



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Oriental Interest Berhad ("OIB"), I am pleased to present the Tenth Annual Report of the Group for the financial year ended 30 June 2003.

### INDUSTRY TREND AND FINANCIAL RESULTS

The property sector experienced significant change in fortune during Financial Year 2003, with the very encouraging outlook in the middle of 2002 fast evaporating by the turn of Year 2003. Along with the slow recovery after economic downturn, labour shortage, war in Iraq and outbreak of SARS epidemic were affecting the industry in terms of operational delay and dampening of house buyers' confidence.

Although the property market as a whole did not produce excellent performance in the last year, selective segments were still generating good results. OIB Group, with its shrewd and experienced management team, channelled its resources concentrating on the niche market at strategic locations; hence, was not adversely affected.

Although the revenue recorded was 23% lower than that of the preceding financial year, operating profit before taxation, excluding the share of profits resulting from associated company, only dropped by a negligible 3%. However, if those non-recurrent consolidation adjustment and expenses were taken into account, the net profit attributable to the shareholders was 13% higher than the preceding financial year. The better results were achieved principally through increased overall efficiency and productivity from all divisions within the Group

### 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 2003.





### **CORPORATE GOVERNANCE**

The Board continues with its effort, via the various board committees, to adhere to high standards of corporate governance with the view of achieving the corporate objective of enhancing shareholders' value through practicing transparency and accountability in discharging its duties and responsibilities. Our efforts are detailed in the Statement of Corporate Governance enclosed in this Annual Report.

### **PROSPECTS**

Although the international conflict in the Middle East and the outbreak of the SARS epidemic had come to a close, their adverse effect on the financial aspect might continue for some time. Thus, the uncertainty would still persist, to certain extent, in both international trade and on domestic economy. To counter the aforesaid uphill challenges, the Government had, on earlier of this year, introduced numerous measures under the Economy Stimulus Package to stimulate, among other sectors, the property market. The Board and the management are cautiously optimistic that the Group would be able to produce profitable results for the financial year ending 30 June 2004.

### **APPRECIATION**

On behalf of the Board, I wish to acknowledge the invaluable support from all our customers, business partners, regulatory authorities and shareholders for their confidence in the Group.

Last but not least, I would also like to thank my fellow Board members, the management and staff of the Group for their outstanding teamwork and dedication over the past year. By continuing these positive spirit and momentum, I am confident that the Board and management will steer the Group to achieving better results for the current financial year.

**Dato' Haji Thobrani Bin Haji Hanafi**

Executive Chairman

29 September 2003



## MANAGING DIRECTOR'S OPERATION REVIEW



Despite of lower revenue recorded at RM102.125million for financial year 2003, lower by RM30.046million, OIB Group was able to achieve higher net profit attributable to shareholders of RM18.571million, an increase of by RM2.147million, compared with the previous financial year. Consequently, the earnings per ordinary share ("EPS") for the reporting financial year had improved by 2.35sen, or 13%, to 20.59sen.

With non-recognition of availability of unabsorbed reinvestment allowance ("RA") as deferred tax asset under MASB 25 "Income Taxes", the effective tax rate of the Group would be lower than the statutory rate of 28% for the year, in which RM3.581million of RA available to Manufacturing Division is being utilized.

### PROPERTY DEVELOPMENT

RM68.748million worth of progress billings was generated from Property Development activity during the last financial year, representing a 37% drop in revenues from the preceding year. Nevertheless, the operating profit for the Division was lower at a reduced rate of 23% only. Overall improvement in contribution margin from existing and completed projects is the principal factor in cushioning the lukewarm property sector.



### **MANUFACTURING**

Manufacturing Division reported an impressive 72% increase in pre-tax profit of RM7.575million, on the back of an equally commendable 41% rise in sales totalling RM33.038million, compared with financial year 2002. These outstanding results were achieved through intensified marketing effort on higher margin yielding products, reduced unit cost with production level above optimal level as well as improvement in treasury management.

### **ASSOCIATED COMPANY**

Share of results of associated company, Brilliant Delta (M) Sdn Bhd, continued to contribute significantly to the results of the Group, increased by more than four folds of that for the preceding financial year, amounting to RM2.619million. Excellent harvest and sustained favourable market price for Cruel Palm Oil coupled with tremendous sales and smooth construction progress for the housing project, Taman Serai Wangi, had brought about this remarkable performance.

### **FINANCIAL POSITION**

The Management had taken a prudence approach in conducting its business ever since the economic turmoil few years ago. The discreet practice adopted was justly rewarded with better financial performance, enhancement of shareholders' value and healthier indebtedness position. Over the last financial year, Shareholders' Equity was further enhanced by 7% to RM212.761million; meanwhile, the gearing of the Group was significantly improved, with net borrowing reduced from RM18.988million to RM10.300million between two balance sheet dates. With these, the Company is again recommending an annual dividend for financial year 2003 at the rate of 7% for shareholders' approval at the forthcoming Annual General Meeting.

### **OUTLOOK**

The incentives introduced in the first half of 2003 and the additional measures proposed in the Budget 2004 recently are evidenced of the importance of property market. With the Government's effort to reduce transaction cost and promote homeownership, OIB Group will strategise to launch more affordable houses to take advantage of the aforesaid incentives; hence, ensuring operating results for the current financial year ending 30 June 2004 to remain profitable.

**Goh Cheng Hock**  
Managing Director  
29 September 2003