

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

**SELECTED EXPLANATORY NOTES**  
**TO THE INTERIM FINANCIAL REPORT**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2007**

**1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134<sub>2004</sub>, 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*

	← <b>Current Period To Date</b> →			
	<b>30 September 2007</b>			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	2,234,690	68.8	183,722	48.3
Plastic products	369,639	11.4	3,894	1.0
Hotels and resorts	140,781	4.3	22,624	5.9
Plantation	215,046	6.6	115,683	30.4
Investment holding and financial services	52,750	1.6	47,531	12.5
Property development and others	238,509	7.3	7,119	1.9
	3,251,415	100.0	380,573	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.
- (iv) Kah Motor Company Sdn. Bhd. ("Kah Motor"), a wholly-owned subsidiary of the Company, has incorporated a wholly owned subsidiary Kah Power Products Pte. Ltd. ("Kah Power") in Singapore. The purpose is to distribute motor power products.
- (v) Oriental Rubber & Palm Oil Sdn. Bhd., a wholly owned subsidiary of the Company, has incorporated a 51% owned subsidiary Oriental Boon Siew (M) Sdn. Bhd. ("OBSM"). The intended principal activity is to carry on the business of housing developer and building contractor, property development and investment holding company.

**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 Sept 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	13,619	317,430
	304,952	13,619	318,571
	345,189	13,619	358,808
	345,189	13,619	358,808

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 RM3,251.4 million was 8.0% higher than the corresponding period last year with year-to-date profit before tax of RM386.1 million, a 16.2% 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 during this current difficult operating environment. However, motor vehicle sales in Singapore show some sign of recovery as compared to previous two quarters. The performance of other non-automotive related subsidiaries in the Group was slightly better than expected. The performance of the overseas plantation was boosted by the significant higher CPO prices and higher crop production. However, the unfavourable exchange trimmed the contribution resulting in a slightly higher contribution as compared to last quarter. The performance of the hotel and resort sector was cyclical and the contribution was higher 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 third quarter of 2007 was RM159.5 million as compared to RM137.9 million in the preceding quarter. The Group's revenue for the third quarter of 2007 was RM1,196.7 million when compared to RM1,048.8 million in the preceding quarter.

The Group's PBT for the third quarter of 2007 increased by RM21.6 million or 15.7% and the revenue increased by RM147.9 million or 14.1% when compared to the preceding quarter. The higher crop production and the significant higher CPO prices helped to improve significantly the contribution from the overseas plantation but the unfavourable exchange has reduced the contribution for this quarter. Revenue and contribution from the automobile retailing in Singapore was higher as compared to 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 marginally higher 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, 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 Sept 07 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 06 RM'000 (Unaudited)	Current Year To date 30 Sept 07 RM'000 (Unaudited)	Preceding Year To date 30 Sept 06 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	5,603	5,145	14,899	14,340
- (Over)/under provision in respect of prior year	(179)	437	389	247
	5,424	5,582	15,288	14,587
Foreign taxation				
- Based on profit for the period	29,603	5,493	76,132	45,766
	35,027	11,075	91,420	60,353
Deferred taxation				
- Current period	7	-	14	160
- (Over)/under provision in respect of prior year	-	(38)	224	843
	7	(38)	238	1,003
	35,034	11,037	91,658	61,356

**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 Sept 07 RM'000
Quoted securities in Malaysia		
<b>Cost/carrying amount</b>		
Balance at 1 January 2007	7,619	
Exchange differences	(14)	
Balance at 30 Sept 2007	7,605	
Quoted securities outside Malaysia		
<b>Cost</b>		
Balance at 1 January 2007	151,318	
Purchases during the period	29,777	
Disposal during the period	(72,088)	
Exchange differences	(818)	
Balance at 30 Sept 2007	108,189	
Less: Allowance for diminution in value	(1,252)	
<b>Carrying amount</b>		
Balance at 30 Sept 2007	106,937	
Market value of quoted securities	150,266	

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. The proposed equity restructuring of Oriental-Logistics Sdn Bhd has been aborted and the members intend to voluntarily wind up the Company.



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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 acquisition of 400,000 ordinary shares of RM1 each in Oriental Nichinan Design Engineering Sdn. Bhd. ("ONDE") by Teck See Plastic Sdn. Bhd. ("TSP"), a 60% owned subsidiary of the Company. The announcement was made by the Company on 20 November 2007.

**22. Group Borrowings**

	Ringgit	Borrowings denominated in Foreign Currencies		Total RM'000
	RM'000	Source Currency	RM Equivalent RM'000	
	I		II	I + II
Finance lease obligations	2,122		-	2,122
Bank overdrafts – unsecured	4,706		-	4,706
Other borrowings – secured	13,920		-	13,920
Other borrowings – unsecured	86,872	JPY 49.90 billion USD 12.01 million RMB 20.84 million AUD 17.29 million BAHT 228.41 million	150,678 40,627 9,744 51,953 21,642	237,550 40,627 9,744 51,953 21,642
			274,644	361,516
	<u>107,620</u>		<u>274,644</u>	<u>382,264</u>

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**

The Board of Directors has declared an Interim Dividend of 10% (2006 : 10%) less tax for the year ending 31 December 2007. The dividend will be payable on 24 January 2008 to stockholders whose names appear in the Record of Depositors at the close of business on 31 December 2007.

**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 Sept 07 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 06 RM'000 (Unaudited)	Current Year To Date (Three quarters to 30 Sept 07) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 06) RM'000 (Unaudited)
Net profit for the period (RM'000)	<u>104,606</u>	<u>123,024</u>	<u>246,049</u>	<u>239,757</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>20.23</u>	<u>23.80</u>	<u>47.59</u>	<u>46.38</u>

By Order of the Board

**C.T. DIONG**  
**Joint Secretary**

**DATED THIS 28 NOVEMBER 2007**