and related products	2,806,211	70.6	263,477	60.8
Plastic products	494,025	12.4	18,626	4.3
Hotels and resorts	170,505	4.3	22,176	5.1
Plantation	172,719	4.4	60,343	13.9
Investment holding and financial services	63,308	1.6	59,110	13.7
Property development and others	268,027	6.7	9,288	2.2
	3,974,795	100.0	433,020	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

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) 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%.

(ii) Unique Mix (Penang) Sdn. Bhd. ("U Mix"), a 70% subsidiary of Simen Utara Sdn. Bhd. ("SU"), which in turn is a 91% subsidiary of Kwong Wah Enterprise Sdn. Bhd. ("KWE"), a wholly owned subsidiary of OHB, acquired 126,000 ordinary shares of RM1.00 each, representing 42% of the total issued and paid-up share capital in Konkrit Utara Sdn. Bhd. ("K Utara") at a cash consideration of RM1.00 from Ong Seng Choo Sdn. Bhd. Upon completion of the said acquisition on 19 September 2006, U Mix will own 93% in K Utara.

(iii) Teck See Plastic Sdn. Bhd. ("TSP"), a 60% subsidiary of OHB, acquired 2,000,000 ordinary shares of RM1.00 each, representing 25% of the total issued and paid-up share capital in Oriental Nichinan Design Engineering Sdn. Bhd. ("ONDE"), a 70% subsidiary of OHB at a cash consideration of RM1,317,500. Upon completion of the said acquisition on 2 November 2006, OHB will hold directly 70% in ONDE and indirectly 25% via TSP.

(iv) Incorporation of a wholly owned subsidiary of OHB, Kah Classic Auto Sdn. Bhd. ("KCA"), on 7 December 2006 with an initial authorised and paid up capital of RM10,000,000 and RM2 respectively. The intended principal activities of KCA is to sell and trade in all types of cars, spare parts, accessories and all related component parts.

(v) Lipro Kyowa Electronics Sdn. Bhd. ("LKE"), a 60% owned subsidiary of OHB, commenced winding up proceedings voluntarily on 30 December 2006 via a Special Resolution passed by the shareholders of LKE.

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 31 Dec 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	18,511	304,031
	286,661	18,511	305,172
	326,898	18,511	345,409

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 RM3,974.8 million was 5.5% lower than the corresponding period last year with year-to-date profit before tax of RM435.4 million, a 30.8% 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 motor vehicle sales in Malaysia were affected by the increase in hire purchase interest rates, the sluggish secondary market for used cars and aggressive marketing from major models. However, motor vehicle sales in Singapore continued to improve further and were better than expected. The performance of automotive retailing subsidiaries and the other non-automotive related subsidiaries in the Group was as expected. The performance of the hotel and resort sector was better 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 forth quarter of 2006 was RM113.2 million as compared to RM129.8 million in the preceding quarter. The Group's revenue for the forth quarter of 2006 was RM965.5 million when compared to RM994.1 million in the preceding quarter.

The Group's PBT for the forth quarter of 2006 decreased by RM16.6 million or 12.8% and the revenue decreased by RM28.6 million or 2.9% when compared to the preceding quarter. The continued increase in CPO prices, increase in FFB production and favourable foreign exchange effect have resulted in higher contribution from the overseas plantation for this quarter. Revenue and contribution from the automobile retailing in Singapore continued to improve during this quarter. The low sales volume on the back of weak demand coupled with lower prices for passenger cars resulted in drop in revenue and contribution of the automotive retailing in Malaysia. This was made worse by the intense competition and the already thin margin faced by the automobile industry. Performance of the hotel and resort sector improved 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. However, it is hoped that these subsidiaries will perform better in line with the favourable market condition. However, automobile retailing in Singapore is expected to perform at current level.

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 2007 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 06 **RM'000** (Unaudited)	Preceding Year Quarter 31 Dec 05 **RM'000** (Unaudited)	Current Year To date 31 Dec 06 **RM'000** (Unaudited)	Preceding Year To date 31 Dec 05 **RM'000** (Audited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	4,471	11,103	18,811	18,750
- Over provision in respect of prior year	(5,385)	(5,588)	(5,138)	(4,435)
	(914)	5,515	13,673	14,315
Foreign taxation				
- Based on profit for the period	18,200	17,295	63,966	50,703
	17,286	22,810	77,639	65,018
Deferred taxation				
- Current period	(1,341)	1,112	(1,181)	(3,018)
- Foreign deferred tax	88	-	931	-
- Under / (Over) provision in respect of prior year	5,833	(1,900)	5,833	217
	4,580	(788)	5,583	(2,801)
	21,866	22,022	83,222	62,217

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate due principally to lower tax rate enjoyed by one of its major subsidiary's division operating in a foreign country and tax incentive available to certain subsidiaries of the Group.

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

	31 Dec 06 RM'000
Quoted shares in Malaysia	
At cost	7,454
Quoted shares outside Malaysia	
At cost	34,812
Market value of quoted investments	83,358

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.

(iii) The proposed establishment of a new company called Kasai Teck See Co., Ltd. (" KTS "), as part of the joint venture agreement between Teck See Plastic Sdn. Bhd. (" TSP "), a 60% subsidiary of the Company, and Kasai Kogyo Co., Ltd. (" Kasai "). Both TSP and Kasai will jointly invest and participate on 25: 75 basis in KTS. Announcement was made by the Company on 19 September 2006.

(iv) The acquisition of capital contribution of USD1,500,000 in Oriental Kyowa Plastics Industries (Shanghai Pudong new Area) Co. Ltd. by TSP, a 60% subsidiary of the Company. Announcement was made by the Company on 21 December 2006.

21. Status of Corporate Proposals (Cont'd)

(v) The proposed establishment of a new company called P.T. Tradisi Motor Komponen ("PTTMK") to manufacture spokes and nipples for the Indonesian market under the joint venture agreement between Armstrong Auto Parts Sdn. Bhd. ("AAP"), a 60.7% subsidiary of OHB, with Mr. Karli Boenjamin.

The shareholding structure in PTTMK is as follows:-

82.5% held by Armstrong Auto Parts Sdn. Bhd.
17.5% held by Mr. Karli Boenjamin

Announcement was made by the Company on 22 December 2006.

(vi) The proposed merger of operations of Armstrong Auto Parts Sdn. Bhd. with Armstrong Cycle Parts (Sdn) Bhd, a 60.7% and 57.1% subsidiary of the Company, respectively. Announcement was made by the Company on 29 December 2006.

22. Group Borrowings

	Ringgit	Borrowings denominated in Foreign Currencies		
		Source Currency	RM Equivalent	Total
	RM'000		RM'000	RM'000
	I		II	I + II
Bank overdrafts – unsecured	5,756		-	5,756
Other borrowings – secured	4,750		-	4,750
Other borrowings – unsecured	72,342	JPY 4.40 billion	138,020	210,362
		USD 17.71 million	62,307	62,307
		RMB 36.24 million	16,415	16,415
		AUD 13.50 million	37,449	37,449
		BAHT 270 million	26,325	26,325
			280,516	352,858
	82,848		280,516	363,364

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.

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24. **Changes in Material Litigations**

Not applicable.

25. **Dividends Proposed**

The Board of Directors have proposed a final dividend of 10% (2005 : 10.25%) less tax, and a special dividend of 3% (2005 : Nil) less tax, totalling RM49,060,282 in respect of the year ended 31 December 2006, 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 06 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 05 RM'000 (Unaudited)	Current Year To Date (Four quarters to 31 Dec 06) RM'000 (Unaudited)	Preceding Year To Date (Four quarters to 31 Dec 05) RM'000 (Audited)
Net profit for the period (RM'000)	79,001	49,895	314,520	234,209
Weighted average number of stocks in issue ('000)	516,968	516,968	516,968	516,968
Basic earnings per shares (sen)	15.28	9.65	60.84	45.30

By Order of the Board

C.T. DIONG
Joint Secretary

DATED THIS 27 FEBRUARY 2007