

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2007

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 2006. 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 2006.

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 2006 except for the adoption of the following applicable new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2007:

FRS 117	Leases
FRS 124	Related Party Disclosures
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

The adoption of the above standards does not have any material financial impact on the Group. The principal change in classification resulted from the adoption of FRS 117 is as follows:

FRS 117 Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land. Leasehold land held for own use is now classified as operating lease and the up-front payments made represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the above change in accounting policy in accordance with the transitional provisions of FRS 117 whereby the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments.

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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.

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7. Dividends Paid

Since the end of the previous financial year, the Company paid an interim dividend of 10% (2005: 10%) less tax less 27% (2005: 28%) tax, totalling RM37,738,678 in respect of 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 March 2007			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	715,170	71.2	61,846	70.8
Plastic products	110,028	10.9	1,282	1.5
Hotels and resorts	47,140	4.7	8,638	9.9
Plantation	40,108	4.0	13,331	15.3
Investment holding and financial services	13,550	1.3	(92)	(0.1)
Property development and others	79,936	7.9	2,355	2.6
	1,005,932		87,360	

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) Oriental Boon Siew (Mauritius) Pte. Ltd., a 50.5% owned subsidiary of the Company, has incorporated a wholly owned subsidiary OBS (Singapore) Pte. Ltd. ("OBSG"). The purpose is to take up 90% equity in PT Bumi Sohit Sukses Pratoma, a new oil palm plantation company in Indonesia.

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.

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13. **Reserves**

	At 1 Jan 2007 RM'000	Currency translation differences RM'000	At 31 Mar 2007 RM'000
Distributable			
Capital reserves	40,237	-	40,237
Non-distributable			
Reserves attributable to Capital	1,141	-	1,141
Reserves attributable to Revenue	303,811	(18,785)	285,026
	304,952		286,167
	345,189	(18,785)	326,404
	345,189	(18,785)	326,404

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

The first quarter revenue of RM1,005.9 million was 0.16% higher than the corresponding period last year with first quarter profit before tax of RM88.7 million, a 1.2% lower than the corresponding period last year.

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 continued to be affected by lower vehicles sales. 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 better compared to the corresponding period last year.

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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 first quarter of 2007 was RM88.7 million as compared to RM113.2 million in the preceding quarter. The Group's revenue for the first quarter of 2007 was RM1,005.9 million when compared to RM965.5 million in the preceding quarter.

The Group's PBT for the first quarter of 2007 decreased by RM24.5 million or 21.6% and the revenue increased by RM40.4 million or 4.2% when compared to the preceding quarter. The higher crop production and the slightly higher CPO prices helped to improve the operating profit but the unfavourable foreign exchange have trimmed the 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 vehicles sales resulted in drop in revenue and contribution of the automotive retailing in Malaysia. Performance of the hotel and resort sector was better as compared to the preceding quarter.

16. Current year prospects

The performance of the plantation subsidiaries is expected to improve further with the increase in crop production and provided that the CPO prices stay at the current level.

The performances of the automotive related subsidiaries are expected to be in tandem with the industry trend. 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 are 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 Mar 07 RM'000 (Unaudited)	Preceding Year Quarter 31 Mar 06 RM'000 (Unaudited)	Current Year To date 31Mar 07 RM'000 (Unaudited)	Preceding Year To date 31 Mar 06 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	4,032	4,118	4,032	4,118
- Under provision in respect of prior year	694	-	694	-
	4,726	4,118	4,726	4,118
Foreign taxation				
- Based on profit for the period	18,564	24,460	18,564	24,460
	<u>23,290</u>	<u>28,578</u>	<u>23,290</u>	<u>28,578</u>
Deferred taxation				
- Current period	7	-	7	-
- Under provision in respect of prior year	230	-	230	-
	237	-	237	-
	<u>23,527</u>	<u>28,578</u>	<u>23,527</u>	<u>28,578</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 Mar 07 RM'000
Quoted shares in Malaysia	
At cost	<u>7,446</u>
Quoted shares outside Malaysia	
At cost	<u>39,087</u>
Market value of quoted investments	<u>97,437</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 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.

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21. Status of Corporate Proposals (Cont'd)

- (iv) 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

22. Group Borrowings

	Ringgit	Borrowings denominated in Foreign Currencies		Total RM'000 I + II																	
	RM'000 I	Source Currency	RM Equivalent RM'000 II																		
Finance lease obligations	489		-	489																	
Bank overdrafts – unsecured	2,260		-	2,260																	
Other borrowings – secured	25,224		-	25,224																	
Other borrowings – unsecured	50,564	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">JPY 43.60 billion</td> <td style="text-align: right; padding: 2px;">130,311</td> <td style="text-align: right; padding: 2px;">180,875</td> </tr> <tr> <td style="padding: 2px;">USD 18.02 million</td> <td style="text-align: right; padding: 2px;">61,991</td> <td style="text-align: right; padding: 2px;">61,991</td> </tr> <tr> <td style="padding: 2px;">RMB 31.74 million</td> <td style="text-align: right; padding: 2px;">14,449</td> <td style="text-align: right; padding: 2px;">14,449</td> </tr> <tr> <td style="padding: 2px;">AUD 13.20 million</td> <td style="text-align: right; padding: 2px;">36,599</td> <td style="text-align: right; padding: 2px;">36,599</td> </tr> <tr> <td style="padding: 2px;">BAHT 228 million</td> <td style="text-align: right; padding: 2px;">23,788</td> <td style="text-align: right; padding: 2px;">23,788</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">267,138</td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">317,702</td> </tr> </table>	JPY 43.60 billion	130,311	180,875	USD 18.02 million	61,991	61,991	RMB 31.74 million	14,449	14,449	AUD 13.20 million	36,599	36,599	BAHT 228 million	23,788	23,788		267,138	317,702	180,875
JPY 43.60 billion	130,311	180,875																			
USD 18.02 million	61,991	61,991																			
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BAHT 228 million	23,788	23,788																			
	267,138	317,702																			
	78,537		267,138	345,675																	

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 31 Mar 07 RM'000 (Unaudited)	Preceding Year Quarter 31 Mar 06 RM'000 (Unaudited)	Current Year To Date (First quarter to 31 Mar 07) RM'000 (Unaudited)	Preceding Year To Date (First quarter to 31 Mar 06) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>56,807</u>	<u>38,098</u>	<u>56,807</u>	<u>38,098</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>10.99</u>	<u>7.37</u>	<u>10.99</u>	<u>7.37</u>

By Order of the Board

C.T. DIONG
Joint Secretary

DATED THIS 28 MAY 2007