

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, 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:-

- (i) an interim dividend of 10% (2005: 10%) less 27% (2005: 28%) tax, totalling RM37,738,678 in respect of the year ended 31 December 2006 on 24 January 2007;
- (ii) a 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; and
- (iii) an interim dividend of 10% (2006: 10%) less 26% (2006: 27%) tax, totalling RM38,255,646 for the year ended 31 December 2007 on 24 January 2008.

8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Period To Date → 31 December 2007			
	Revenue RM'000	%	Operating Profit/(Loss) Before Tax RM'000	%
Automotive and related products	3,112,275	69.0	249,271	49.6
Plastic products	493,819	10.9	(17,747)	(3.5)
Hotels and resorts	195,186	4.3	26,713	5.3
Plantation	316,849	7.0	179,970	35.8
Investment holding and financial services	66,080	1.5	55,492	11.0
Property development and others	327,089	7.3	9,071	1.8
	4,511,298	100.0	502,770	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, other than the following:-

- (i) Kah Motor Company Sdn Berhad (“Kah Motor”), a wholly owned subsidiary of the Company has incorporated a wholly owned subsidiary, KM Agency Sdn Bhd, on 18 February 2008. The purpose of KM Agency Sdn Bhd is to provide insurance services for motor vehicles including cars sold by Kah Motor.

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, and Armstrong Cycle Parts (Sdn) Bhd. (“ACP”), a 57.1% owned subsidiary, resulting in the shareholders of both companies becoming 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”). 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.
- (vi) Teck See Plastic Sdn. Bhd. (“TSP”), a 60% owned subsidiary, further acquired 5% of total issued and paid up capital of Oriental Nichinan Design Engineering Sdn Bhd (“ONDE”), a 70% owned subsidiary of the Company. Following the acquisition, the Company’s effective interest in ONDE was increased from 85% to 88%.

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11. Changes in Group's Composition (Cont'd)

(vii) OBS (Singapore) Pte. Ltd. ("OBSG"), a wholly owned subsidiary of Oriental Boon Siew (Mauritius) Pte. Ltd. which in turn is 50.5% owned subsidiary of the Company has acquired 90% equity in PT Bumi Sawit Sukses Pratama.

(viii) Oriental-Logistics Sdn. Bhd., a 51% and 19% respectively owned subsidiary by Jutajati Sdn. Bhd. and Selasih Permata Sdn. Bhd. which in turn are 100% and 50.5% owned subsidiaries of the Company, has commenced its voluntary winding up proceeding as at year end.

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 2007 RM'000	Currency translation differences RM'000	At 31 Dec 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	20,468	324,279
	304,952	20,468	325,420
	345,189	20,468	365,657

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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 RM4,511.3 million was 13.9% higher than the corresponding period last year with year-to-date profit before tax of RM512.2 million, a 17.7% 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 continued to be affected by lower vehicles sales during this current difficult operating environment. 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. The performance of the hotel and resort sector was cyclical and the contribution was also higher this year.

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

The Group's PBT for the fourth quarter of 2007 was RM122.2 million as compared to RM159.5 million in the preceding quarter. The Group's revenue for the fourth quarter of 2007 was RM1,259.9 million when compared to RM1,196.7 million in the preceding quarter.

The Group's PBT for the fourth quarter of 2007 decreased by RM37.3 million or 23.4% and the revenue increased by RM63.2 million or 5.3% when compared to the preceding quarter. The higher crop production and the significant higher CPO prices coupled with the stronger exchange helped to improve significantly the contribution from the overseas plantation for this quarter. Revenue and contribution from the automobile retailing in both Malaysia and Singapore was lower as compared to previous quarter. Performance of the hotel and resort sector was marginally lower 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 2008 to be satisfactory.

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17. Variance of Actual Profit from Forecast Profit

Not Applicable.

18. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 07 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 06 RM'000 (Unaudited)	Current Year To date 31 Dec 07 RM'000 (Unaudited)	Preceding Year To date 31 Dec 06 RM'000 (Audited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	4,869	4,988	19,768	19,328
- (Over)/under provision in respect of prior year	200	(5,261)	589	(5,014)
	5,069	(273)	20,357	14,314
Foreign taxation				
- Based on profit for the period	37,397	29,960	113,529	75,726
- (Over)/under provision in respect of prior year	(10,890)	5,822	(10,890)	5,822
	26,507	35,782	102,639	81,548
	31,576	35,509	122,996	95,862
Deferred taxation				
- Current period	945	959	959	1,119
- (Over)/under provision in respect of prior year	(521)	3,410	(297)	4,253
	424	4,369	662	5,372
	32,000	39,878	123,658	101,234

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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.

(b) Total quoted securities

	31 Dec 07 RM'000
Quoted securities in Malaysia	
Cost/carrying amount	
Balance at 1 January 2007	7,619
Exchange differences	2
Balance at 31 Dec 2007	7,621
Quoted securities outside Malaysia	
Cost	
Balance at 1 January 2007	151,318
Purchases during the period	36,893
Disposal during the period	(87,715)
Exchange differences	(264)
Balance at 31 Dec 2007	100,232
Less: Allowance for diminution in value	(1,259)
Carrying amount	
Balance at 31 Dec 2007	98,973
Market value of quoted securities	163,502

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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 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

- (iii) The proposed acquisition of a subsidiary, Unique Mix (Singapore) Pte. Ltd. by Oriental Asia (Mauritius) Pte. Ltd, a wholly owned subsidiary of Selasih Permata Sdn Bhd, who in turn is a 50.5% subsidiary of the Company.

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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	2,550		-	2,550
Bank overdrafts – unsecured	5,692		-	5,692
Other borrowings – secured	14,890		-	14,890
Other borrowings – unsecured	97,852			
		JPY 29.23 billion	176,140	273,992
		USD 11.33 million	37,590	37,590
		RMB 11.39 million	5,524	5,524
		AUD 16.99 million	49,515	49,515
		BAHT 243.21 million	23,873	23,873
			292,642	390,494
	120,984		292,642	413,626

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.

25. Dividends Proposed

The Board of Directors have proposed a final dividend of 10% (2006: 10%) less tax and a special dividend of 3% (2006: 3%) less tax, totalling RM 49,732,340 in respect of the year ended 31 December 2007, subject to stockholders' approval at the forthcoming Annual General Meeting.

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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 31 Dec 07 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 06 RM'000 (Unaudited)	Current Year To Date (Four quarters to 31 Dec 07) RM'000 (Unaudited)	Preceding Year To Date (Four quarters to 31 Dec 06) RM'000 (Audited)
Net profit for the period (RM'000)	<u>70,375</u>	<u>65,494</u>	<u>316,424</u>	<u>305,251</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>13.61</u>	<u>12.67</u>	<u>61.21</u>	<u>59.05</u>

By Order of the Board

C.T. DIONG
Joint Secretary

DATED THIS 27 FEBRUARY 2008