

# **Oriental Interest Berhad**

**(272144-M)**



**Annual Report**

# Annual Report 2002

## CONTENTS

<i>Corporate Information</i>	<i>1</i>
<i>Group Structure</i>	<i>2</i>
<i>Corporate Profile</i>	<i>3</i>
<i>Board of Directors</i>	<i>4</i>
<i>Financial Highlight</i>	<i>7</i>
<i>Chairman's Statement</i>	<i>8</i>
<i>Managing Director's Operation Review</i>	<i>10</i>
<i>Corporate Governance Statement</i>	<i>12</i>
<i>Audit Committee Report</i>	<i>20</i>
<i>Internal Control Statement</i>	<i>25</i>
<i>Directors' Report</i>	<i>28</i>
<i>Report of the Auditors to the Members</i>	<i>34</i>
<i>Income Statements</i>	<i>35</i>
<i>Balance Sheets</i>	<i>36</i>
<i>Statements of Changes in Equity</i>	<i>37</i>
<i>Cash Flow Statements</i>	<i>38</i>
<i>Notes to the Financial Statements</i>	<i>39</i>
<i>Statements by Directors</i>	<i>60</i>
<i>Statutory Declaration</i>	<i>60</i>
<i>Analysis of Shareholdings</i>	<i>61</i>
<i>Properties of the Group</i>	<i>63</i>
<i>Notice of Annual General Meeting</i>	<i>65</i>
<i>Statement Accompanying Notice of Annual General Meeting and Other Information</i>	<i>69</i>
<i>Proxy Form</i>	<i>70</i>



## CORPORATE INFORMATION

### Board of Directors

Dato' Haji Thobrani Bin Haji Hanafi

*[ Executive Chairman ]*

Mr Goh Cheng Hock

*[ Managing Director ]*

Mr Goh Aik Lai

*[ Deputy Managing Director ]*

Mr Koay Leong Eng

*[ Executive Director ]*

Mr Lim Hai Hong @ Lim Hai Hak

*[ Non-Independent Non-Executive Director ]*

Mr Chai Tin Kok @ Sua Ah Seng

*[ Non-Independent Non-Executive Director ]*

Mr Gee Kok Sang

*[ Independent Non-Executive Director ]*

Tuan Haji Ahmad Bin Abdul Rashid

*[ Independent Non-Executive Director ]*

Mr Chin Kuet Sen

*[ Independent Non-Executive Director ]*

### Audit Committee

Mr Gee Kok Sang (*Chairman*)

Tuan Haji Ahmad Bin Abdul Rashid

Mr Chin Kuet Sen

Mr Koay Leong Eng

### Remuneration Committee

Mr Gee Kok Sang (*Chairman*)

Tuan Haji Ahmad Bin Abdul Rashid

Mr Chai Tin Kok @ Sua Ah Seng

### Nominating Committee

Tuan Haji Ahmad Bin Abdul Rashid (*Chairman*)

Mr Chin Kuet Sen

Mr Lim Hai Hong @ Lim Hai Hak

### Company Secretary

Lam Voon Kean (MIA 4793)

### Corporate Head Office

2nd Floor, Wisma OIB

1 & 2, Jalan Bank

08000 Sungai Petani

Kedah Darul Aman

Tel : 04-421 3352

Fax : 04-423 3352

### Registered Office

Suite 2-1, 2nd Floor

Menara Penang Garden

42A Jalan Sultan Ahmad Shah

10050 Penang

Tel : 04-229 4390

Fax : 04-226 5860

### Registrar

Agriteum Share Registration Services

Sdn Bhd

2nd Floor, Wisma Penang Garden

42 Jalan Sultan Ahmad Shah

10050 Penang

Tel : 04-228 2321

Fax : 04-227 2391

### Auditors

PricewaterhouseCoopers

4th Floor, Wisma Penang Garden

42 Jalan Sultan Ahmad Shah

10050 Penang

Tel : 04-227 2200

Fax : 04-227 0124

### Principal Corporate Advisor

Malaysian International

Merchant Bankers Berhad

### Principal Bankers

RHB Bank Berhad

Malayan Banking Berhad

Alliance Bank Malaysia Berhad

### Stock Exchange Listing

Kuala Lumpur Stock Exchange

Main Board

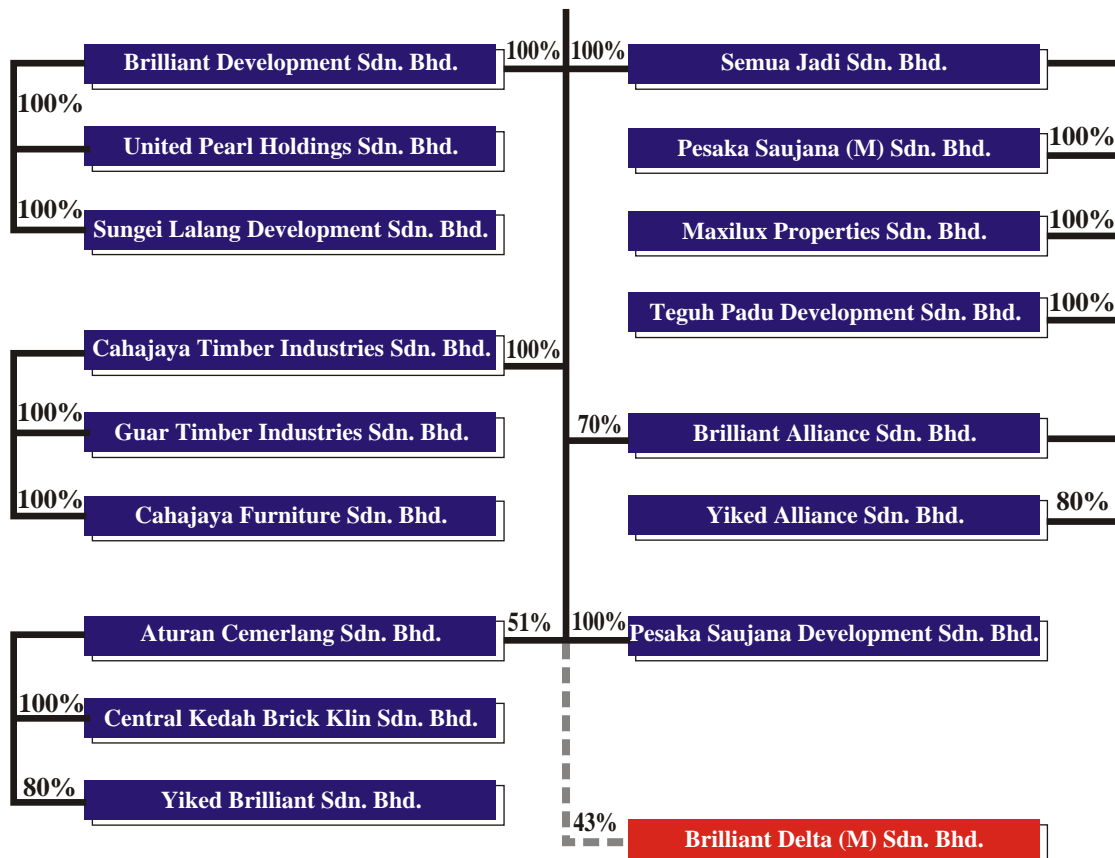
Stock Code: 5827

Stock Short Name: OIB

## GROUP STRUCTURE



### Oriental Interest Berhad



Legend -

-  Subsidiary Company
-  Associated Company



## **CORPORATE PROFILE**

### **Incorporation**

Oriental Interest Berhad ("Oriental Interest") was incorporated in Malaysia on 3 August 1993 under the Companies Act, 1965 as a private limited company under the name of Oriental Interest Sdn. Bhd. The Company was converted to a public limited company on 22 December 1993 and adopted its present name. The principal activities of the Company are investment holding and provision of management services.

Oriental Interest was officially listed on the Main Board of Kuala Lumpur Stock Exchange on 18 October 1994.

### **Business**

The Company is an investment holding company for the Oriental Interest Group. The Oriental Interest Group, comprises of Oriental Interest, 6 subsidiary companies and 10 sub-subsidiary companies, is actively involved in the businesses of commercial and residential property development, general construction and the manufacture of rubberwood products.

### **Property Development**

Over the past 17 years, the Group has completed numerous construction and property development projects totalling over RM900 million in value and has established itself as a leading housing developer, having completed approximately 17,000 units of houses since 1985.

The Group has gained the confidence of house buyers and is well-known as a reliable housing developer due to its good reputation in consistently delivering houses ahead of development schedule.

### **Manufacturing**

Oriental Interest, through its wholly-owned subsidiary company, Cahajaya Timber Industries Sdn. Bhd. is also involved in the manufacture and export of downstream rubberwood products to complement its property development activity. The rubberwood products are mainly moulding, lamination, drawers fronts, furniture parts, cabinet doors and solid doors.

The manufacturing activity is carried out in the main factory sited on 10.25 acres of land in the Bakar Arang Industrial Estate in Sungai Petani, Kedah. Approximately 95% of its products are exported to United States of America, Japan, Ireland, Belgium, United Kingdom and Korea.

## Board of Directors



***Seated (from Left to Right):***

Mr Goh Cheng Hock [Managing Director]  
Dato' Haji Thobrani Bin Haji Hanafi [Executive Chairman]  
Mr Goh Aik Lai [Deputy Managing Director]  
Mr Koay Leong Eng [Executive Director]

***Standing (from Left to Right):***

Mr Chin Kuet Sen [Independent Non-Executive Director]  
Mr Gee Kok Sang [Independent Non-Executive Director]  
Tuan Haji Ahmad Bin Abdul Rashid [Independent Non-Executive Director]  
Mr Lim Hai Hong @ Lim Hai Hak [Non-Independent Non-Executive Director]  
Mr Chai Tin Kok @ Sua Ah Seng [Non-Independent Non-Executive Director]

## Profile of Directors

**Dato' Haji Thobrani Bin Haji Hanafi**, Malaysian, aged 56, was appointed to the Board on 19 August 1994 as the Executive Chairman of the Company, a position he is still holding to date. He obtained his Bachelor of Arts degree in Social Science from University of Malaya in 1969 and, in 1979, attended City Planning Studies in Europe and Thailand. Dato' Haji Thobrani served with the Kedah State Civil Service for 13 years in various capacities and was President of Majlis Perbandaran Kota Setar, Kedah prior to leaving Civil Service to join OIB Group in August 1982. He is the spouse of Datin Sharifah Mahiran Binti Syed Kechil as well as having a substantial interest in Thobrani Holdings Sdn Bhd; both of them are major shareholders of the Company. Dato' Haji Thobrani has no conflict of interest with the Company. He does not hold any directorship in other public companies and had no conviction for offences within the past 10 years.

**Mr Goh Cheng Hock**, Malaysian, aged 65, was appointed to the Board on 19 August 1994 as the Managing Director of the Company, a position he is still holding to date. As one of the founder members of OIB Group, he became an entrepreneur at the age of 18, when he ventured into fertilizer dealing in 1955, before embarking upon housing development in 1977. Today, Mr Goh is involved in a spectrum of businesses including building construction, property development, rubber/oil palm plantation and manufacturing. He is the father of Mr Goh Aik Lai, the Deputy Managing Director of the Company, Mr Goh Aik Keong and Mr Goh Aik Lean as well as having a substantial interest in Goh Cheng Hock Holdings Sdn Bhd; all of them are major shareholders of the Company. Other than as disclosed in the Notes to the Financial Statements, Mr Goh has no conflict of interest with the Company. He does not hold any directorship in other public companies and had no conviction for offences within the past 10 years.

**Mr Goh Aik Lai**, Malaysian, aged 36, is the Deputy Managing Director of the Company and was appointed to the Board on 8 January 1996. He graduated from University of Sydney in 1988 with a Bachelor of Economics degree. Mr Goh joined the Manufacturing Division of OIB Group in 1988 as Operation Manager and was promoted to General Manager in 1990. He has travelled extensively abroad to keep abreast with new production technology and has succeeded in establishing a wide and growing clientele network. He is the son of Mr Goh Cheng Hock, the Managing Director of the Company, and brother of Mr Goh Aik Keong and Mr Goh Aik Lean as well as having a substantial interest in Goh Cheng Hock Holdings Sdn Bhd; all of them are major shareholders of the Company. Other than as disclosed in the Notes to the Financial Statements, Mr Goh has no conflict of interest with the Company. He does not hold any directorship in other public companies and had no conviction for offences within the past 10 years.

**Mr Koay Leong Eng**, Malaysian, aged 51, is an Executive Director of the Company and was appointed to the Board on 19 August 1994. He obtained a Bachelor of Economics (Honours) degree from University of Malaya in 1975. Mr Koay started his banking career with United Malayan Banking Corporation Bhd in 1975 as a Credit Officer. In 1976, he was sponsored by the Bank to pursue a 2-year part-time course at University of Malaya and obtained the Diploma in Accounting in 1978. In 1985, he was promoted to the position of a Branch Manager before resigning to join OIB Group in 1990. Mr Koay does not have any family relationship with any Director and/or major shareholder of the Company. Other than as disclosed in the Notes to the Financial Statements, Mr Koay has no conflict of interest with the Company. He does not hold any directorship in other public companies and had no conviction for offences within the past 10 years.



**Mr Lim Hai Hong @ Lim Hai Hak**, Malaysian, aged 65, is a Non-Independent and Non Executive Director of the Company and was appointed to the Board on 19 August 1994. He started his own business at the age of 18 as a retailer in vegetables and subsequently as a rice merchant. In 1977, Mr Lim ventured into housing development and is one of the founder members of OIB Group. His business interests include investment holdings and rubber/oil palm plantation. Mr Lim does not have any family relationship with any Director and/or major shareholder of the Company. Other than as disclosed in the Notes to the Financial Statements, he has no conflict of interest with the Company. Mr Lim does not hold any directorship in other public companies and had no conviction for offences within the past 10 years.

**Mr Chai Tin Kok @ Sua Ah Seng**, Malaysian, aged 67, is a Non-Independent and Non Executive Director of the Company and was appointed to the Board on 19 August 1994. Also a founder member of OIB Group, he started his own sundry shop at the age of 18 in 1953 and later became a padi merchant. In 1973, Mr Chai ventured into rubber plantation and subsequently into housing development in 1976. His business interests involve investment holdings and rubber/oil palm plantation. Mr Chai does not have any family relationship with any Director and/or major shareholder of the Company. Other than as disclosed in the Notes to the Financial Statements, he has no conflict of interest with the Company. Mr Chai does not hold any directorship in other public companies and had no conviction for offences within the past 10 years.

**Mr Gee Kok Sang**, Malaysian, aged 46, is an Independent Non-Executive Director of the Company and was appointed to the Board on 19 August 1994. He joined Messrs. Kassim Chan & Co., then an affiliated firm of Deloitte, Haskins & Sells, upon graduating with a Diploma in Commerce from Tunku Abdul Rahman College in 1978. Mr Gee was attached to the firm for 6 years before setting up his own practice, Gee & Co., in 1984. He qualified as an Associate Member of the Association of Chartered Certified Accountants in 1981 and the Institute of Chartered Secretaries and Administrators in 1982 respectively. Presently, Mr Gee is a Fellow Member of both the aforementioned professional bodies as well as a member of the Malaysian Institute of Accountants. He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company. Mr Gee does not hold any directorship in other public companies and had no conviction for offences within the past 10 years.

**Tuan Haji Ahmad Bin Abdul Rashid**, Malaysian, aged 51, is an Independent Non-Executive Director of the Company and was appointed to the Board on 16 August 2001. He obtained a Bachelor of Arts degree from University of Malaya in 1974. Tuan Haji Ahmad started his career as an Assessing Officer in the Department of Inland Revenue, after a few months, to serve as an Assistant Director of the Bumiputera Participation Unit in the Ministry of Trade and Industry in 1975. He was appointed as a lay magistrate for a period of 2 years before pursuing his law degree in 1977. After obtaining his Bachelor of Law degree from University of Malaya in 1980, Tuan Haji Ahmad continued serving as a Judicial and Legal Officer until starting his private practice, Ahmad A. Rashid & Co., in 1983. He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company. Tuan Haji Ahmad does not hold any directorship in other public companies and had no conviction for offences within the past 10 years.

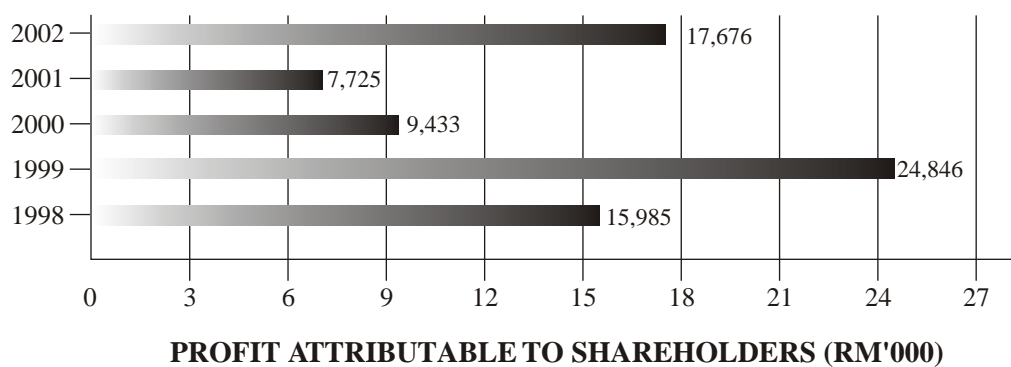
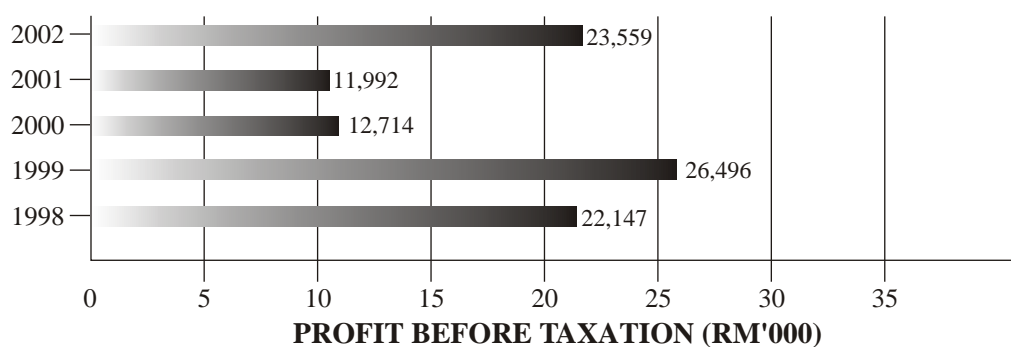
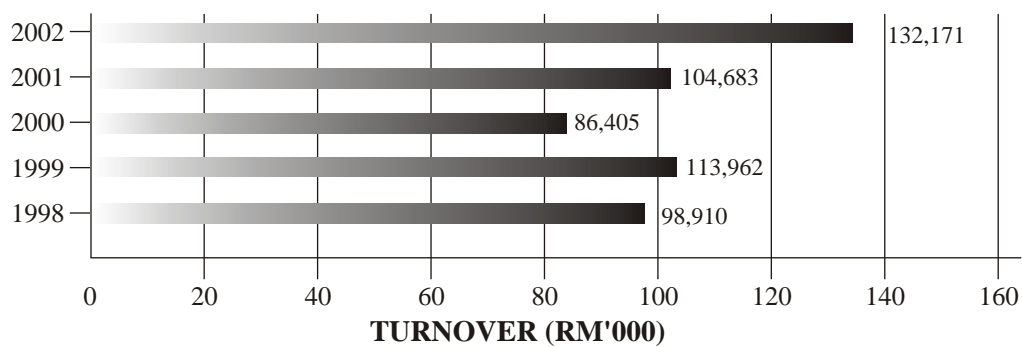
**Mr Chin Kuet Sen**, Malaysian, aged 39, is an Independent Non-Executive Director of the Company and was appointed to the Board on 16 August 2001. He holds Bachelor of Law and Bachelor of Economics (Major in Accounting) degrees from Monash University. He began his career with Chew Tan & Lim, Penang in 1990, specializing in conveyancing, civil litigations, banking and corporate work, and was admitted to the Malaysian Bar in the same year. He joined Ooi Gin Sun, Bakar & Co., in 1993 and became the managing partner for Sungai Petani office, in-charge of conveyancing financial institution documentation and corporate work. He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company. Mr Chin does not hold any directorship in other public companies and had no conviction for offences within the past 10 years.





## FINANCIAL HIGHLIGHTS

5 Years Results	Year Ended 30 June				
	2002	2001	2000	1999	1998
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	<b>132,171</b>	104,683	86,405	113,962	98,910
Profit Before Taxation	<b>23,559</b>	11,992	12,714	26,496	22,147
Taxation	<b>(5,172)</b>	(3,640)	(2,423)	(1,347)	(6,177)
	<b>18,387</b>	8,352	10,291	25,149	15,970
Minority Interests	<b>(711)</b>	(627)	(858)	(303)	15
Profit Attributable To Shareholders	<b>17,676</b>	7,725	9,433	24,846	15,985



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Oriental Interest Berhad ("OIB"), it is my pleasure to present the Ninth Annual Report of the Group for the financial year ended 30 June 2002.

### INDUSTRY TREND AND FINANCIAL RESULTS

In the past year, there were indications that selected segments within the property and construction industries are on the path of recovery; in particular those affordably priced residential development projects at strategic locations. With acute foresight, OIB Group had positioned itself well in advance to benefit from the recent surge in demand in the targeted market registering an outstanding performance for the financial year 2002.



Comparing results of the last reporting period with those of financial year 2001, revenue was 26% higher; hence, the Group is able to register a remarkable 96% increase in pre-tax profit. This excellent performance was achieved through fruitful launching of housing schemes at strategical locations as well as improved margin of return from both Property and Manufacturing Divisions. With net profit attributable to shareholders totaling RM17.7million for the financial year, more than double to that of the preceding year, the shareholders' fund had recorded a growth rate of 7%. Meanwhile, successful launching of a housing scheme coupled with sustainable favourable price of Crude Palm Oil had resulted in significant increase in contribution from associated company.

### DIVIDEND

The Board of Directors has recommended, subject to shareholders' approval at the forthcoming Annual General Meeting, a first and final dividend of 7% less 28% income tax in respect of the financial year ended 30 June 2002.

### CORPORATE GOVERNANCE

The Board recognizes the need for good corporate governance and its importance in instilling the practice of transparency and accountability as well as maintaining corporate integrity with the ultimate objective of enhancing shareholders' value. Our efforts are detailed in the Statement of Corporate Governance enclosed in this Annual Report.



### **EMPLOYEE SHARE OPTION SCHEME ("ESOS")**

A revised ESOS, approved by shareholders on 25 October 2001, had been implemented on 24 November 2001 replacing the previous ESOS. The Option Committee will ensure this new ESOS are operational in achieving its intended objective of providing incentive to motivate, retain and reward employees for their greater commitment, improved performance and faithful loyalty.

### **PROSPECTS**

In view of the convergence of other property developers on the niche market targeted by the Group, the competition has been intensified. Therefore, it would be a great challenge for the Group to maintain the same level of performance for the coming year. Meanwhile, in competing for market share in property loan sector, most financial institutions are aggressively promoting attractive home financing packages. In so doing, interest rate is and will be maintained at a level that is quite conducive to continuing growth of the property market. Based on the response to the existing projects of the Group, the Board is confident of delivering positive results for the current financial year.

### **APPRECIATION**

Again, on behalf of the Board, I wish to extend our appreciation to all our customers, business associates, regulatory authorities and shareholders for their continuing support and confidence in the Group.

At the same time, I would also like to express my heartfelt gratitude to my fellow Board members, the management and staff of the Group for their devotion and determination through out this trying time. With well co-ordinate teamwork under the guidance of the Board and management, we are aspiring to better performance for the current financial year.

**Dato' Haji Thobrani Bin Haji Hanafi**

Executive Chairman

23 September 2002

## MANAGING DIRECTOR'S OPERATION REVIEW



Financial year 2002 had produced remarkable results for the Group, with revenue and pre-tax profit reported at RM132.2million and RM23.5million respectively. The revenue and operating profit recorded was RM27.5million and RM11.6million higher respectively than that of the preceding year.

Due to the availability of unabsorbed capital and reinvestment allowances as well as tax losses brought forward for offsetting, profit from Manufacturing Division was not taxable. The effective tax rate on provision of RM5.1million for the current financial year, against taxable income of RM19.6million from Property Division, is approximating to that of statutory tax rate of 28%.

Consequently, the earnings per ordinary share ("EPS") for the financial year under review had more than doubled that of FY2001 of 8.58sen to 19.63 sen, an increase of 11.05sen or 129%.

### PROPERTY DEVELOPMENT

Property Division generated RM108.5million of billings for the period under review, RM25.6million (31%) higher, yielding a pre-tax profit of RM19.6million, an increase of RM8.9million (82%), for the financial year 2002. The outstanding results were mainly attributable to noticeable increase in billings as well as improved margin of return.

A total of 652 units of landed properties launched in financial year 2002 and currently there are 1,684 units under construction, of which majority are residential landed properties, with more than 60% had been sold to date.



### **MANUFACTURING**

Although sales for Manufacturing Division registered a modest growth of 8% (RM1.8million) to RM23.8 million, pre-tax profit increased tremendously by RM2.8million (202%) to RM4.2million. These creditable results were mainly attributable to improved contribution margin as well as overall cost savings programme implemented during the financial year under review.

### **ASSOCIATED COMPANY**

Encouraging response for the recently launching housing scheme coupled with favourable price of Crude Palm Oil had multiplied contribution from associated company by more than six times to RM0.5million.

### **FINANCIAL POSITION**

The Group's financial position has been strengthened ever since the global economic crisis few years ago. This is evident based on Shareholders' Equity increased from RM169.5million in 1999 to RM195.5million as at end of the financial year 2002 and the net borrowing of the Group had reduced from RM40.7million to RM19.0 during the same period, whilst the Company was able to maintain annual dividend payment of 7% since its listing in 1994, with the exception of 1998 where dividend payment was at 4%.

### **OUTLOOK**

Shrewd measures taken by the management in ensuring the launching of new housing schemes at potential growth areas and better management of systematic operational risks will safeguard the Group's operating results for the current financial year ending 30th June 2003 to remain profitable.

**Goh Cheng Hock**  
Managing Director  
23 September 2002

## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors recognises the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts, namely transparency, accountability as well as corporate performance.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the Principles and Best Practices set out in Parts 1 and 2 respectively of the Malaysian Code on Corporate Governance (the "Code").

The Board is pleased to provide the following statements, which outline the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

### **Principles statement**

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the following headings of Board of Directors, Directors' remuneration, Shareholders and Accountability and audit.

#### **A. Board of Directors**

##### **Board responsibilities**

The Group acknowledges the pivotal role played by the Board of Directors in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

##### **Meetings**

The Board meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year ended 30 June 2002, the Board met on four (4) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, strategic decisions and the direction of the Group.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. All proceedings from the Board meetings are recorded and the minutes thereof signed by the Chairman of the meeting.

Details of each existing Director's meeting attendances during the financial year ended 30 June 2002 are as follows: -

	<b>Name of Director</b>	<b>Attendance</b>
<b>Executive</b>	Dato' Haji Thobrani Bin Haji Hanafi	4/4
	Goh Cheng Hock	4/4
	Goh Aik Lai	4/4
	Koay Leong Eng	4/4
<b>Non-Independent</b>	Lim Hai Hong @ Lim Hai Hak	4/4
<b>Non- Executive</b>	Chai Tin Kok @ Sua Ah Seng	4/4
<b>Independent</b>	Gee Kok Sang	4/4
<b>Non-Executive</b>	Ahmad Bin Abdul Rashid (appointed on 16.8.2001)	3/3
	Chin Kuet Sen (appointed on 16.8.2001)	3/3
	Anuar Bin Bahari (resigned on 16.8.2001)	0/1

### **Board Committees**

The Board of Directors delegates certain responsibilities to Board Committees, namely an Audit Committee, a Nominating Committee, a Remuneration Committee and an Employee Share Option Scheme ("ESOS") Committee in order to enhance business and operational efficiency as well as efficacy. The Nominating and Remuneration Committees were established in November 2001 to assist the Board in the execution of its duties. Prior to the establishment of these Committees, the Board as a whole assumes their functions. The ESOS Committee was established to administer the Company's ESOS in accordance with the bye-laws thereof to determine, amongst others, participation eligibility, option offers and share allocations.

The Nominating and Remuneration Committees have written terms of reference and operating procedures. The Remuneration Committee convened two (2) meetings during the financial year for the purposes of deliberating bonuses for executive directors and, deliberation on the comparability of Directors' remuneration package with the industry norm. Meanwhile, the Nominating Committee had convened its first meeting subsequent to the year end.

### **Board Balance**

As at the date of this Statement, the Board consists of nine (9) members, comprising four (4) Executive Directors, two (2) Non-Executive Directors and three (3) Independent Non-Executive Directors. A profile of each Director is presented on pages 5 and 6 of this Annual Report.

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Section 1.01 of the Listing Requirements of the Kuala Lumpur Stock Exchange. The key elements for fulfilling the criteria are the appointment of an independent Director who is not a member of management (a non-executive Director) and who is free of any relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. The Board complies with paragraph 15.02 of the Listing Requirements, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are independent Directors.



The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The independent non-executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the executive Directors. The non-executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

There is a clear division of responsibilities at the head of the Company to ensure a balance of authority and power. The Board is led by Dato' Haji Thobrani bin Haji Hanafi as the Executive Chairman whilst the executive management of the Company is led by Mr Goh Cheng Hock, the Group Managing Director.

The roles of Chairman and the Group Managing Director are defined with their individual position responsibilities. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Group Managing Director is responsible for the day-to-day management of the business as well as the implementation of Board's policies and decisions.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.

### **Supply information**

The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Every Director also has unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Articles of Association allow the appointment of a temporary substitute for the Secretary who shall be deemed to be the Secretary during the term of the appointment.

Prior to the meetings of the Board and the Board Committees, appropriate documents, which include the agenda and reports relevant to the issues of the meetings covering the areas of financial, operational and regulatory compliance matters, are circulated to all the Directors, to enable them to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The Directors review and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to the Kuala Lumpur Stock Exchange.

The Board, as a whole, will determine, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense.

## **Appointments to the Board**

### Nominating Committee

The Nominating Committee comprises the following members during the year: -

- |                              |  |
|------------------------------|--|
| • Ahmad bin Abdul Rashid     | - Chairman, Independent Non-Executive Director |
| • Chin Kuet Sen              | - Independent Non-Executive Director           |
| • Lim Hai Hong @ Lim Hai Hak | - Non-Executive Director                       |

The Committee consists entirely of non-executive Directors, a majority of whom are independent.

The Nominating Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations as to the appointment of new Directors. The Committee is to systemically keep under review the effectiveness of the Board and Board committees as a whole and for assessing the contribution of each individual Director in discharging his duties in the most conscientious manner.

The Committee shall meet whenever there is a need for the Committee to perform its functions, and at least once every year in carrying out an annual review of the Board.

### **Directors' training**

The Board, via the Nominating Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. There is no formal training or orientation programme for Directors. However, during the financial year, all Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

### **Re-election**

The Articles of Association provide that an election of Directors shall take place each year and, at the Annual General Meeting, one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election. All the Directors shall retire from office once at least in three (3) years but shall be eligible for re-election.

The Company Secretary will ensure that all the necessary information is obtained, as well as all legal and regulatory obligations are met before the appointments are made.

## B. Directors' remuneration

### Remuneration Committee

The members of the Remuneration Committee during the year are: -

- Gee Kok Sang - Chairman, Independent Non-Executive Director
- Ahmad bin Abdul Rashid - Independent Non-Executive Director
- Chai Tin Kok @ Sua Ah Seng - Non-Executive Director

The Committee consists entirely of non-executive Directors, a majority of whom are independent. The Remuneration Committee is responsible for recommending and putting in place a structured remuneration framework for executive Directors.

The determination of remuneration packages of non-executive Directors shall be a matter for the Board as a whole, with individual Directors abstaining from decisions in respect of their individual remuneration.

The policy adopted by the Committee on Directors' remuneration is to structure remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company.

Details of the Directors' remuneration during the year are as follows: -

Category	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	80	100	180
Allowance	12	22	34
Salaries	924	-	924
Bonuses	154	-	154
EPF	129	-	129
Estimated Value of Benefit-in-kind	66	-	66
Others	-	-	-
<b>Total</b>	<b>1,365</b>	<b>122</b>	<b>1,487</b>

The remuneration paid/payable to Directors, analysed into bands of RM50,000 for the year ended 30 June 2002, are summarised as follows: -

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	5
RM200,001 RM250,000	1	-
RM250,001 RM300,000	1	-
RM350,001 RM400,000	1	-
RM500,001 RM550,000	1	-

## **C. Shareholders**

The Company recognises the importance of communicating with its shareholders and does this through the Annual Report, Annual General Meeting ("AGM") and Extraordinary General Meeting. It has been the Company's practice to send the Notice of AGM and related papers to shareholders at least twenty-one (21) working days, as appropriate, before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

In addition, the Company makes various announcements through the Kuala Lumpur Stock Exchange, in particular, the timely release of its quarterly financial results within two months from the close of a particular quarter.

## **D. Accountability and audit**

### Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of the financial results as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### Directors' responsibility statement

The Board is responsible for ensuring that the financial statements of the Group and Company give a true and fair view of the state of affairs of the Group and the Company at the end of the accounting year and of their results and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### State of internal controls

The Internal Control Statement furnished on pages 25 to 27 of this Annual Report provides an overview of the state of internal controls within the Group.

### Relationship with the auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 21 to 24 of this Annual Report.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 20 and 21 this Annual Report.

### **Compliance statement**

The Group has complied throughout the year ended 30 June 2002 with all the Best Practices of corporate governance set out in Part 2 of the Code except for the following: -

- Appointment of a senior independent non-executive Director, to whom concerns may be conveyed, has not been made as the Board is of the opinion it is sufficient that the Chairman normally encourages full discussion and deliberation by all Directors during Board meetings.
- A Nominating Committee was formed in November 2001 with specific terms of reference, mainly to propose new nominees to the Board and to assess Directors on an on-going basis. The Nominating Committee, however, has yet to convene a meeting since its formation. There was no review done on the present members of the Board of Directors, as the mix of experience and expertise of the current number of Directors are considered, in the opinion of the Board, sufficient and optimum in addressing the issues affecting the Group.
- A Remuneration Committee was only formed in November 2001 with specific terms of reference in connection with the recommendation of executive Directors' remuneration packages. Before this, the remuneration of Directors came under the purview of the Board as a whole.
- The Board does not have a formal schedule of matters specifically reserved to it for decision. However, it has been the practice for the Board to deliberate on significant matters that concern the overall strategy of the Group such as major investment or divestment decisions, financial and operating performance, acquisition and disposal of fixed assets.
- The Board together with the Group Managing Director has not developed formal position descriptions for the Board and the Group Managing Director. This is due to the current set-up of the Board whereby a majority of the members have been with the Group since its commencement and thus, are cognisant of their differing responsibilities. Nevertheless, to enhance corporate governance practice, the Board would consider formulating a Board Charter, which delineates the role and responsibilities of the Board as well as the differing roles of the executive Directors and non-executive Directors.
- The Board does not have an agreed procedure for Directors, whether as a full Board or in their individual capacity, to seek independent professional advice in furtherance of their duties at the Group's expense. Nevertheless, the Board has, subsequent to the year end, proceeded to formalise an agreed procedure in this regard, whereby a formal request has to be submitted to the Board for approval prior to the engagement, whenever such a need arises.



- The Board, through the Audit Committee and executive Directors has been able to identify principal business risks and ensure the implementation of appropriate controls to manage these risks. However, the Board believes that the establishment of a formalised and structured framework to identify and measure business risks would better enhance the operations of the Group in preparing itself for challenges ahead. In this respect, the Board appointed a firm of consultants in December 2001 to carry out an Enterprise Risk Management assignment on the Group. This assignment will assist the Board in identifying and measuring principal risks on a more objective and structured method, so that appropriate controls can then be implemented to manage the risks efficiently.
- The Board outsourced its internal audit function by appointing an independent firm of consultants in December 2001 to carry out internal audit review of the Group on a risk-based approach. The internal audit function has yet to be mobilized as at the end of the financial year pending the completion of the Enterprise Risk Management assignment.

This statement is issued in accordance with a resolution of the Directors dated 23 September 2002.

## AUDIT COMMITTEE REPORT

### Membership

The present members of the Committee comprise: -

Gee Kok Sang	-	Chairman, Independent Non-Executive Director
Ahmad bin Abdul Rashid	-	Independent Non-Executive Director
Chin Kuet Sen	-	Independent Non-Executive Director
Koay Leong Eng	-	Executive Director

### Terms of reference

The Audit Committee (the "Committee") was established to act as a Committee of the Board of Directors, with terms of reference set out below on pages 21 to 24 of the Annual Report.

### Meetings

The Audit Committee convened seven (7) meetings during the financial year. Details of attendance of each member are as follows: -

Member	Attendance
Mr Gee Kok Sang	7/7
Encik Ahmad Bin Abdul Rashid (appointed on 16.8.2001)	6/6
Mr Chin Kuet Sen (appointed on 16.8.2001)	6/6
Mr Koay Leong Eng	7/7
Encik Anuar Bin Bahari (resigned on 16.8.2001)	0/1

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

The Company Secretary was present by invitation in all the meetings. Representatives of the external auditors, the Group Accountant and other management staff of the Group also attended the meetings upon invitation.

### Summary of activities during the financial year

The Audit Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee were as follows: -

- Reviewed the external auditors' scope of work and audit plans for the year;
- Reviewed the annual financial statements of the Group and Company prior to submission to the Board for their consideration and approval;
- Reviewed related party transactions entered into by the Group;





- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval;
- Reviewed the amendments to the Articles of Association to comply with the Listing Requirements before recommending for the Board's approval; and
- Considered the appointment of external consultants for enterprise risk management and internal audit services before recommending to the Board for appointment.

### **Internal audit function**

In December 2001, the Company engaged the services of an independent firm of consultants to carry out the internal audit function of the Group in order to assist the Committee in discharging its duties and responsibilities. During the financial year, the internal audit function did not carry out any project to test the effectiveness of the internal control system of the Group pending the completion of the Enterprise Risk Management, which was in progress at the end of financial year. Nevertheless, the implementation of certain procedures and processes as outlined on page 27 of the Internal Control Statement, are in the Committee's opinion, pertinent enough to provide a certain degree of assurance as to the operation and validity of the system of internal control in the Group.

### **Terms of reference of the Audit Committee**

#### **Objectives**

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities: -

- Assess the Group's processes relating to its risks and control environment;
- Oversee financial reporting; and
- Evaluate the internal and external audit processes.

#### **Composition**

The Board shall elect and appoint Committee members from amongst their numbers, comprising no fewer than three (3) Directors, the majority of whom shall be independent non-executive Directors of the Company.

The Board shall at all times ensure that at least one (1) member of the Committee shall be: -

- A member of the Malaysian Institute of Accountants ("MIA"); or
- If the person is not a member of MIA, the person must have at least three (3) years of working experience and: -

- the person must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
- the person must be a member of the association of accountants specified in Part II of the Accountants Act 1967.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an independent non-executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall review the terms of office of each of its members at least once (1) every three (3) years.

#### **Quorum and committee's procedures**

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be independent non-executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with the management, and at least once every year with the internal audit consultants and external auditors in separate sessions to discuss any matters with the Committee without the presence of any executive member of the Board.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal convention on such matter.

#### **Authority**

The Committee is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.



The Committee shall have direct communication channels with the internal audit consultants and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the KLSE Listing Requirements, the Committee shall promptly report such matter to the KLSE.

### **Responsibilities and duties**

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties: -

- To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
- To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Company, focusing particularly on: -
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- To review the external auditors' management letter and management's response;
- To do the following where an internal audit function exists: -
  - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;

- review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function;
  - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- To consider any related party transactions that may arise within the Company or Group;
  - To consider the major findings of internal investigations and management's response; and
  - To consider other topics as defined by the Board.

## INTERNAL CONTROL STATEMENT

### Introduction

Paragraph 15.27(b) of the Kuala Lumpur Stock Exchange (KLSE) Listing Requirements requires the Board of Directors of public listed companies to include in its annual report a "statement about the state of internal control of the listed issuer as a Group". The Board is committed to maintaining a sound system of internal control throughout the Group, comprising the Company and all its subsidiaries, and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the year. The associated companies have not been considered in this statement as the Board does not consider them significant in relation to the Group.

### Board Responsibility

The Board acknowledges its responsibility for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management, financial, organisational, operational and compliance controls.

The Board fully supports the contents of the publication on *"Statement on Internal Control - A Guidance to Directors of Public Listed Companies"* and, accordingly, appointed a firm of consultants in December 2001 to carry out an Enterprise Risk Management assignment on the Group. The main objective of this project is to formalize and embed a risk management process across the Group in order to sensitize all employees within the Group more strongly to risk identification, evaluation, control, ongoing monitoring and reporting. The Enterprise Risk Management project, which was in progress as at 30 June 2002, involves the following initiatives, which were taken during the year:

- Holding of risk awareness seminars for all operational managers of the various business units within the Group to inculcate an understanding of risks as they related to the business of the Group;
- Conducting risk workshops and interviews with senior management and operational managers of the major business units in the Group. A database of all principal risks and controls has been created and the information filtered to produce a detailed risk register, and individual risk profiles for the major business units. Key risks to each business unit's objectives aligned with the Group's strategic objectives, were identified and scored for likelihood of the risks occurring and the magnitude of impact.

Since the end of the financial year to the date of this statement, the following initiatives on the Enterprise Risk Management project were established: -

- The risk profiles of the Group and the various key divisions within the Group have been developed, which together with a summary of the key findings, were discussed with senior management and the Audit Committee; and

- The issuance of a Risk Management Policy and Procedure Document, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues.

The next steps in the risk management process are as follows: -

- Key management to be nominated in each business unit to prepare action plans, with implementation time-scales to address any risk and control issues.
- To establish a Group Risk Management Committee, headed by the Group Managing Director or his designate, with the responsibility to identify and communicate to the Board of Directors, on an ongoing basis, the critical risks the Group faces, their changes, and the management action plans to manage the risks.
- To further embed the risk management process within the culture of the Group, the Group Risk Management Committee will disseminate and explain to all employees the process. Risk management training for selected management and staff will be conducted on an ongoing basis.
- Appointing a dedicated Risk Officer, or outsource to consultants, to update the risk assessment of the Group.
- Embedding internal control and risk management further into the operations of the business through the installation of a process of control self-assessment, using the assistance of consultants, if necessary.
- Submitting quarterly risk management reports by individual business units to the Group Risk Management Committee.
- Formal quarterly review by the Board on the adequacy and integrity of the system of internal control.

### **Internal Audit Function**

In December 2001, the Board outsourced the internal audit function to an independent firm of consultants to provide the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control of the Group.

During the financial year, the internal audit function did not carry out any project to test the effectiveness of the internal control system of the Group as the Enterprise Risk Management project was still in progress at the end of the financial year. The risk-based internal audit will be reviewing the internal controls in the key activities of the Group's businesses as they relate to risks based on a 3-year internal audit strategy and a detailed annual internal audit plan approved by the Audit Committee subsequent to the financial year ended 30 June 2002.



### **Internal Control Processes**

Although the internal audit was not functional during the year to assist the Board in ensuring the adequacy and integrity of the system of internal control in the Group, the Board nevertheless confirms that it has implemented the following procedures and processes which, in its opinion, are pertinent enough to provide a certain degree of assurance as to the operation and validity of the system of internal control in the Group: -

- An organizational structure with formally defined lines of responsibility and delegation of authority was in place within the Group;
- A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include, inter-alia, the establishment of limits of authority coupled with internal checks and the issuance of policies on health and safety, human resource issues, staff performance and serious misconduct. These procedures are relevant across Group operations and provide for continuous assurance to be given at increasingly higher levels of Management and, finally to the Board;
- The Group Managing Director reports to the Board on significant changes in the business and external environment, which affect the operations of the Group at large;
- The Executive Director in charge of finance provides the Board with quarterly financial information, including pertinent explanations on the performance of the Group vis-a-vis the market situation; and
- Where areas of improvement in the system are identified, the Board considers the recommendations made by the Audit Committee and the Management.

### **Weaknesses in internal controls that result in material losses**

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board, together with Management, continues to take measures to strengthen the control environment.

This statement is issued in accordance with the resolution of the Directors dated 23 September 2002.



## Directors' report for the financial year ended 30 June 2002

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2002.

### Principal activities

The principal activities of the Company during the financial year are those of investment holding and the provision of management services. The principal activities of the Group consist primarily of property development and the manufacture of furniture and rubberwood related products. There have been no significant changes in the nature of these activities during the financial year.

### Financial results

	<b>Group RM</b>	<b>Company RM</b>
Profit from ordinary activities after taxation	18,387,133	17,769,296
Minority interests	(711,001)	0
Net profit for the financial year	<u>17,676,132</u>	<u>17,769,296</u>

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### Dividend

Dividend paid, declared or proposed since the end of the Company's previous financial year are as follows:

	<b>RM</b>
In respect of the financial year ended 30 June 2001, as proposed in the Directors' report for that financial year, a first and final dividend of 7% less income tax paid on 15 November 2001	<u>4,536,252</u>

The Directors now recommend the payment of a first and final dividend of 7 sen per share on 90,190,002 ordinary shares, less income tax, amounting to RM4,545,576 in respect of financial year ended 30 June 2002 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company.

### Movements on reserves and provisions

All material transfers to or from reserves or provisions during the financial year are as disclosed in the financial statements.

### Issue of shares

During the financial year, 185,000 new ordinary shares of RM1 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employee Share Option Scheme at an exercise price of RM1.32 per share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

### Employee share option scheme

The Company implemented a revised Employee Share Option Scheme ("ESOS") on 24 November 2001 in place of the previous ESOS, which was to be expired on 3 February 2002. The ESOS is governed by the by-laws which were approved by the shareholders on 25 October 2001. The main features of the ESOS are as follows:

- (a) Eligible persons are full time employees of the Group (including Executive Directors) who have been confirmed and served at least one full year (three full years for foreign employees) prior to the date of offer, being the date when an offer is made by the Option Committee in writing to the eligible employees. The eligibility for participation in the ESOS shall be at the absolute discretion of the Option Committee.
- (b) The total number of ordinary shares to be offered shall not exceed 10% of the issued and paid up ordinary share capital of the Company at any point of time during the duration of the ESOS.
- (c) Not more than 50% of the shares available under the ESOS should be allocated in aggregate, to Directors and senior management of the Group.
- (d) Not more than 10% of the shares available under the ESOS should be allocated to any individual Director or employee who, singly or collectively through his/her associates, holds 20% or more of the issued and paid-up share capital of the Company.
- (e) The option price for each of RM1 ordinary share shall be set at a discount of not more than 10%, if deemed appropriate or such lower or higher limit as approved by the relevant authorities, from the weighted average market price of the shares of the Company, as quoted and stated in the daily official list issued by Kuala Lumpur Stock Exchange, for the five trading days immediately prior to the respective dates of offer, or at the par value of the share, whichever is higher.
- (f) The ESOS shall be in force for a duration of ten years commencing from 24 November 2001 and expiring on 23 November 2011.
- (g) The number of ordinary shares relating to the option or option price or the terms and method of exercise of the option, as far as the option remaining unexercised, shall be adjusted in the event of any alteration in the capital structure of the Company during the option period.
- (h) The consideration is payable in full upon exercising of option and the option does not grant any right to participate in any share issue of any other company.
- (i) The Option Committee may at any time and from time to time by resolution of the Board modify and/or vary all or any of the provisions of the ESOS provided any such modification/variation shall be in compliance with the guidelines of the Securities Commission, as amended from time to time, or to the advantage of the grantees without prior approval of the shareholders of the Company in a general meeting.
- (j) The basis on which the options may be exercised by virtue of By-Law 11(a) of the ESOS is as follows:

No. of years from date of offer	Percentage (%) of shares comprised in option
(i) First year	40%
(ii) Second year	30%
(iii) Third year onwards	30%

- (k) The option holders of the ESOS shall not be eligible in any other employee share option scheme of any other company within the Group during the Option Period.

### Employee share option scheme (continued)

The movements during the financial year in the number of options over the shares of the Company are as follows:

Number of ordinary shares of RM1 each under option					
At 1 July 2001	Terminated	Granted	Exercised	Terminated	At 30 June 2002
5,506,000	(5,506,000)	7,674,000	(185,000)	(295,000)	7,194,000

During the financial year, 185,000 new ordinary shares of RM1 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's ESOS at an exercise price of RM1.32.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders except for holders granted with 100,000 options or more.

The list of option holders granted with 100,000 options or more are as follows:

Name of option holder	Granted	Exercised	Terminated	30.6.2002
Dato' Haji Thobrani Bin Haji Hanafi	450,000	0	0	450,000
Goh Cheng Hock	450,000	0	0	450,000
Goh Aik Lai	450,000	0	0	450,000
Koay Leong Eng	450,000	0	0	450,000
Ooi Cheng Seang	350,000	0	0	350,000
Goh Aik Keong	350,000	0	0	350,000
Goh Aik Lean	350,000	0	0	350,000
Chai Kheng Boon	250,000	0	0	250,000
Lim Teik Moh	250,000	0	0	250,000
Hazman B Thobrani	250,000	0	0	250,000
Khaw Eng Peng	250,000	0	0	250,000
Syed Mahadzir Bin Syed Kechik	100,000	0	0	100,000
Bariyah Bt Abdul Aziz	100,000	0	0	100,000
Ooi Pang Kok	100,000	0	0	100,000
Goh Pook Boon	100,000	0	0	100,000
Hong Sooi Long @ Hong Sui Long	100,000	(36,000)	(64,000)	0

### Directors

The Directors in office since the date of the last report are:

Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP  
 Goh Cheng Hock  
 Goh Aik Lai  
 Koay Leong Eng  
 Lim Hai Hong @ Lim Hai Hak  
 Chai Tin Kok @ Sua Ah Seng  
 Gee Kok Sang  
 Ahmad Bin Abdul Rashid  
 Chin Kuet Sen

In accordance with Article 80 of the Articles of Association, Mr Koay Leong Eng, Mr Lim Hai Hong @ Lim Hai Hak and Mr Chai Tin Kok @ Sua Ah Seng retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

**Directors' interests**

According to the Register of Directors' Shareholdings, particulars of interests in shares in the Company and its related corporations during the financial year of the Directors holding office at the end of the financial year are as follows:

	Number of ordinary shares of RM1 each			
	1.7.2001	Addition	Disposal	30.6.2002
<b>Oriental Interest Berhad</b>				
<b>(The Company)</b>				
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Direct	260,453	0	0	<b>260,453</b>
Indirect	12,997,000	0	0	<b>12,997,000</b>
Goh Cheng Hock				
Direct	325,002	0	0	<b>325,002</b>
Indirect	8,720,078	288,000	(200,000)	<b>8,808,078</b>
Goh Aik Lai				
Indirect	7,300,078	263,000	(200,000)	<b>7,363,078</b>
Koay Leong Eng				
Direct	304,500	0	0	<b>304,500</b>
Indirect	208,169	0	0	<b>208,169</b>
Lim Hai Hong @ Lim Hai Hak				
Direct	550,931	20,000	0	<b>570,931</b>
Indirect	1,959,232	0	0	<b>1,959,232</b>
Chai Tin Kok @ Sua Ah Seng				
Direct	249,000	0	0	<b>249,000</b>
Indirect	690,077	0	0	<b>690,077</b>
Ahmad bin Abdul Rashid				
Indirect	60,000	0	0	<b>60,000</b>
Chin Kuet Sen				
Direct	2,000	0	0	<b>2,000</b>

	Number of ordinary shares of RM1 each			
	1.7.2001	Addition	Disposal	30.6.2002
<b>Aturan Cemerlang Sdn. Bhd.</b>				
<b>(Subsidiary company)</b>				

Goh Cheng Hock				
Indirect	1,260,000	0	0	<b>1,260,000</b>

**Brilliant Alliance Sdn. Bhd.**  
**(Subsidiary company)**

Goh Cheng Hock				
Indirect	300,000	0	0	<b>300,000</b>
Goh Aik Lai				
Indirect	300,000	0	0	<b>300,000</b>

**Yiked Alliance Sdn. Bhd.**  
**(Subsidiary company)**

Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Direct	1	0	0	<b>1</b>
Goh Cheng Hock				
Direct	1	0	0	<b>1</b>

### Directors' interests (continued)

	1.7.2001	Number of ordinary shares of RM1 each		30.6.2002
		Addition	Disposal	
<b>Yiked Brilliant Sdn. Bhd.</b>				
<b>(Subsidiary company)</b>				
Dato' Haji Thobrani Bin Haji Hanafi,				
DSDK, BCK, BKM, JP				
Direct	1	0	0	1
Goh Cheng Hock				
Direct	1	0	0	1

	1.7.2001	Number of ordinary shares under share option			30.6.2002
		Terminated	Granted	Exercised	
<b>Oriental Interest Berhad</b>					
<b>(The Company)</b>					
Dato' Haji Thobrani Bin Haji Hanafi					
DSDK, BCK, BKM, JP	500,000	(500,000)	450,000	0	450,000
Goh Cheng Hock	500,000	(500,000)	450,000	0	450,000
Goh Aik Lai	500,000	(500,000)	450,000	0	450,000
Koay Leong Eng	500,000	(500,000)	450,000	0	450,000

Other than as disclosed above, no other Directors in office at the end of the financial year held any interest in shares in the Company and its related corporations during the financial year.

### Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the fees and other emoluments shown in note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than benefits that may be deemed to have arisen in relation to transactions entered into the ordinary course of business as disclosed in note 32 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options to subscribe for new ordinary shares in the Company granted to certain Directors pursuant to the Employee Share Option Scheme of the Company.

### Other statutory information

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets other than debts, which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Company and of its related corporations had been written down to an amount which they might be expected so to realise.

#### **Other statutory information(continued)**

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Group and of the Company for the financial year in which this report is made;
- (b) no charge on the assets of any company in the Group has arisen which secures the liabilities of any other person; and
- (c) no contingent liability has arisen in respect of any company in the Group.

No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and of its subsidiary companies to meet their obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

#### **Auditors**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 23 September 2002.



**Dato' Haji Thobrani Bin Haji Hanafi,**  
**DSDK, BCK, BKM, JP**  
Executive Chairman



**Goh Cheng Hock**  
Managing Director

## Report of the auditors to the members of Oriental Interest Berhad

We have audited the financial statements set out on pages 35 to 59. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 30 June 2002 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.



**PricewaterhouseCoopers**  
[AF:1146]  
Chartered Accountants



**Cho Choo Meng**  
[2082/09/02 (J)]  
Partner of the firm

Penang  
23 September 2002



## Income statements for the financial year ended 30 June 2002

		Group		Company	
	Note	2002	2001	2002	2001
		RM	RM	RM	RM
<b>Revenue</b>	4	<b>132,171,129</b>	104,683,267	<b>22,297,476</b>	28,233,154
<b>Cost of sales</b>		<b>(100,369,354)</b>	(84,151,294)	<b>0</b>	0
<b>Gross profit</b>		<b>31,801,775</b>	20,531,973	<b>22,297,476</b>	28,233,154
Other operating income		<b>1,376,700</b>	1,412,561	<b>0</b>	88,576
Selling and distribution costs		<b>(522,767)</b>	(748,672)	<b>0</b>	0
Administration expenses		<b>(7,486,296)</b>	(6,646,251)	<b>(885,895)</b>	(506,617)
Other operating expenses	5	<b>(755,577)</b>	(964,977)	<b>(1,957,527)</b>	(2,876)
<b>Profit from operations</b>	6	<b>24,413,835</b>	13,584,634	<b>19,454,054</b>	27,812,237
Finance cost	8	<b>(1,361,196)</b>	(1,667,203)	<b>(1,106,456)</b>	(1,372,540)
Share of results of associated company		<b>506,081</b>	75,009	<b>0</b>	0
<b>Profit from ordinary activities before taxation</b>		<b>23,558,720</b>	11,992,440	<b>18,347,598</b>	26,439,697
<b>Taxation</b>					
- company and subsidiaries	9	<b>(5,031,919)</b>	(3,615,671)	<b>(578,302)</b>	(6,611,828)
- share of tax of associated company		<b>(139,668)</b>	(24,453)	<b>0</b>	0
<b>Profit from ordinary activities after taxation</b>		<b>18,387,133</b>	8,352,316	<b>17,769,296</b>	19,827,869
Minority interests		<b>(711,001)</b>	(626,965)	<b>0</b>	0
<b>Net profit attributable to shareholders</b>		<b>17,676,132</b>	7,725,351	<b>17,769,296</b>	19,827,869
<b>Earnings per share (sen)</b>					
- basic	10	<b>19.63</b>	8.58		
- diluted	10	<b>19.07</b>	8.58		

The above income statements are to be read in conjunction with the notes to the financial statements on pages 39 to 59.

Auditors' report - page 34.

**Balance sheets  
as at 30 June 2002**

	Note	Group 2002 RM	2001 RM	Company 2002 RM	2001 RM
<b>Capital and reserves</b>					
Share capital	11	<b>90,190,002</b>	90,005,002	<b>90,190,002</b>	90,005,002
Reserves	12	<b>105,309,617</b>	92,110,537	<b>118,237,704</b>	104,945,460
<b>Shareholders' equity</b>		<b>195,499,619</b>	182,115,539	<b>208,427,706</b>	194,950,462
<b>Minority interests</b>		<b>16,795,361</b>	15,830,384	<b>0</b>	0
<b>Non-current liability</b>					
Deferred taxation	13	<b>58,794</b>	58,794	<b>0</b>	0
		<b>212,353,774</b>	198,004,717	<b>208,427,706</b>	194,950,462
<b>Non-current assets</b>					
Property, plant and equipment	15	<b>24,010,503</b>	25,490,769	<b>3</b>	3
Subsidiary companies	16	<b>0</b>	0	<b>98,348,662</b>	99,597,000
Associated companies	17	<b>11,096,253</b>	10,739,841	<b>10,000,000</b>	10,000,001
Real property assets	18	<b>29,336,656</b>	33,724,710	<b>0</b>	0
Investments	19	<b>5,700</b>	5,700	<b>0</b>	0
<b>Current assets</b>					
Development properties	20	<b>122,482,126</b>	113,809,009	<b>0</b>	0
Inventories	21	<b>5,710,654</b>	6,695,365	<b>0</b>	0
Stock of unsold houses		<b>12,717,046</b>	12,218,057	<b>0</b>	0
Trade receivables		<b>47,087,852</b>	24,452,270	<b>0</b>	0
Other receivables, deposits and prepayments	22	<b>3,207,470</b>	1,672,214	<b>2,000</b>	0
Amounts due from subsidiary companies	16	<b>0</b>	0	<b>127,433,294</b>	116,154,896
Amounts due from associated companies	17	<b>0</b>	204,000	<b>0</b>	10,000
Tax recoverable		<b>313,404</b>	2,200,058	<b>209,578</b>	0
Fixed deposits with licensed banks	23	<b>1,272,100</b>	2,619,900	<b>0</b>	0
Cash and bank balances	24	<b>8,312,564</b>	8,972,802	<b>0</b>	57,127
		<b>201,103,216</b>	172,843,675	<b>127,644,872</b>	116,222,023
<b>Current liabilities</b>					
Trade payables		<b>20,404,092</b>	6,200,783	<b>0</b>	0
Term loan	14	<b>0</b>	50,292	<b>0</b>	0
Other payables and accrued liabilities	25	<b>2,727,196</b>	2,703,642	<b>281,022</b>	290,624
Amounts owing to subsidiary companies	16	<b>0</b>	0	<b>2,015,999</b>	5,719,210
Short term borrowings	26	<b>25,618,108</b>	33,296,551	<b>23,000,000</b>	24,000,000
Taxation		<b>1,494,515</b>	1,908,135	<b>0</b>	550,402
Bank overdrafts	27	<b>2,954,643</b>	640,575	<b>2,268,810</b>	308,329
		<b>53,198,554</b>	44,799,978	<b>27,565,831</b>	30,868,565
<b>Net current assets</b>		<b>147,904,662</b>	128,043,697	<b>100,079,041</b>	85,353,458
		<b>212,353,774</b>	198,004,717	<b>208,427,706</b>	194,950,462

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 39 to 59.

Auditors' report - page 34.

## Statements of changes in equity for the financial year ended 30 June 2002

Group	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable Share premium RM	Distributable Retained earnings RM	Total RM
		Number of shares	Nominal value RM			
At 1 July 2000		90,005,002	90,005,002	13,550	88,907,888	178,926,440
Dividend for the financial year ended 30 June 2001		0	0	0	(4,536,252)	(4,536,252)
Net profit attributable to shareholders		0	0	0	7,725,351	7,725,351
At 30 June 2001		<u>90,005,002</u>	<u>90,005,002</u>	<u>13,550</u>	<u>92,096,987</u>	<u>182,115,539</u>
At 1 July 2001		90,005,002	90,005,002	13,550	92,096,987	182,115,539
Dividend for the financial year ended 30 June 2002	28	0	0	0	(4,536,252)	(4,536,252)
Net profit attributable to shareholders		0	0	0	17,676,132	17,676,132
Issue of shares: - exercise of share options		185,000	185,000	59,200	0	244,200
At 30 June 2002		<u>90,190,002</u>	<u>90,190,002</u>	<u>72,750</u>	<u>105,236,867</u>	<u>195,499,619</u>
<b>Company</b>						
At 1 July 2000		90,005,002	90,005,002	13,550	89,640,293	179,658,845
Dividend for the financial year ended 30 June 2001		0	0	0	(4,536,252)	(4,536,252)
Net profit for the financial year		0	0	0	19,827,869	19,827,869
At 30 June 2001		<u>90,005,002</u>	<u>90,005,002</u>	<u>13,550</u>	<u>104,931,910</u>	<u>194,950,462</u>
At 1 July 2001		90,005,002	90,005,002	13,550	104,931,910	194,950,462
Dividend for the financial year ended 30 June 2002	28	0	0	0	(4,536,252)	(4,536,252)
Net profit for the financial year		0	0	0	17,769,296	17,769,296
Issue of shares		185,000	185,000	59,200	0	244,200
At 30 June 2002		<u>90,190,002</u>	<u>90,190,002</u>	<u>72,750</u>	<u>118,164,954</u>	<u>208,427,706</u>

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 39 to 59.

**Cash flow statements  
for the financial year ended 30 June 2002**

	Note	Group 2002 RM	2001 RM	Company 2002 RM	2001 RM
<b>OPERATING CASH FLOWS</b>					
Cash flow from operations	29	<b>11,498,417</b>	12,968,844	<b>(15,752,095)</b>	2,413,080
Taxation paid		<b>(3,558,885)</b>	(6,326,493)	<b>(1,338,282)</b>	(6,149,941)
Net operating cash flow		<b>7,939,532</b>	6,642,351	<b>(17,090,377)</b>	(3,736,861)
<b>INVESTING CASH FLOWS</b>					
Interest received		<b>186,745</b>	244,791	<b>1,380,995</b>	2,710,686
Dividend received		<b>10,000</b>	10,000	<b>20,790,281</b>	25,250,382
Proceeds from disposal of property, plant and equipment		<b>282,857</b>	769,847	<b>0</b>	0
Addition to property, plant and equipment		<b>(642,052)</b>	(1,380,412)	<b>0</b>	0
Addition to real property assets		<b>1,028,818</b>	(1,149,822)	<b>0</b>	0
Additional investment in a subsidiary company		<b>0</b>	0	<b>(700,000)</b>	(14,209,000)
Proceeds from disposal of investment in an associated company		<b>1</b>	0	<b>1</b>	0
Net investing cash flow		<b>866,369</b>	(1,505,596)	<b>21,471,277</b>	13,752,068
<b>FINANCING CASH FLOWS</b>					
Proceeds from issue of shares:					
- exercise of share options		<b>244,200</b>	0	<b>244,200</b>	0
- minority interests		<b>300,000</b>	9,591,000	<b>0</b>	0
Repayment of term loans		<b>(50,292)</b>	(112,623)	<b>0</b>	(48,730)
Repayment to hire-purchase creditors		<b>0</b>	(36,018)	<b>0</b>	0
Proceeds from short term borrowings		<b>311,355,007</b>	269,557,620	<b>296,000,000</b>	265,000,000
Repayment of short term borrowings		<b>(319,033,450)</b>	(267,000,000)	<b>(297,000,000)</b>	(267,000,000)
Interest paid		<b>(1,361,196)</b>	(1,667,203)	<b>(1,106,456)</b>	(1,372,540)
Placement of fixed deposit held under lien as security for a guarantee line		<b>(372,100)</b>	0	<b>0</b>	0
Dividend paid to minority interests		<b>(46,024)</b>	(329,806)	<b>0</b>	0
Dividend paid		<b>(4,536,252)</b>	(4,536,252)	<b>(4,536,252)</b>	(4,536,252)
Net financing cash flow		<b>(13,500,107)</b>	5,466,718	<b>(6,398,508)</b>	(7,957,522)
<b>Net change in cash and cash equivalents during the financial year</b>		<b>(4,694,206)</b>	10,603,473	<b>(2,017,608)</b>	2,057,685
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>10,952,127</b>	348,654	<b>(251,202)</b>	(2,308,887)
<b>Cash and cash equivalents at the end of the financial year</b>	30	<b>6,257,921</b>	10,952,127	<b>(2,268,810)</b>	(251,202)

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 39 to 59.

Auditors' report - page 34.

## **Notes to the financial statements for the financial year ended 30 June 2002**

### **1 General information**

The principal activities of the Company during the financial year are those of investment holding and the provision of management services. The principal activities of the Group consist primarily of property development and the manufacture of furniture and rubberwood related products.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Kuala Lumpur Stock Exchange. The Company's registered office and principal place of business are as follows:

Registered office:

Suite 2-1, 2nd Floor  
Menara Penang Garden  
42A Jalan Sultan Ahmad Shah  
10050 Penang

Principal place of business:

2nd Floor, Wisma OIB  
1 & 2 Jalan Bank  
08000 Sungai Petani  
Kedah Darul Aman

The number of staff employed by the Group at the end of the financial year is 320 (2001: 292). The Company did not have any employee at the end of the financial year (2001: Nil).

### **2 Basis of preparation of the financial statements**

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

### **3 Significant Group accounting policies**

All significant Group accounting policies set out below are consistent with those applied in the previous financial year.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain property, plant and equipment of the subsidiary companies as well as the writing down of certain inventories and stock of unsold houses to their net realisable value, where required, by the subsidiary companies.

#### **Revenue and profit recognition**

Dividend is recognised when the right of a shareholder to receive the dividend is established. Interest income is recognised on an accrual basis determined by the principal outstanding and the rates applicable.

### 3. Significant Group accounting policies (continued)

Revenue from property development is recognised on the percentage of completion method. The stage of completion of each project is measured by a certificate issued by an architect based on the physical completion of the work performed in proportion to the total development. Anticipated losses are recognised in full immediately in the income statement.

Management fees are recognised on the accrual basis.

Revenue from oil palm cultivation is recognised upon delivery of goods.

Revenue from the manufacture of furniture and rubberwood related products is recognised upon delivery of goods, net of sales tax and discounts.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to 30 June 2002. The results of the subsidiary companies are included in the consolidated income statement from the date of their acquisition except that acquisitions of subsidiary companies which meet the criteria for merger accounting under Malaysian Accounting Standard No. 2 "Accounting for Acquisitions and Mergers" are accounted for under that method. Intra-group transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

- (i) Under the merger method of accounting, the results of subsidiary companies are presented as if the companies have been combined throughout the current and previous financial years. The difference between the cost of acquisition over the nominal value of the share capital and reserves of the subsidiary companies is taken to merger reserve. Merger debit arising on consolidation is taken to capital reserve on consolidation, revaluation surplus and revenue reserve.
- (ii) Under the acquisition method of accounting, the results of subsidiary companies acquired during the financial year are included from the date of acquisition. At the date of acquisition, the fair values of the net assets of the subsidiary companies are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and their fair values is reflected as goodwill or capital reserve on consolidation as appropriate. Goodwill is written off if it is not supported by any intrinsic value.

#### Subsidiary companies

Subsidiary companies are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost. Such investments are only written down when the Directors consider that there is a permanent diminution in the value of such investments.

#### Associated companies

The Group treats as associated companies, those companies in which a long term equity interest of between 20% and 50% is held or where it is in a position to exercise significant influence over the financial and operating policies.

Premium or reserve arising on acquisition represents the difference between the cost of investment and the Group's share of the value of net assets of the associated companies at the date of acquisition.

The Group's share of profits less losses of associated companies is included in the consolidated income statement and the Group's share of net assets and premium or reserve on acquisition is included in the consolidated balance sheet.



### 3. Significant Group accounting policies (continued)

In the Company's financial statements, investments in associated companies are stated at cost. Such investments are only written down when the Directors consider that there is a permanent diminution in the value of such investments.

#### Real property assets

Real property assets, consisting of land held for future development, are stated at cost of acquisition including all related costs incurred subsequent to the acquisition on activities necessary to prepare the land for its intended use.

Such assets are transferred to development properties when significant development work is to be undertaken and is expected to be completed within the normal operating cycle.

#### Investments

Investments are stated at cost. Cost is determined principally on an average basis computed on the occasion of each acquisition. Such investments are only written down when the Directors consider that there is a permanent diminution in the value of such investments.

#### Foreign currencies

Foreign currency transactions are accounted for at exchange rates ruling on the transaction dates.

Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The principal closing rates used in translating foreign currency monetary assets and liabilities are as follows:

Foreign currency	2002 RM	2001 RM
1 US Dollar	3.795	3.795

#### Property, plant and equipment and depreciation

Property, plant and equipment, except for certain freehold and leasehold land and buildings, are stated at historical cost less accumulated depreciation.

Certain freehold land are stated at revalued amount, based on valuations carried out by independent professional valuers; while certain leasehold land and buildings are stated at revalued amount, based on valuations carried out by independent professional valuers, less accumulated depreciation.

Freehold land and capital work in progress are not depreciated. Leasehold land is amortised in equal instalments over the period of the respective leases that range from 60 to 86 years.

Plantation development expenditure is amortised over a period of 20 years commencing from the year of maturity of the crop.

### 3. Significant Group accounting policies (continued)

Depreciation of other property, plant and equipment is calculated so as to write off the cost or valuation of these property, plant and equipment less their estimated residual values, on a straight line basis over the expected useful lives of the property, plant and equipment concerned. The annual rates are:

	%
Buildings	2
Factory buildings	2 - 10
Furniture and fittings	10 - 20
Office equipment	10 - 33 1/3
Electrical installation	10
Plant and machinery	2 - 50
Motor vehicles	20
Site equipment	10
Office renovations	10

The freehold and leasehold land and buildings have not been revalued since the financial year ended 30 June 1995. The Directors have adopted the transitional provisions in respect of assets carried at previously revalued amounts for International Accounting Standard No.16 (Revised): Property, Plant and Equipment as allowed for by Malaysian Accounting Standards Board to retain the carrying amounts of these land and buildings on the basis of their previous revaluation subject to the continuing application of current depreciation policy.

#### Development properties

The cost of land held for development, related development costs common to the whole project including interest charged directly relating to financing of the development, and direct building costs plus attributable profit less foreseeable losses and progress billings received and receivable are carried forward as development properties.

#### Borrowing costs

Interest incurred on borrowings directly associated with development projects, construction projects and real property assets are added to the cost of such properties. Capitalisation of interest on borrowing costs will cease when development projects or construction projects have been suspended or when development projects, construction projects or real property assets are ready for sale or ready for its intended use.

#### Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories. Cost is determined principally on a weighted average basis. Cost of work in progress and finished goods, consists of direct materials, direct labour, direct charges and production overheads.

Plantation supplies are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis.

#### Stock of unsold houses

Stock of unsold houses is stated at the lower of cost and net realisable value. Cost comprises direct building cost and proportionate land and development costs.



### 3. Significant Group accounting policies (continued)

#### Receivables

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

#### Deferred taxation

Provision for deferred taxation is made using the liability method in respect of all timing differences.

In accounting for timing differences, deferred tax debits are not accounted for unless their realisation is beyond reasonable doubt.

#### Dividend

Interim dividend declared is accounted for as an appropriation of retained earnings from shareholders' equity in the financial year. Final dividend is not accounted for until approved by members at a General Meeting.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Comparatives

Where appropriate, comparative figures have been extended to conform with the additional disclosure requirements of the applicable approved new accounting standards issued by the Malaysian Accounting Standards Board that become operative for financial statements covering periods commencing on or after 1 July 2001.

### 4 Revenue

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Dividend income	<b>0</b>	0	<b>20,790,281</b>	25,250,382
Loan interest income	<b>0</b>	0	<b>1,380,995</b>	2,710,686
Management fees	<b>48,700</b>	77,453	<b>126,200</b>	272,086
Progress billings received and receivable	<b>108,540,014</b>	82,944,141	<b>0</b>	0
Sales of goods at invoiced value	<b>23,582,415</b>	21,661,673	<b>0</b>	0
	<b><u>132,171,129</u></b>	<u>104,683,267</u>	<b><u>22,297,476</u></b>	<u>28,233,154</u>

### 5 Other operating expenses

#### Company only

Other operating expenses include an allowance for diminution in value of investment in a subsidiary company of RM1,948,338 (2001: RM Nil).

## 6 Profit from operations

Profit from operations is stated after charging:

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Auditors' remuneration	104,100	94,800	22,000	18,000
Depreciation of property, plant and equipment	1,745,023	1,873,954	0	0
Rental of land and building	5,050	14,400	0	0
Hire of plant and machinery	84,583	82,536	0	0
Allowance for diminution in value of inventories	0	148,531	0	0
Allowance for diminution in value of investment in a subsidiary	0	0	1,948,338	0
Property, plant and equipment written off	295,841	680	0	1
Waiver of debt	196,740	0	196,740	0
Bad debts written off	14,365	0	0	0
Staff costs*	7,281,973	7,346,553	0	0
<b>and crediting:</b>				
Gross dividends received from subsidiary companies (unquoted)	0	0	20,780,281	25,240,382
Gross dividend received from associated company (unquoted)	0	0	10,000	10,000
Rental income	426,856	438,412	0	0
Profit on disposal of property, plant and equipment	246,309	593,500	0	0
Interest income	186,745	244,791	1,380,995	2,710,686
Gain on foreign exchange - realised	9,796	21,666	0	0

\* Staff costs disclosed above include remuneration payable to Executive Directors of the Company amounting to RM1,207,360 (2001: RM1,207,360).

## 7 Directors' remuneration

The aggregate amount of emoluments receivable by Directors of the Company during the financial year were as follows:

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Fees receivable	180,000	160,000	180,000	160,000
Other emoluments	1,240,860	1,226,860	33,500	19,500
	1,420,860	1,386,860	213,500	179,500
Estimated monetary value of benefits otherwise than in cash	65,702	69,481	0	0
	1,486,562	1,456,341	213,500	179,500

## 8 Finance cost

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Interest expense	<u>1,361,196</u>	<u>1,667,203</u>	<u>1,106,456</u>	<u>1,372,540</u>

## 9 Taxation - Company and subsidiaries

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Malaysian income tax based on the profit of the financial year	5,100,521	3,648,654	650,000	6,900,000
Overprovision in respect of prior financial years	(68,602)	(102,861)	(71,698)	(288,172)
Real property gains tax on disposal of landed property	0	69,878	0	0
	<u>5,031,919</u>	<u>3,615,671</u>	<u>578,302</u>	<u>6,611,828</u>

The effective tax rate of the Group for the current financial year is lower than the statutory rate due to utilisation of unabsorbed reinvestment allowances and capital allowances as well as tax losses brought forward from the previous year.

The effective tax rate of the Company for the current financial year is lower than the statutory rate because of tax exempt dividends received from subsidiary companies and an associated company.

The Group and the Company have, subject to confirmation by the Inland Revenue Board, the following relief against which no future tax benefit has been recognised:

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Tax losses carried forward	2,262,000	2,422,000	241,000	241,000
Unabsorbed capital allowances	713,000	3,760,000	0	0
Unabsorbed reinvestment allowances	<u>3,612,000</u>	<u>4,030,000</u>	<u>0</u>	<u>0</u>

## 10 Earnings per share

### Group only

#### Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders for the financial year by the weighted average number of ordinary shares in issue during the financial year:

	2002	2001
Net profit attributable to shareholders for the financial year (RM'000)	17,676	7,725
Weighted average number of ordinary shares in issue	<u>90,050,377</u>	<u>90,005,002</u>
Basic earnings per share (sen)	<u>19.63</u>	<u>8.58</u>

## 10 Earnings per share (continued)

### Diluted earnings per share

In respect of the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is the share options granted to employees.

	2002	2001
Net profit attributable to shareholders for the financial year (RM'000)	17,676	7,725
Weighted average number of ordinary shares in issue	90,050,377	90,005,002
Adjustment per share options	2,662,385	(4,678,719)
	<u>92,712,762</u>	<u>85,326,283</u>
Diluted earnings per share (sen)	<u>19.07</u>	<u>8.58*</u>

\* The diluted earnings per share in respect of the financial year ended 30 June 2001 is the same as basic earnings per share as it was anti-dilutive.

## 11 Share capital

	2002	2001
<b>Authorised:</b>		
Ordinary shares of RM1 each	<u>200,000,000</u>	<u>200,000,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of RM1 each		
At 1 July	90,005,002	90,005,002
Issue of shares - exercise of share options	185,000	0
At 30 June	<u>90,190,002</u>	<u>90,005,002</u>

### **Employee share option scheme**

The Oriental Interest Berhad Employee Share Option Scheme ("ESOS") was approved by the shareholders at the Extraordinary General Meeting held on 25 October 2001. The main features of the ESOS are as follows:

- Eligible persons are full time employees of the Group (including Executive Directors) who have been confirmed and served at least one full year (three full years for foreign employees) prior to the date of offer, being the date when an offer is made by the Option Committee in writing to the eligible employees. The eligibility for participation in the ESOS shall be at the absolute discretion of the Option Committee.
- The total number of ordinary shares to be offered shall not exceed 10% of the issued and paid up ordinary share capital of the Company at any point of time during the duration of the ESOS.
- Not more than 50% of the shares available under the ESOS should be allocated in aggregate, to Directors and senior management of the Group.

**11 Share capital (continued)****Employee share option scheme (continued)**

- (d) Not more than 10% of the shares available under the ESOS should be allocated to any individual Director or employee who, singly or collectively through his/her associates, holds 20% or more of the issued and paid-up share capital of the Company.
- (e) The option price for each of RM1 ordinary share shall be set at a discount of not more than 10% if deemed appropriate or such lower or higher limit as approved by the relevant authorities, from the weighted average market price of the shares of the Company, as quoted and stated in the daily official list issued by Kuala Lumpur Stock Exchange, for the five trading days immediately prior to the respective dates of offer, or at the par value of the share, whichever is higher.
- (f) The ESOS shall be in force for a duration of ten years commencing from 24 November 2001 and expiring on 23 November 2011.
- (g) The number of ordinary shares relating to the option or option price or the terms and method of exercise of the option, as far as the option remaining unexercised, shall be adjusted in the event of any alteration in the capital structure of the Company during the option period.
- (h) The consideration is payable in full upon exercising of option and the option does not grant any right to participate in any share issue of any other company.
- (i) The Option Committee may at any time and from time to time by resolution of the Board modify and/or vary all or any of the provisions of the ESOS provided any such modification/variation shall be in compliance with the guidelines of the Securities Commission, as amended from time to time, or to the advantage of the grantees without prior approval of the shareholders of the Company in a general meeting.
- (j) The basis on which the options may be exercised by virtue of By-Law 11(a) of the ESOS is as follows:

No. of years from date of offer	Percentage (%) of shares comprised in option
(i) First year	40%
(ii) Second year	30%
(iii) Third year onwards	30%

- (k) The option holders of the ESOS shall not be eligible in any other employee share option scheme of any other company within the Group during the Option Period.

The movements during the financial year in the number of options over the shares of the Company are as follows:

At 1 July 2001	Number of ordinary shares of RM1 each under option				At 30 June 2002
	Terminated	Granted	Exercised	Terminated	
5,506,000	(5,506,000)	7,674,000	(185,000)	(295,000)	7,194,000

During the financial year, 185,000 new ordinary shares of RM1 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's ESOS at an exercise price of RM1.32.



## 12 Reserves

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Share premium	72,750	13,550	72,750	13,550
Retained earnings	<u>105,236,867</u>	<u>92,096,987</u>	<u>118,164,954</u>	<u>104,931,910</u>
	<u>105,309,617</u>	<u>92,110,537</u>	<u>118,237,704</u>	<u>104,945,460</u>

The Company has, subject to confirmation by the Inland Revenue Board, sufficient tax exempt account balance and tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of net dividends out of all its retained earnings at 30 June 2002, without incurring any additional taxation.

## 13 Deferred taxation

### Group only

	2002	2001
	RM	RM
At 1 July/30 June	<u>58,794</u>	<u>58,794</u>

## 14 Term loan

### Group only

The term loan was fully repaid during the financial year ended 30 June 2001.

Interest rates ranged between 8.05% and 8.30% per annum for the financial year ended 30 June 2001.

## 15 Property, plant and equipment

The details of property, plant and equipment are as follows:

Group									
	Land and buildings, at cost/valuation	Plantation development expenditure, at cost	Furniture and fittings, office equipment and electrical installation, at cost	Plant and machinery, at cost	Motor vehicles, at cost	Site equipment, at cost	Office renovations, at cost	Capital work in progress, at cost	Total
2002	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost or valuation									
At 1 July 2001	20,621,905	504,203	2,894,621	13,115,639	4,384,319	88,150	210,702	3,600	41,823,139
Additions	4,562	0	72,238	248,740	283,958	0	32,554	0	642,052
Disposals	0	0	(2,659)	(309,136)	(441,394)	0	0	0	(753,189)
Write off	0	0	(836,154)	(1,679,057)	(13,000)	0	0	0	(2,528,211)
At 30 June 2002	<u>20,626,467</u>	<u>504,203</u>	<u>2,128,046</u>	<u>11,376,186</u>	<u>4,213,883</u>	<u>88,150</u>	<u>243,256</u>	<u>3,600</u>	<u>39,183,791</u>
Accumulated depreciation									
At 1 July 2001	1,797,639	12,605	2,157,129	8,723,139	3,464,714	39,593	137,551	0	16,332,370
Charge for the financial year	281,780	27,528	202,591	971,080	270,199	16,765	19,986	0	1,789,929
Disposals	0	0	(2,196)	(274,252)	(440,193)	0	0	0	(716,641)
Write off	0	0	(833,929)	(1,385,444)	(12,997)	0	0	0	(2,232,370)
At 30 June 2002	<u>2,079,419</u>	<u>40,133</u>	<u>1,523,595</u>	<u>8,034,523</u>	<u>3,281,723</u>	<u>56,358</u>	<u>157,537</u>	<u>0</u>	<u>15,173,288</u>
Net book value									
30 June 2002	<u>18,547,048</u>	<u>464,070</u>	<u>604,451</u>	<u>3,341,663</u>	<u>932,160</u>	<u>31,792</u>	<u>85,719</u>	<u>3,600</u>	<u>24,010,503</u>
30 June 2001	<u>18,824,266</u>	<u>491,598</u>	<u>737,492</u>	<u>4,392,500</u>	<u>919,605</u>	<u>48,557</u>	<u>73,151</u>	<u>3,600</u>	<u>25,490,769</u>

**15 Property, plant and equipment (continued)**

The land and buildings of the Group comprise:

2002	Land, at cost/ valuation RM	Buildings, at cost RM	Building, at valuation RM	Factory building, at cost RM	Factory building, at valuation RM	Total RM
<b>Cost or valuation</b>						
At 1 July 2001	9,050,870	5,086,674	954,000	1,030,361	4,500,000	20,621,905
Additions	0	1,562	0	3,000	0	4,562
At 30 June 2002	9,050,870	5,088,236	954,000	1,033,361	4,500,000	20,626,467
<b>Accumulated depreciation</b>						
At 1 July 2001	334,866	553,996	123,040	174,252	611,485	1,797,639
Charge for the financial year	46,020	101,681	19,080	24,638	90,361	281,780
At 30 June 2002	380,886	655,677	142,120	198,890	701,846	2,079,419
<b>Net book value</b>						
30 June 2002	8,669,984	4,432,559	811,880	834,471	3,798,154	18,547,048
30 June 2001	8,716,004	4,532,678	830,960	856,109	3,888,515	18,824,266

The land of the Group comprises:

2002	Freehold land, at cost RM	Freehold land, at valuation RM	Long term Leasehold land, at cost RM	Long term leasehold land, at valuation RM	Short term leasehold land, at valuation RM	Freehold oil palm plantation land, at cost RM	Total RM
<b>Cost or valuation</b>							
At 1 July 2001/30 June 2002	934,127	1,042,000	46,082	597,000	2,075,000	4,356,661	9,050,870
<b>Accumulated depreciation</b>							
At 1 July 2001	0	0	0	52,665	282,201	0	334,866
Charge for the financial year	0	0	0	3,988	42,032	0	46,020
At 30 June 2002	0	0	0	56,653	324,233	0	380,886
<b>Net book value</b>							
30 June 2002	934,127	1,042,000	46,082	540,347	1,750,767	4,356,661	8,669,984
30 June 2001	934,127	1,042,000	46,082	544,335	1,792,799	4,356,661	8,716,004

## 15 Property, plant and equipment (continued)

### Company

	<b>Furniture and fittings RM</b>	<b>Office equipment RM</b>	<b>Total RM</b>
<b>2002</b>			
<b>Cost</b>			
At 1 July 2001/30 June 2002	<b>4,100</b>	<b>2,990</b>	<b>7,090</b>
<b>Accumulated depreciation</b>			
At 1 July 2001/30 June 2002	<b>4,098</b>	<b>2,989</b>	<b>7,087</b>
<b>Net book value</b>			
30 June 2002	<b>2</b>	<b>1</b>	<b>3</b>
30 June 2001	<b>2</b>	<b>1</b>	<b>3</b>

The title deeds in respect of certain leasehold land belonging to the subsidiary companies have yet to be issued, pending finalisation of the relevant transfer documents.

The net book value of freehold land, long term and short term leasehold land, building and factory building at valuation that would otherwise be stated in the financial statements had the assets been carried at cost less depreciation amounted to RM3,851,404 (2001: RM3,909,202).

The landed properties were revalued by the Directors during the financial year ended 30 June 1995 based on the open market value basis and approved by the Securities Commission. The tax effects arising from property revaluation surplus are not disclosed as there is no intention to dispose of these properties in the foreseeable future.



## 16 Subsidiary companies

The subsidiary companies are:

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company		Subsidiary company		
		2002	2001	2002	2001	
		%	%	%	%	
Brilliant Development Sdn. Bhd.	Malaysia	100	100	0	0	Property development and oil palm plantation Property development and general construction
Semua Jadi Sdn. Bhd.	Malaysia	100	100	0	0	
Pesaka Saujana Development Sdn. Bhd.	Malaysia	100	100	0	0	
Maxilux Properties Sdn. Bhd.	Malaysia	0	0	100	100	Property development
Pesaka Saujana (M) Sdn. Bhd.	Malaysia	0	0	100	100	Property development
Yiked Brilliant Sdn. Bhd.	Malaysia	0	0	80	80	Property development
United Pearl Holdings Sdn. Bhd.	Malaysia	0	0	100	100	Property development
Teguh Padu Development Sdn. Bhd.	Malaysia	0	0	100	100	Property development
Cahajaya Timber Industries Sdn. Bhd.	Malaysia	100	100	0	0	Manufacture of kiln dried rubberwood, sawn timber, solid doors and moulded wood products
Cahajaya Furniture Sdn. Bhd.	Malaysia	0	0	100	100	Manufacture of furniture and furniture parts and letting of business premises
Yiked Alliance Sdn. Bhd.	Malaysia	0	0	80	80	Property development
Brilliant Alliance Sdn. Bhd.	Malaysia	70	70	0	0	Investment holding
Aturan Cemerlang Sdn. Bhd.	Malaysia	51	51	0	0	Investment holding
Central Kedah Brick Kiln Sdn. Berhad	Malaysia	0	0	100	100	Investment holding
Sungei Lalang Development Sdn. Bhd.	Malaysia	0	0	100	100	Dormant
Guar Timber Industries Sdn. Bhd.	Malaysia	0	0	100	100	Dormant

	2002 RM	2001 RM
Unquoted shares, at cost	100,297,000	99,597,000
Allowance for diminution in value of investment	(1,948,338)	0
	<u>98,348,662</u>	<u>99,597,000</u>
Amounts due from subsidiary companies	<u>127,433,294</u>	<u>116,154,896</u>
Amounts owing to subsidiary companies	<u>2,015,999</u>	<u>5,719,210</u>

Amounts due from subsidiary companies bear interest at rates ranging from 1% to 4.13% per annum (2001: 1% to 8%) and is repayable on demand.

Amounts owing to subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

## 17 Associated companies

The associated companies are:

Name of company	Country of incorporation	Financial year end	Interest in equity		Principal activities
			2002 %	2001 %	
Brilliant Delta (M) Sdn. Bhd.	Malaysia	31 December	43	43	Oil palm plantation
Perisai Tenggara (M) Sdn. Bhd.	Malaysia	30 June	0	50	Dormant (the investment was disposed of during the financial year)

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Unquoted shares, at cost	10,000,001	10,000,001	10,000,001	10,000,001
Disposal of investment in an associated company	(1)	0	(1)	0
Share of post-acquisition profit net of dividend received	1,096,253	739,840	0	0
	<u>11,096,253</u>	<u>10,739,841</u>	<u>10,000,000</u>	<u>10,000,001</u>

Represented by:

Share of net assets of associated companies	<u>11,096,253</u>	<u>10,739,841</u>
---	-------------------	-------------------

## 18 Real property assets

### Group only

Real property assets stated at cost are made up as follows:

	2002 RM	2001 RM
Freehold land	11,988,217	10,959,399
Long term leasehold land	11,729,592	15,729,592
Related expenditure	5,618,847	7,035,719
	<u>29,336,656</u>	<u>33,724,710</u>

No interest on borrowings has been capitalised under real property assets during the financial year.

## 19 Investments

### Group only

	2002 RM	2001 RM
Shares in a corporation, quoted in Malaysia, at cost	<u>5,700</u>	<u>5,700</u>
Market value of quoted shares	<u>2,580</u>	<u>2,220</u>

## 20 Development properties

### Group only

Development properties stated at cost are made up as follows:

	2002 RM	2001 RM
Freehold land	62,904,000	64,513,409
Long term leasehold land	13,246,247	13,246,247
Development expenditure plus attributable profit	141,143,959	297,979,357
	217,294,206	375,739,013
Progress billings received and receivable	(94,812,080)	(261,930,004)
	<u>122,482,126</u>	<u>113,809,009</u>

The following expenditure incurred during the financial year have been capitalised to development properties:

	2002 RM	2001 RM
Depreciation	44,906	0
Hire of equipment	<u>31,661</u>	<u>39,213</u>

No interest on borrowings has been capitalised under development properties during the financial year.

The title deeds in respect of certain land have yet to be issued pending finalisation of relevant transfer documents.

## 21 Inventories

### Group only

	2002 RM	2001 RM
<b>At cost:</b>		
Work in progress	3,646,930	4,171,256
Finished goods	348,044	301,030
Consumables	142,916	178,550
Plantation supplies	<u>1,462</u>	<u>2,749</u>
	4,139,352	4,653,585
<b>At net realisable value:</b>		
Work in progress	<u>1,571,302</u>	<u>2,041,780</u>
	<u>5,710,654</u>	<u>6,695,365</u>

## 22 Other receivables, deposits and prepayments

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Other receivables	2,363,363	333,290	0	0
Deposits	758,083	1,275,272	2,000	0
Prepayments	86,024	63,652	0	0
	<u>3,207,470</u>	<u>1,672,214</u>	<u>2,000</u>	<u>0</u>

## 23 Fixed deposits with licensed banks

### Group only

The fixed deposits with licensed banks pledged to a bank as security for bankers' guarantee facilities granted amounted to RM372,100 (2001: RM Nil).

## 24 Cash and bank balances

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Cash and bank balances held under Housing Development Accounts pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966	3,117,684	928,835	0	0
Cash at bank and in hand	5,194,880	8,043,967	0	57,127
	<u>8,312,564</u>	<u>8,972,802</u>	<u>0</u>	<u>57,127</u>

## 25 Other payables and accrued liabilities

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Other payables	1,682,650	1,666,167	18,522	0
Accrued liabilities	1,044,546	1,037,475	262,500	290,624
	<u>2,727,196</u>	<u>2,703,642</u>	<u>281,022</u>	<u>290,624</u>

## 26 Short term borrowings

### Group and Company

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Revolving credit	<b>23,000,000</b>	27,500,000	<b>23,000,000</b>	24,000,000
Export credit refinancing	<b>2,618,108</b>	5,796,551	<b>0</b>	0
	<b><u>25,618,108</u></b>	<u>33,296,551</u>	<b><u>23,000,000</u></b>	<u>24,000,000</u>

The short term borrowings are unsecured and interest rates for the financial year ranged between 3.17% and 4.25% (2001: 3.50% and 6.30%) per annum.

## 27 Bank overdrafts

### Group and Company

The bank overdrafts are unsecured and interest rates for the financial year ranged between 7.40% and 7.90% (2001: 7.55% and 9.15%) per annum.

## 28 Dividend

	2002		2001	
	Gross dividend per share Sen	Amount of dividend, net of tax RM	Gross dividend per share Sen	Amount of dividend, net of tax RM
Paid:				
First and final dividend in respect of preceding financial year	<u>7</u>	<u>4,536,252</u>	<u>7</u>	<u>4,536,252</u>

At the forthcoming Annual General Meeting, a first and final gross dividend in respect of the financial year ended 30 June 2002 of 7 sen per share will be proposed for members' approval. These financial statements do not reflect this first and final dividend which, when approved by members, will be accounted for as an appropriation of retained earnings from shareholders' equity in the financial year ending 30 June 2003.

## 29 Cash flow from operations

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Net profit before taxation attributable to shareholders	22,847,719	11,365,475	18,347,598	26,439,697
Adjustments for:				
Depreciation of property, plant and equipment	1,745,023	1,873,954	0	0
Dividend income	0	0	(20,790,281)	(25,250,382)
Profit on disposal of property, plant and equipment	(246,309)	(593,500)	0	0
Allowance for diminution in value of investment	0	0	1,948,338	0
Minority interests	711,001	626,965	0	0
Interest income	(186,745)	(244,791)	(1,380,995)	(2,710,686)
Property, plant and equipment written off	295,841	680	0	1
Waiver of debts	196,740	0	196,740	0
Bad debts written off	14,365	0	0	0
Interest expense	1,361,196	1,667,203	1,106,456	1,372,540
Share of results of associated company	(506,081)	(75,009)	0	0
	3,385,031	3,255,502	(18,919,742)	(26,588,527)
	26,232,750	14,620,977	(572,144)	(148,830)
Changes in working capital:				
Development properties	(5,268,975)	(975,951)	0	0
Stock of unsold houses	(498,989)	373,795	0	0
Inventories	984,711	762,692	0	0
Receivables	(24,177,943)	(464,105)	(188,740)	2,371
Payables	14,226,863	(1,348,564)	(9,602)	(18,757)
Related company balances	0	0	(14,981,609)	2,578,296
	(14,734,333)	(1,652,133)	(15,179,951)	2,561,910
Cash flow from operations	11,498,417	12,968,844	(15,752,095)	2,413,080

## 30 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following:

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Fixed deposits with licensed banks	1,272,100	2,619,900	0	0
Cash and bank balances	8,312,564	8,972,802	0	57,127
Bank overdrafts	(2,954,643)	(640,575)	(2,268,810)	(308,329)
Fixed deposits held under lien as security for a guarantee line (note 23)	(372,100)	0	0	0
	6,257,921	10,952,127	(2,268,810)	(251,202)

**31 Contingent liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Bank guarantees issued to third parties - unsecured	<b>3,021,590</b>	2,770,574	<b>0</b>	0
Pending litigation against a subsidiary company*	<b>1,060,000</b>	0	<b>0</b>	0
Guarantee for banking facilities granted to subsidiary companies - unsecured	<b>0</b>	0	<b>1,898,040</b>	1,486,420

\* A legal action was taken against a subsidiary of the Company, Pesaka Saujana Development Sdn. Bhd. ("PSD") to nullify the sale of a piece of land by PSD to the purchaser which took place during the financial year ended 30 June 1996 on grounds that certain conditions were not fulfilled. The piece of land, with a carrying value of RM42,062 then, was sold for RM871,076 and the profit thereon of RM829,014 was recognised in the income statement of that financial year. The purchaser is claiming for the refund of the purchase price with interest at 8% per annum from 4 November 1999 together with other damages amounting to approximately RM1,060,000. The Directors, after seeking legal advice, are of the opinion that PSD has a reasonably good chance to succeed in defending the case and as such, no reversal of the above transaction has been made in the financial statements. The hearing date of this case has been fixed on 23 October 2002.

**32 Related party disclosures**

- (a) All subsidiary and associated companies, as set out in Notes 16 and 17 to the financial statements, are considered to be related to the Company. Other related parties having transactions with the Group and the Company are as follows:

<u>Name of company</u>	<u>Relationship</u>
Conlin Sdn. Bhd.	Enterprise in which the Board is controlled by Mr Lim Hai Hong @ Lim Hai Hak and Mr Chai Tin Kok @ Sua Ah Seng, who are Directors of the Company
First Light Industries Co. Ltd.	Enterprise that is indirectly controlled by Mr Goh Aik Lai, who is a Director and substantial shareholder of the Company
Teong Choon Enterprise (Malaysia) Sdn. Bhd.	Enterprise in which a substantial interest is owned directly by a person connected with Mr Goh Cheng Hock, who is a Director and substantial shareholder of the Company
Tentumewah Sdn. Bhd.	Enterprise in which Mr Goh Cheng Hock, Mr Goh Aik Lai and Mr Chai Tin Kok @ Sua Ah Seng have substantial interests. In addition, these Directors and Mr Koay Leong Eng, who is a Director of the Company, are Directors of the said enterprise
Brilliant Sun Sdn. Bhd.	Wholly-owned subsidiary of Tentumewah Sdn. Bhd.

## 32 Related party disclosures (continued)

Ladang Sin Hock Sdn. Bhd. Enterprise in which Mr Goh Cheng Hock, Mr Goh Aik Lai, Mr Lim Hai Hong @ Lim Hai Hak and Mr Chai Tin Kok @ Sua Ah Seng have substantial interests. In addition, these Directors and Mr Koay Leong Eng are Directors of the said enterprise

(b) Significant related party transactions during the financial year are as follows:

### Group

	2002 RM	2001 RM
<b>Trade:</b>		
Purchases of construction materials from Conlin Sdn. Bhd.	<u>1,452,750</u>	<u>3,032,171</u>

The rates transacted are on average between 3% and 7% lower than that of the commercial rates charged by other suppliers. The long standing business relationship with the related party enables the Group to enjoy favourable credit terms, higher discount and better customer services despite short notice given as well as minimise interruption of supply in the event of material shortage.

	2002 RM	2001 RM
Purchases of semi-produced rubberwood from First Light Industries Co. Ltd.	<u>1,540,820</u>	<u>747,278</u>

The procurement of semi-produced rubberwood from the related party is mainly to support the Group's downstream diversification plan, from the initial logging/sawmilling to export of sawn rubberwood and to move further into higher value added component manufacturing, for Manufacturing Division. The close business relationship enables the Group to purchase the products in quantity at the specification required for its production, even at short notice. The rates charged are negotiable based on the internally computed production cost plus method, while the mode payment is by way of Letter of Credit.

### Company

	2002 RM	2001 RM
<b>Trade:</b>		
Dividend income from subsidiary companies	20,780,281	25,240,382
Loan interest from subsidiary companies	1,380,995	2,710,686
Management fees from subsidiary companies	<u>77,500</u>	<u>194,633</u>





Interest is charged on amounts due from wholly-owned subsidiary companies at the rate of 1% per annum (2001: 1%). Whereas, interest charged on amounts owing by non-wholly-owned subsidiary companies is at the rate of 4.13% per annum (2001: 8.0%), equivalent to 1% spread over the average prevailing rate of Cost of Fund quoted by the principal banker of the Group during the financial year. The interest charged is payable on demand.

Management fees are charged on subsidiary companies according to a predetermined scale based on their total revenue for the financial year. The management fees charged is payable on demand.

- (c) There is no significant balance arising from related party transactions, other than normal trade transactions, remained outstanding as at the balance sheet date.

### 33 Segmental reporting

#### Group only

2002	Gross revenue RM'000	Inter- segment revenue RM'000	Revenue RM'000	Profit from ordinary activities before taxation RM'000	Identifiable assets RM'000
Analysis by activity:					
Property development	108,540	0	108,540	19,648	230,530
Manufacturing	23,376	0	23,376	4,152	22,847
Others	22,504	(22,249)	255	(747)	1,079
	<u>154,420</u>	<u>(22,249)</u>	<u>132,171</u>	<u>23,053</u>	<u>254,456</u>

Group's share of associated company's results and assets employed			0	506	11,096
			<u>132,171</u>	<u>23,559</u>	<u>265,552</u>

2001	Gross revenue RM'000	Inter- segment revenue RM'000	Revenue RM'000	Profit from ordinary activities before taxation RM'000	Identifiable assets RM'000
Analysis by activity:					
Property development	82,944	0	82,944	10,790	206,835
Manufacturing	21,618	0	21,618	1,374	25,242
Others	28,277	(28,156)	121	(247)	(184)
	<u>132,839</u>	<u>(28,156)</u>	<u>104,683</u>	<u>11,917</u>	<u>231,893</u>

Group's share of associated company's results and assets employed			0	75	10,740
			<u>104,683</u>	<u>11,992</u>	<u>242,633</u>

All activities of the Group are carried out in Malaysia and as such segmental reporting by geographical location is not presented. Inter-segment revenue comprise primarily of dividend, loan interest and management fees from subsidiary companies of which the bases are indicated in note 32 (b).

## Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP and Goh Cheng Hock, being two of the Directors of Oriental Interest Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 35 to 59 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2002 and of the results and cash flows of the Group and of Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 23 September 2002.



**Dato' Haji Thobrani Bin Haji Hanafi,**  
**DSDK, BCK, BKM, JP**  
Executive Chairman



**Goh Cheng Hock**  
Managing Director

## Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Koay Leong Eng, being the Director primarily responsible for the financial management of Oriental Interest Berhad, do solemnly and sincerely declare that, in my opinion, the financial statements set out on pages 35 to 59 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



**Koay Leong Eng**  
Executive Director

Subscribed and solemnly declared in Sungai Petani on 23 September 2002.

Before me



65, JALAN PENGKALAN,  
TAMAN PEKAN BARU,  
08000 SUNGAI PETANI.

Commissioner for Oaths

## Analysis of Shareholdings as at 23 September 2002

<b>Authorised share capital</b>	: RM200,000,000/=
<b>Issued and fully paid-up share capital</b>	: RM90,190,002/=
<b>Class of share</b>	: Ordinary shares of RM1/= each fully paid
<b>Voting rights</b>	: One vote per share

### Thirty Largest Shareholders

	<b>Name</b>	<b>No. of Shares</b>	<b>% of Issued Share Capital</b>
1	Thobrani Holdings Sdn Bhd	11,233,365	12.46
2	Goh Cheng Hock Holdings Sdn Bhd	7,249,576	8.04
3	Teoh Peng Yeow	3,622,000	4.02
4	K T Ooi Holdings Sdn Bhd	2,632,171	2.92
5	Tai Lean Development Sdn Bhd	2,498,000	2.77
6	Fortune Yields Sdn Bhd	2,484,000	2.75
7	Permodalan Nasional Berhad	2,369,794	2.63
8	Daedalin Sdn Bhd	2,188,232	2.43
9	Tow Hing Wa Holdings Sdn Bhd	2,024,182	2.24
10	Toong Yik Realty (Sendirian) Berhad	1,970,570	2.18
11	Alliancegroup Nominees (Tempatan) Sdn Bhd	1,911,635	2.12
	Pledged Securities Account for Thobrani Holdings Sdn Bhd		
12	Hoe Siew Mee	1,757,741	1.95
13	Goh Cheng Guan Holdings Sdn Bhd	1,572,191	1.74
14	Lim Hai Hong @ Lim Hai Hak	1,553,931	1.72
15	Ahead Development Sdn Bhd	1,533,459	1.70
16	Lembaga Tabung Haji	1,459,793	1.62
17	Taraf Johan Sdn Bhd	1,255,124	1.39
18	Teong Choon Enterprise (Malaysia) Sdn Bhd	1,091,000	1.21
19	Chai Tin Kok Holdings Sdn Bhd	1,081,422	1.20
20	Employees Provident Fund Board	1,014,000	1.12
21	Goh Aik Lean	1,000,000	1.11
22	Goh Aik Keong	997,585	1.11
23	Yeap Peng Hean Holdings Sdn Bhd	929,182	1.03
24	Chua Ting San Holdings Sdn Bhd	913,022	1.01
25	Alliancegroup Nominees (Tempatan) Sdn Bhd	900,000	1.00
	Pledged Securities Account for Goh Aik Lai Holdings Sdn Bhd		
26	Yap Shing @ Yap Sue Kim	785,000	0.87
27	Tentumewah Sdn Bhd	782,078	0.87
28	Yeoh Kooi Chuan	707,585	0.78
29	Alliancegroup Nominees (Tempatan) Sdn Bhd	700,000	0.78
	Pledged Securities Account for Perfect Scores Sdn Bhd		
30	Yeoh Swee Seong Sdn Bhd	660,000	0.73
		<u>60,876,638</u>	<u>67.50</u>

### Distribution Schedule

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 999	11	0.38	3,081	0.00
1,000 - 10,000	2,563	88.29	6,174,550	6.85
10,001 - 100,000	237	8.16	7,185,217	7.97
100,001 - 4,509,499	90	3.10	58,344,213	64.69
4,509,500 - 90,190,002	2	0.07	18,482,941	20.49
	2,903	100.00	90,190,002	100.00

### Substantial Shareholders

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
1 Dato' Haji Thobrani Bin Haji Hanafi	260,453	0.29	13,145,000	14.57
2 Datin Sharifah Mahiran Binti Syed Kechil	22,000	0.02	13,145,000	14.57
3 Thobrani Holdings Sdn Bhd	13,145,000	14.57	-	-
4 Goh Aik Keong	997,585	1.11	10,515,654	11.66
5 Goh Cheng Hock	325,002	0.36	10,515,654	11.66
6 Goh Aik Lai	-	-	9,070,654	10.06
7 Goh Aik Lean	1,000,000	1.11	8,031,654	8.91
8 Goh Cheng Hock Holdings Sdn Bhd	7,249,576	8.04	782,078	0.87

### Directors' Interests

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
* Dato' Haji Thobrani Bin Haji Hanafi	260,453	0.29	13,145,000	14.57
* Goh Cheng Hock	325,002	0.36	10,515,654	11.66
* Goh Aik Lai	-	-	9,070,654	10.06
* Koay Leong Eng	304,500	0.34	208,169	0.23
Lim Hai Hong @ Lim Hai Hak	1,553,931	1.72	2,188,232	2.43
Chai Tin Kok @ Sua Ah Seng	249,000	0.28	1,237,077	1.37
Gee Kok Sang	-	-	-	-
Ahmad Bin Abdul Rashid	-	-	60,000	0.07
Chin Kuet Sen	2,000	0.00	-	-
* Option to subscribe for 450,000 Shares in OIB pursuant to OIB's Employee Share Option Scheme 2001.				

**PROPERTIES OF THE GROUP AS AT 30 JUNE 2002**

<b>Address / Location</b>	<b>Description / Year of Acquisition of Revaluation</b>	<b>Approximate Land/Floor Area</b>	<b>Tenure/Age of Buildings (years)</b>	<b>Net Book Value (RM'000)</b>
<b>Sungai Petani</b>				
1 & 2, Jalan Bank, Sg. Petani, Kedah Darul Aman.	6 Storey Office Building / 1993	25,255 sq.ft.	Freehold/6	2,651
7 & 8, Jalan Bank, Sg. Petani, Kedah Darul Aman.	Double Storey Shophouse/ 1996 & 1993	9,970 sq.ft.	Freehold/62	892
Lot 96 & 97 & Plot 73A, Bakar Arang Industrial Estate, Sg. Petani, Kedah Darul Aman.	Industrial Land & Factory and Office Building/ 1993	10.25 acres	99 years lease expiring in 2088/14	6,629
Mukim Sungai Pasir, District of Kuala Muda, Kedah Darul Aman.	Development Land Approved for Housing	94.35 acres	Freehold	33,754
Mukim Teloi Kiri, District of Kuala Muda, Kedah Darul Aman.	Oil Palm Plantation for Future Development	283.08 acres	Freehold	4,357
<b>Kulim</b>				
343, Jalan Tunku Mohd. Asaad, Kulim, Kedah Darul Aman.	Sales Office (Bunglow)/1996	62,483 sq.ft.	Freehold/45	1,087
32-42 & 44, Lorong Semarak 2, Taman Semarak, Kulim, Kedah Darul Aman.	3 Storey Shophouses/1996	53,386 sq.ft.	Freehold/7	2,067
Mukim Keladi, District of Kulim Kedah Darul Aman.	Development Land Approved for Housing	41.96 acres	Freehold	7,283
Mukim Kulim, District of Kulim Kedah Darul Aman.	Development Land Approved for Housing	121.19 acres	Freehold	17,404



Location	Description /	Approximate Land/Floor Area	Tenure/Age of Buildings (years)	Net Book Value (RM'000)
Mukim Kulim, District of Kulim, Kedah Darul Aman.	Agriculture Land for Future Development	23.60 acres	Freehold	3,326
Mukim Lunas, District of Kulim, Kedah Darul Aman.	Agriculture Land for Future Development	4.18 acres	Freehold	82
<b>Kuala Lumpur/ Sepang/ Negeri Sembilan</b>				
61-1, Jalan Kg. Pandan, Taman Maluri, Kuala Lumpur.	4 Storey Office Building/ 1993	7,040 sq.ft.	99 years lease expiring in 2076/12	655
22, Jalan ST 1C/4, Medan 88, Bandar Baru Salak Tinggi, Sepang, Selangor Darul Ehsan.	Sales Office Shophouse (3 Storey)/1997	3,900 sq.ft	99 years lease expiring in 2092/6	160
Mukim Dengkil, District of Sepang, Selangor Darul Ehsan.	Development Land Approved for Housing	51.63 acres	Freehold	14,121
Mukim Sepang, District of Kuala Langat, Selangor Darul Ehsan.	Development Land Approved for Housing	21.52 acres	Freehold	5,356
Mukim Dengkil, District of Sepang, Selangor Darul Ehsan.	Development Land Approved for Housing	19.65 acres	99 years lease expiring between 2094 - 2096	7,252
Mukim Setul, Seremban, Negeri Sembilan.	Development Land Future Development	173.81 acres	99 years lease expiring in 2081	14,608



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Ninth Annual General Meeting of shareholders of the Company will be held at Serindit Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Thursday, 14 November 2002 at 10:00 a.m. for the following purposes: -

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2002 and the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association:-
  - i) Mr Chai Tin Kok @ Sua Ah Seng **Ordinary Resolution 2**
  - ii) Mr Lim Hai Hong @ Lim Hai Hak **Ordinary Resolution 3**
  - iii) Mr Koay Leong Eng **Ordinary Resolution 4**
3. To declare a first and final dividend of 7% less Malaysian Income Tax for the year ended 30 June 2002. **Ordinary Resolution 5**
4. To approve Directors' fees for the year ended 30 June 2002. **Ordinary Resolution 6**
5. To re-appoint Messrs. PricewaterhouseCoopers and to authorize the Directors to fix their remuneration. **Ordinary Resolution 7**
6. As Special Business

To consider, and if thought fit, to pass the following Ordinary Resolutions:-

i) **SECTION 132D OF THE COMPANIES ACT, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorized to issue and allot from time to time such number of ordinary shares of the Company as may be required to be issued pursuant to exercise of the options under the Oriental Interest Berhad Employee Share Option Scheme 2001 PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

**Ordinary Resolution 8**

**ii) PROPOSAL TO SEEK SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING THE COMPANY AND ITS SUBSIDIARIES WITH CONLIN SDN BHD**

"THAT approval be and is hereby given to the Company and its subsidiaries to seek the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature to enter into and to give effect to the specified Recurrent Related Party Transactions with Conlin Sdn Bhd ("Proposed RRPT Mandate I") as stated in Section 2.5 of the Circular to Shareholders dated 23 October 2002 which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders.

***Ordinary  
Resolution 9***

THAT the approval shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse unless the authority is renewed by ordinary resolution passed at the AGM, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed RRPT Mandate I."





**iii) PROPOSAL TO SEEK SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING THE COMPANY AND ITS SUBSIDIARIES WITH FIRST LIGHT INDUSTRIES CO LTD**

"THAT approval be and is hereby given to the Company and its subsidiaries to seek the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature to enter into and to give effect to the specified Recurrent Related Party Transactions with First Light Industries Co Ltd ("Proposed RRPT Mandate II") as stated in Section 2.5 of the Circular to Shareholders dated 23 October 2002 which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders.

**Ordinary  
Resolution 10**

THAT the approval shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company, at which time it shall lapse unless the authority is renewed by ordinary resolution passed at the AGM, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed RRPT Mandate II."

7. To transact any other business of which due notice shall have been given.

**NOTICE OF DIVIDEND ENTITLEMENT**

**NOTICE IS ALSO HEREBY GIVEN** that a depositor shall qualify for entitlement to the dividend only in respect of :-

- a. Shares transferred into the depositor's securities account before 12:30 p.m. on 25 November 2002 in respect of ordinary transfers; and
- b. Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend, if approved will be paid on 12 December 2002 to depositors registered in the Record of Depositors at the close of business on 25 November 2002.

BY ORDER OF THE BOARD

**LAM VOON KEAN**  
(MIA 4793)  
Company Secretary

**Notes :**

1. A proxy shall be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved Company auditor or a person approved by the Registrar of Companies.
2. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
5. To be valid, the proxy form duly completed must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.
6. The details of the Directors standing for re-election as in Agenda 2 are as more particularly disclosed in Page 69 of the Annual Report of the Company.

**Explanatory Notes on Special Business:**

7. The proposed Resolution 8, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.
8. The proposed Resolution 9, if passed, will obtain the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed RRPT Mandate I") and allow the Company and its subsidiaries to enter into and to give effect to the specified Recurrent Related Party Transactions with Conlin Sdn Bhd as stated in Section 2.5 of the Circular to Shareholders dated 23 October 2002 which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders.
9. The proposed Resolution 10, if passed, will obtain the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed RRPT Mandate II") and allow the Company and its subsidiaries to enter into and to give effect to the specified Recurrent Related Party Transactions with First Light Industries Co Ltd as stated in Section 2.5 of the Circular to Shareholders dated 23 October 2002 which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders.



## Statement Accompanying Notice of Annual General Meeting and Other Information

**1. Directors standing for re-election at the Ninth Annual General Meeting of the Company are as follows: -**

- i) Mr Chai Tin Kok @ Sua Ah Seng (Resolution 2)
- ii) Mr Lim Hai Hong @ Lim Hai Hak (Resolution 3)
- iii) Mr Koay Leong Eng (Resolution 4)

Shareholdings of the above Directors are disclosed in the Directors' Report, while personal particulars for each of them are detailed in the Directors' Profile.

**2. Details of Board Meetings held during the financial year and attendance of Directors.**

During the financial year, there were four (4) Board of Directors' Meeting held on 16 August 2001, 26 November 2001, 7 February 2002 and 16 May 2002. All of which took place at the Corporate Head Office of the Company at Wisma OIB, 1 & 2, Jalan Bank, 08000 Sungai Petani, Kedah Darul Aman, at 11.00 a.m.

Details of attendance of Directors at the above-mentioned board meetings are disclosed in the Corporate Governance Statement.

**3. Other Information**

**Share Buybacks**

During the financial year, there were no share buybacks by the Company.

**Options Warrant or Convertible Securities**

Except for a total of 185,000 ordinary shares issued upon exercising of options, granted pursuant to the Employee Share Option Scheme of the Company, during the financial year, no other options, warrants or convertible securities were exercised in respect of the financial year.

**American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

The Company did not sponsor any ADR or GDR programme during the financial year.

**Imposition of Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

**Non-audit Fees**

The amount of non-audit fees paid by the Company and the Group to external auditors for the financial year amounted to RM4,000 and RM37,000 respectively.

**Profit Estimate, Forecast or Projection**

There was no material variance between the results for the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

**Profit Guarantees**

The Company did not give any profit guarantees during the financial year.

**Material Contracts and Contracts Relating to Loans**

During the financial year, there were no material contracts or contracts relating loans entered into by the Company or its subsidiary companies involving interests of Directors and major shareholders of the Company.

**Revaluation of Landed Properties**

The Company does not have a revaluation policy on landed properties.

**PROXY FORM****ORIENTAL INTEREST BERHAD (272144-M)***(Incorporated in Malaysia)***PROXY**

I We, .....  
 of ..... *(Full name in block letters)*

being a member / members of Oriental Interest Berhad hereby appoint  
 ..... *(Address)*

of ..... *(Full name in block letters)*

or failing him the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Serindit Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Thursday, 14 November 2002 at 10:00 a.m. and at any adjournment thereof. *(Address)*

NO.	ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements.	-Resolution 1		
2.	To re-elect the following Directors who retire pursuant to Article 80 :- i) Mr Chai Tin Kok @ Sua Ah Seng ii) Mr Lim Hai Hong @ Lim Hai Hak iii) Mr Koay Leong Eng	-Resolution 2 -Resolution 3 -Resolution 4		
3.	To declare a first and final dividend of 7% less Malaysian Income Tax.	-Resolution 5		
4.	To approve Directors' fees.	-Resolution 6		
5.	To re-appoint Messrs. PricewaterhouseCoopers.	-Resolution 7		
6.	Special Business i) Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. ii) Proposal to seek Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature involving the Company and its subsidiaries with Conlin Sdn Bhd. iii) Proposal to seek Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature involving the Company and its subsidiaries with First Light Industries Co Ltd.	-Resolution 8 -Resolution 9 -Resolution 10		

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

No. of Ordinary Shares Held

Signed this                      day of                      2002.

.....  
 Signature of Shareholder(s)



**Notes :**

1. A proxy shall be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved Company auditor or a person approved by the Registrar of Companies.
2. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
5. To be valid, the proxy form duly completed must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.

Fold here

Affix  
Stamp

**ORIENTAL INTEREST BERHAD**

(272144-M)

c/o M & C Services Sdn. Bhd.  
Suite 2-1, 2nd Floor,  
Menara Penang Garden,  
42A Jalan Sultan Ahmad Shah,  
10050 Penang.

Fold here