

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

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

- (i) 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;
- (ii) a 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; and
- (iii) an interim dividend of 10% (2007: 10%) less 25% (2007: 26%) tax, totalling RM38,772,614 for the year ended 31 December 2008 was paid on 16 January 2009.

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8. Segment Revenue and Results

Financial data by business segment for the Group

	← Current Year To Date → 31 December 2008			
	Revenue		Operating Profit	
	RM'000	%	RM'000	%
Automotive and related products	3,569,939	70.3	240,829	51.3
Plastic products	501,701	9.9	12,586	2.7
Hotels and resorts	203,805	4.0	12,736	2.7
Plantation	402,993	7.9	108,181	23.1
Investment holding and financial services	74,007	1.5	75,191	16.0
Property development and others	324,330	6.4	19,610	4.2
	<u>5,076,775</u>	<u>100.0</u>	<u>469,133</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.
- (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.
- (vi) PT Oriental Kyowa Industries, a 45% and 50.5% owned subsidiary by Jutajati Sdn. Bhd. and Selasih Permata Sdn. Bhd. respectively, which in turn are 100% and 50.5% owned subsidiaries of the Company, has ceased its operations on 23 February 2009 and to be voluntarily wound up.

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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 January 2008 RM'000	Currency translation differences RM'000	At 31 December 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	29,826	354,965
	326,280	29,826	356,106
	366,517	29,826	396,343

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 RM5,076.8 million was 12.5% higher than the corresponding period last year with year-to-date profit before tax of RM486.7 million, a 4.6% lower 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. 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 better than expected. The performance of the overseas plantation was affected by the lower crop output and unfavourable exchange. The performance of the hotel and resort sector was affected by the slow down in the tourists arrival.

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15. Material Change in Loss Before Taxation (“LBT”) / Profit Before Taxation (“PBT”) reported on as compared with the immediate preceding quarter

The Group’s LBT for the fourth quarter of 2008 was RM15.0 million as compared to PBT of RM175.2 million in the preceding quarter. The Group’s revenue for the fourth quarter of 2008 was RM1,021.7 million when compared to RM1,296.7 million in the preceding quarter.

The Group’s PBT for the fourth quarter of 2008 decreased by RM190.2 million or 108.6% and the revenue decreased by RM275.0 million or 21.2% when compared to the preceding quarter. Revenue for the plantation sector was satisfactory but contribution decline mainly due to the drop in CPO price and the unfavourable 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.

The Board of Directors expects the Group’s performance for Year 2009 will be affected by the current economy downturn.

17. Variance of Actual Profit from Forecast Profit

Not Applicable.

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18. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31 Dec 08 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 07 RM'000 (Unaudited)	Current Year To date 31 Dec 08 RM'000 (Unaudited)	Preceding Year To date 31 Dec 07 RM'000 (Audited)
Current taxation				
Malaysian taxation				
- Based on profit for the period	7,875	10,974	35,339	25,873
- Under/(over) provision in respect of prior year	47	(427)	(546)	(38)
	7,922	10,547	34,793	25,835
Foreign taxation				
- Based on profit for the period	3,848	18,855	87,723	94,987
	11,770	29,402	122,516	120,822
Deferred taxation				
- Current period	(5,952)	(1,049)	(5,952)	(1,035)
- Under provision in respect of prior year	791	419	2,163	643
	(5,161)	(630)	(3,789)	(392)
	6,609	28,772	118,727	120,430

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

	31 Dec 08 RM'000
Quoted securities in Malaysia	
Cost/carrying amount	
Balance at 1 January 2008	7,612
Exchange differences	95
Balance at 31 December 2008	7,707
Less: Allowance for diminution in value	(511)
Carrying amount	
Balance at 31 December 2008	7,196
Quoted securities outside Malaysia	
Cost	
Balance at 1 January 2008	108,710
Purchases during the period	206,666
Disposal during the period	(163,638)
Exchange differences	2,666
Balance at 31 December 2008	154,404
Less: Allowance for diminution in value	(21,427)
Carrying amount	
Balance at 31 December 2008	132,977
Market value of quoted securities	151,752

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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 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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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	2,608		-	2,608
Bank overdrafts – unsecured	4,416		-	4,416
Other borrowings – secured	14,881		-	14,881
Other borrowings – unsecured	108,033			
		JPY 8.02 billion	304,621	412,654
		USD 14.72 million	50,311	50,311
		RMB 5.10 million	2,591	2,591
		AUD 8.19 million	19,674	19,674
		BAHT 221.89 million	22,078	22,078
			399,275	507,308
	129,938		399,275	529,213

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 proposed a final dividend of 6% (2007: 10% + 3%) less tax, totalling RM23,263,569 in respect of the year ended 31 December 2008, 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 08 RM'000 (Unaudited)	Preceding Year Quarter 31 Dec 07 RM'000 (Unaudited)	Current Year To Date (Four quarters to 31 Dec 08) RM'000 (Unaudited)	Preceding Year To Date (Four quarters to 31 Dec 07) RM'000 (Audited)
Net (loss)/profit for the period (RM'000)	(1,162)	77,876	323,438	323,925
<i>Weighted average number of stocks in issue ('000)</i>	516,968	516,968	516,968	516,968
Basic (loss)/earnings per stock (sen)	(0.22)	15.06	62.56	62.65

By Order of the Board

C.T. DIONG
Joint Secretary

DATED THIS 23 FEB 2009