

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2008

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 2007. 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 2007.

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 2007 except for the adoption of the following applicable new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

2. Auditors’ Qualification

Not applicable. No qualification on the audit report of the preceding annual financial statements of Oriental Holdings Berhad.

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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.

7. Dividends Paid

Since the end of the previous financial year, the Company paid 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.

The final dividend of 10% (2006: 10%) less 26% (2006: 27%) tax and a special dividend of 3% (2006: 3%) less 26% (2006: 27%) tax, totalling RM49,732,340 in respect of the year ended 31 December 2007 was paid on 25 July 2008.

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8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Period To Date →			
	30 June 2008			
	Revenue	%	Operating Profit Before Tax	%
	RM'000		RM'000	
Automotive and related products	1,944,394	70.5	137,657	43.7
Plastic products	247,887	9.0	6,351	2.0
Hotels and resorts	108,652	3.9	19,614	6.2
Plantation	232,028	8.4	109,784	34.9
Investment holding and financial services	27,488	1.0	31,828	10.1
Property development and others	197,877	7.2	9,539	3.1
	<u>2,758,326</u>	<u>100.0</u>	<u>314,773</u>	<u>100.0</u>

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.

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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) 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.
- (ii) On 22 February 2008, Oriental Asia (Mauritius) Pte. Ltd, a wholly owned subsidiary of 50.5% owned subsidiary, Selasih Permata Sdn Bhd, has acquired a subsidiary incorporated in Singapore, Unique Mix (Singapore) Pte. Ltd.. The purpose is to participate in a proposed joint venture which will manufacture and supply ready-mix concrete in Vietnam.
- (iii) The Company has incorporated a 51% owned subsidiary, Melaka Straits Medical Centre Sdn Bhd ("MSMC") on 4 June 2008. The intended principal activity of MSMC is to carry on as a medical centre in Melaka.
- (iv) On 23 July 2008, the Company and its wholly owned subsidiary, Kah Bintang Auto Sdn Bhd ("KBA") have respectively injected RM3mil and RM5mil into the capital of wholly owned subsidiary of the Company, Kah Classic Auto Sdn. Bhd ("Kah Classic"). Thereafter, the Company owned Kah Classic directly 50% and indirectly 50% through KBA.

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 2008 RM'000	Currency translation differences RM'000	At 30 June 2008 RM'000
Distributable			
Capital reserves	40,237	-	40,237
Non-distributable			
Reserves attributable to Capital	1,141	-	1,141
Reserves attributable to Revenue	325,139	94,098	419,237
	326,280	94,098	420,378
	366,517	94,098	460,615

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 RM2,758.3 million was 34.2% higher than the corresponding period last year with year-to-date profit before tax of RM326.5 million, a 44.1% higher than the corresponding period last year.

As in the past, the performance of the automotive retailing subsidiaries for both Malaysia and Singapore was in tandem with the overall sentiment of the motor industry. For the current quarter, the motor vehicle sales in Singapore were better than expected. The motor vehicle sales continued to be affected by the current difficult operating environment. The performance of other non-automotive related subsidiaries in the Group was also slightly better than expected. The performance of the overseas plantation benefited from the significantly higher CPO prices. The performance of the hotel and resort sector was cyclical and the contribution was as expected.

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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 2008 was RM193.8 million as compared to RM132.7 million in the preceding quarter. The Group's revenue for the second quarter of 2008 was RM1,484.1 million when compared to RM1,274.2 million in the preceding quarter.

The Group's PBT for the second quarter of 2008 increased by RM61.1 million or 46% and the revenue increased by RM209.9 million or 16.5% when compared to the preceding quarter. Revenue and contribution for the plantation sector was higher mainly due to the significant higher CPO prices and favourable foreign exchange but this was offsetted by the traditionally lower production for the second quarter of the year. Revenue and contribution from the automobile retailing in both Malaysia and Singapore was higher as compared to previous quarter. Performance of the hotel and resort sector was also higher, especially the hotels in Australia, as compared to the preceding quarter.

16. Current year prospects

The performances of the plantation subsidiaries may be impacted by the sudden drop in CPO prices and volatility of foreign exchange despite maintaining the level of crop production.

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.

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 08 RM'000 (Unaudited)	Preceding Year Quarter 30 June 07 RM'000 (Unaudited)	Current Year To date 30 June 08 RM'000 (Unaudited)	Preceding Year To date 30 June 07 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	7,889	5,264	14,982	9,296
- (Over)/under provision in respect of prior year	(51)	(126)	145	568
	7,838	5,138	15,127	9,864
Foreign taxation				
- Based on profit for the period	30,973	27,965	58,231	46,529
	38,811	33,103	73,358	56,393
Deferred taxation				
- Current period	188	-	852	7
- Under /(over) provision in respect of prior year	1,486	(6)	1,372	224
	1,674	(6)	2,224	231
	40,485	33,097	75,582	56,624

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 securities for the current financial period to date other than as disclosed in (b) below.

(b) Total quoted securities

	30 June 08 RM'000
Quoted securities in Malaysia	
Cost/carrying amount	
Balance at 1 January 2008	7,612
Exchange differences	90
Balance at 30 June 2008	7,702
Less: Allowance for diminution in value	(168)
Carrying amount	
Balance at 30 June 2008	7,534
Quoted securities outside Malaysia	
Cost	
Balance at 1 January 2008	108,710
Purchases during the period	123,835
Disposal during the period	(19,956)
Exchange differences	4,650
Balance at 30 June 2008	217,239
Less: Allowance for diminution in value	(1,320)
Carrying amount	
Balance at 30 June 2008	215,919
Market value of quoted securities	254,425

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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 restructuring of PT. Oriental Manufacturing Indonesia ("PT. OMI"), a 55.43% and 33.69% owned subsidiary of Oriental International (Mauritius) Pte Ltd and Teck See Plastic Sdn Bhd respectively, which in turn are wholly owned and 60% owned subsidiaries of the Company respectively by inviting Kasai Kogyo Co. Ltd. ("KASAI") to participate as a 50.04% equity partner, to jointly manage and expand PT. OMI's business of automotive interior parts in Indonesia .

Upon completion of the proposed restructuring, PT. OMI will become an associate company of the Group and shall change its name to P.T. Kasai Teck See Indonesia or such other name which is approved by the authority.

The announcement was made on 14 July 2008.

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21. Status of Corporate Proposals (Cont'd)

- (iv) The proposed restructuring of Kah Assemblers Sdn Bhd (“KASB”), a wholly owned subsidiary of the Company, by inviting Honda Motor Co. Ltd. (“Honda Motor”) to participate in 50:50 equity partnership, to jointly manage KASB’s motorcycle operations in pursuit of long-term growth in Malaysia post AFTA.

Honda Motor will acquire 50% of the existing shares in KASB from the Company for a total consideration of approximately RM15.5mil on a willing buyer and willing seller basis. The consideration will be based on the net assets value of KASB as at 31 August 2008. The proceeds of the disposal of 50% interest in KASB amounting to approximately RM15.5mil will eventually be used to subscribe for new shares in KASB as and when required by the joint venture company.

Upon completion of proposed restructuring, KASB will become an associate company of the Company. The announcements were made on 31 July 2008 and 1 August 2008.

22. Group Borrowings

	Ringgit	Borrowings denominated in Foreign Currencies		Total RM'000 I + II
	RM'000 I	Currency Source	RM Equivalent RM'000 II	
Finance lease obligations	3,065		-	3,065
Bank overdrafts – unsecured	303		-	303
Other borrowings – secured	26,916		-	26,916
Other borrowings – unsecured	115,439			
		JPY 5.94 billion	186,185	301,624
		USD 9.74 million	30,265	30,265
		RMB 5.30 million	1,546	1,546
		AUD 13.39 million	42,227	42,227
		BAHT 211.69 million	20,663	20,663
			280,886	396,325
	<u>145,723</u>		<u>280,886</u>	<u>426,609</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

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 08 RM'000 (Unaudited)	Preceding Year Quarter 30 June 07 RM'000 (Unaudited)	Current Year To Date (Two quarters to 30 June 08) RM'000 (Unaudited)	Preceding Year To Date (Two quarters to 30 June 07) RM'000 (Unaudited)
Net profit for the period (RM'000)	129,931	84,636	205,582	141,443
<i>Weighted average number of stocks in issue ('000)</i>	516,968	516,968	516,968	516,968
Basic earnings per stock (sen)	25.13	16.37	39.77	27.36

By Order of the Board

C.T. DIONG
Joint Secretary

DATED THIS 28 AUG 2008