

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

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

In addition to the above, the following revised and/or amendments to the FRSs which are effective for the financial period beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

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:

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1. Basis of Preparation (Cont'd)

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 surrogated carrying amount of prepaid lease payments.

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 period 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.

The final dividend of 10% (2005: 10.25%) less 27% tax and a special dividend of 3% (2005: Nil) less 27% tax, totalling RM49,060,282 in respect of the year ended 31 December 2006 was paid on 25 July 2007.

8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Period To Date →			
	30 June 2007			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	1,432,671	69.7	120,373	53.7
Plastic products	236,594	11.5	2,687	1.2
Hotels and resorts	90,154	4.4	15,046	6.7
Plantation	109,996	5.4	61,431	27.4
Investment holding and financial services	27,079	1.3	19,447	8.7
Property development and others	158,206	7.7	5,246	2.3
	<u>2,054,700</u>	100.0	<u>224,230</u>	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) 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 Sawit Sukses Pratama, a new oil palm plantation company in Indonesia.
- (ii) The Company and its 60% owned subsidiary, Teck See Plastic Sdn. Bhd. ("TSP"), subscribed for the increase in paid up capital of Oriental Industries (Wuxi) Co., Ltd ("OIW"), a 100% owned subsidiary of Oriental International (Mauritius) Pte. Ltd., which in turn is a wholly owned subsidiary of the Company. Following the subscription, the Company's effective interest in OIW was reduced from 100% to 95%.
- (iii) The merger of the operations of two of the Company's subsidiaries, Armstrong Auto Parts Sdn. Bhd. ("AAP"), a 60.7% owned subsidiary, with Armstrong Cycle Parts (Sdn) Bhd. ("ACP"), a 57.1% owned subsidiary, and as the result of the merger, the shareholders of both companies become the shareholders of AAP. The merger was completed on 1 July 2007.

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 30 June 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	7,191	311,002
	304,952	7,191	312,143
	345,189	7,191	352,380

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 RM2,054.7 million was 2.0% higher than the corresponding period last year with year-to-date profit before tax of RM226.6 million, a 17.8% higher 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 were at the same level as previous quarter. The performance of other non-automotive related subsidiaries in the Group was slightly better. Due to the favourable exchange, the performance of the overseas plantation improved significantly as compared to last quarter. The performance of the hotel and resort sector was cyclical and due to the cold weather, the contribution was lower this quarter.

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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 second quarter of 2007 was RM137.9 million as compared to RM88.7 million in the preceding quarter. The Group's revenue for the second quarter of 2007 was RM1,048.8 million when compared to RM1,005.9 million in the preceding quarter.

The Group's PBT for the second quarter of 2007 increased by RM49.2 million or 55.5% and the revenue increased by RM42.9 million or 4.3% when compared to the preceding quarter. The higher crop production and the slightly higher CPO prices helped to improve the operating profit and together with the favourable foreign exchange, contribution from the overseas plantation improved significantly for this quarter. Revenue and contribution from the automobile retailing in Singapore remained at the same level as previous 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 slightly lower 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, provided that the CPO prices stay at the current level and foreign exchange remains favourable.

The performances of the automotive related subsidiaries are expected to be in tandem with the industry trend.

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 30 June 07 RM'000 (Unaudited)	Preceding Year Quarter 30 June 06 RM'000 (Unaudited)	Current Year To date 30 June 07 RM'000 (Unaudited)	Preceding Year To date 30 June 06 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	5,264	5,077	9,296	9,195
- Under/(over) provision in respect of prior year	(126)	(190)	568	(190)
	5,138	4,887	9,864	9,005
Foreign taxation				
- Based on profit for the period	27,965	15,813	46,529	40,273
	<u>33,103</u>	<u>20,700</u>	<u>56,393</u>	<u>49,278</u>
Deferred taxation				
- Current period	-	160	7	160
- (Over)/under provision in respect of prior year	(6)	881	224	881
	(6)	1,041	231	1,041
	<u>33,097</u>	<u>21,741</u>	<u>56,624</u>	<u>50,319</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.

20. Purchase or Disposal of Quoted Securities

(a) There were no material purchases or disposals of quoted securities for the current financial period to date other than as disclosed in (b) below.

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20. **Purchase or Disposal of Quoted Securities (Cont'd)**

(b) Total quoted securities

	30 June 07 RM'000
Quoted securities in Malaysia	
Cost/carrying amount	
Balance at 1 January 2007	7,619
Exchange differences	(21)
Balance at 30 June 2007	<u>7,598</u>
Quoted securities outside Malaysia	
Cost	
Balance at 1 January 2007	151,318
Purchases during the period	3,478
Disposal during the period	(17,351)
Exchange differences	(3,659)
Balance at 30 June 2007	<u>133,786</u>
Less: Allowance for diminution in value	(1,229)
Carrying amount	
Balance at 30 June 2007	<u>132,557</u>
Market value of quoted securities	<u>179,077</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 2007 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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21. Status of Corporate Proposals (Cont'd)

- (iii) 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

- (iv) The proposed acquisition of a company incorporated in Singapore called Kah Power Products Pte. Ltd. (“Kah Power”) by Kah Motor Company Sdn. Bhd. (“Kah Motor”), a wholly-owned subsidiary of the Company, for the purpose of distributing motor power products. Announcement was made by the Company on 27 July 2007.

22. Group Borrowings

	Borrowings denominated in																				
	Ringgit	← Foreign Currencies →																			
	RM'000	Source Currency	RM Equivalent RM'000																		
I		II	Total I + II																		
RM'000		RM'000	RM'000																		
Finance lease obligations	1,999	-	1,999																		
Bank overdrafts – unsecured	1,948	-	1,948																		
Other borrowings – secured	30,156	-	30,156																		
Other borrowings – unsecured	61,086	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">JPY 50.64 billion</td> <td style="text-align: right; padding: 2px;">166,681</td> <td style="text-align: right; padding: 2px;">227,767</td> </tr> <tr> <td style="padding: 2px;">USD 12.32 million</td> <td style="text-align: right; padding: 2px;">42,375</td> <td style="text-align: right; padding: 2px;">42,375</td> </tr> <tr> <td style="padding: 2px;">RMB 25.39 million</td> <td style="text-align: right; padding: 2px;">11,022</td> <td style="text-align: right; padding: 2px;">11,022</td> </tr> <tr> <td style="padding: 2px;">AUD 16.49 million</td> <td style="text-align: right; padding: 2px;">47,971</td> <td style="text-align: right; padding: 2px;">47,971</td> </tr> <tr> <td style="padding: 2px;">BAHT 210 million</td> <td style="text-align: right; padding: 2px;">24,332</td> <td style="text-align: right; padding: 2px;">24,332</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">292,381</td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">353,467</td> </tr> </table>	JPY 50.64 billion	166,681	227,767	USD 12.32 million	42,375	42,375	RMB 25.39 million	11,022	11,022	AUD 16.49 million	47,971	47,971	BAHT 210 million	24,332	24,332		292,381	353,467	227,767
JPY 50.64 billion	166,681	227,767																			
USD 12.32 million	42,375	42,375																			
RMB 25.39 million	11,022	11,022																			
AUD 16.49 million	47,971	47,971																			
BAHT 210 million	24,332	24,332																			
	292,381	353,467																			
	95,189	292,381	387,570																		

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

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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.

25. Dividends Proposed

No dividend has been proposed for the current quarter.

26. Basic Earnings per Stock

The basic earnings per stock 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 07 RM'000 (Unaudited)	Preceding Year Quarter 30 June 06 RM'000 (Unaudited)	Current Year To Date (Two quarters to 30 June 07) RM'000 (Unaudited)	Preceding Year To Date (Two quarters to 30 June 06) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>84,636</u>	<u>78,635</u>	<u>141,443</u>	<u>116,733</u>
<i>Weighted average number of stocks in issue ('000)</i>	516,968	516,968	516,968	516,968
Basic earnings per stock (sen)	<u>16.37</u>	<u>15.21</u>	<u>27.36</u>	<u>22.58</u>

By Order of the Board

C.T. DIONG
Joint Secretary

DATED THIS 28 AUGUST 2007