

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

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

ORIENTAL HOLDINGS BERHAD
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(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)

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.

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

**SELECTED EXPLANATORY NOTES
 TO THE INTERIM FINANCIAL REPORT
 FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)**

8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Period To Date → 30 September 2008			
	Revenue		Operating Profit	
	RM'000	%	RM'000	%
Automotive and related products	2,787,416	68.7	221,989	45.8
Plastic products	390,862	9.6	12,130	2.5
Hotels and resorts	158,383	3.9	18,740	3.9
Plantation	349,245	8.6	153,559	31.7
Investment holding and financial services	58,794	1.5	63,669	13.2
Property development and others	310,368	7.7	14,055	2.9
	4,055,068	100.0	484,142	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.

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.

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)

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.
- (v) The restructuring of Kah Assemblers Sdn Bhd ("KASB"), a wholly owned subsidiary of the Company, into a 50:50 equity partnership, to jointly manage KASB's motorcycle operations (in pursuit of long-term growth in Malaysia post AFTA) with Honda Motor Co Ltd was completed on 16 September 2008.

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)

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 2008 RM'000	Currency translation differences RM'000	At 30 September 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	81,467	406,606
	326,280	81,467	407,747
	366,517	81,467	447,984

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 RM4,055.1 million was 24.7% higher than the corresponding period last year with year-to-date profit before tax of RM501.7 million, a 29.9% 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 year-to-date, 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 despite the lower crop output. The performance of the hotel and resort sector was cyclical and the contribution was satisfactory.

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

SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)

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 2008 was RM175.2 million as compared to RM193.8 million in the preceding quarter. The Group's revenue for the third quarter of 2008 was RM1,296.7 million when compared to RM1,484.1 million in the preceding quarter.

The Group's PBT for the third quarter of 2008 decreased by RM18.6 million or 9.6% and the revenue decreased by RM187.4 million or 12.6% when compared to the preceding quarter. Revenue for the plantation sector was higher due to higher production but contribution decline mainly due to the drop in CPO price with stable foreign exchange. 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 also lower 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 be maintained.

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.

ORIENTAL HOLDINGS BERHAD
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)

18. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sept 08 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 07 RM'000 (Unaudited)	Current Year To date 30 Sept 08 RM'000 (Unaudited)	Preceding Year To date 30 Sept 07 RM'000 (Unaudited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	12,482	5,603	27,464	14,899
- (Over)/under provision in respect of prior year	(738)	(179)	(593)	389
	11,744	5,424	26,871	15,288
Foreign taxation				
- Based on profit for the period	25,644	29,603	83,875	76,132
	37,388	35,027	110,746	91,420
Deferred taxation				
- Current period	(852)	7	-	14
- Under /(over) provision in respect of prior year	-	-	1,372	224
	(852)	7	1,372	238
	36,536	35,034	112,118	91,658

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.

ORIENTAL HOLDINGS BERHAD
 (Company No. 5286-U)
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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)

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 Sept 08 RM'000
Quoted securities in Malaysia	
Cost/carrying amount	
Balance at 1 January 2008	7,612
Exchange differences	93
Balance at 30 September 2008	7,705
Less: Allowance for diminution in value	(168)
Carrying amount	
Balance at 30 September 2008	7,537
Quoted securities outside Malaysia	
Cost	
Balance at 1 January 2008	108,710
Purchases during the period	171,743
Disposal during the period	(95,887)
Exchange differences	5,844
Balance at 30 September 2008	190,410
Less: Allowance for diminution in value	(1,320)
Carrying amount	
Balance at 30 Sept 2008	189,090
Market value of quoted securities	215,566

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SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)

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 25 June 2008 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 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 may be approved by the authority.

The announcement was made on 14 July 2008.

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)**

22. **Group Borrowings**

	Ringgit	Borrowings denominated in Foreign Currencies		Total RM'000 I + II
	RM'000 I	←	→	
		Source Currency	RM Equivalent RM'000	
Finance lease obligations	2,845		-	2,845
Bank overdrafts – unsecured	1,235		-	1,235
Other borrowings – secured	26,792		-	26,792
Other borrowings – unsecured	103,525			
		JPY 5.99 billion	193,361	296,886
		USD 9.82 million	32,104	32,104
		RMB 6.70 million	3,196	3,196
		AUD 10.79 million	29,940	29,940
		BAHT 218.34 million	22,134	22,134
			280,735	384,260
	134,397		280,735	415,132

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 has declared an Interim Dividend of 10% (2007 : 10%) less tax of 25% (2007 : 26%) for the year ending 31 December 2008. The dividend will be payable on 16 January 2009 to stockholders whose names appear in the Record of Depositors at the close of business on 31 December 2008.

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**SELECTED EXPLANATORY NOTES
 TO THE INTERIM FINANCIAL REPORT
 FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)**

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 08 RM'000 (Unaudited)	Preceding Year Quarter 30 Sept 07 RM'000 (Unaudited)	Current Year To Date (Three quarters to 30 Sept 08) RM'000 (Unaudited)	Preceding Year To Date (Three quarters to 30 Sept 07) RM'000 (Unaudited)
Net profit for the period (RM'000)	119,018	104,606	324,600	246,049
<i>Weighted average number of stocks in issue ('000)</i>	516,968	516,968	516,968	516,968
Basic earnings per stock (sen)	23.02	20.23	62.79	47.59

By Order of the Board

C.T. DIONG
Joint Secretary

DATED THIS 27 NOV 2008