

Oriental Interest Berhad

(272144-M)



Annual Report 2004

ANNUAL REPORT 2004

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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

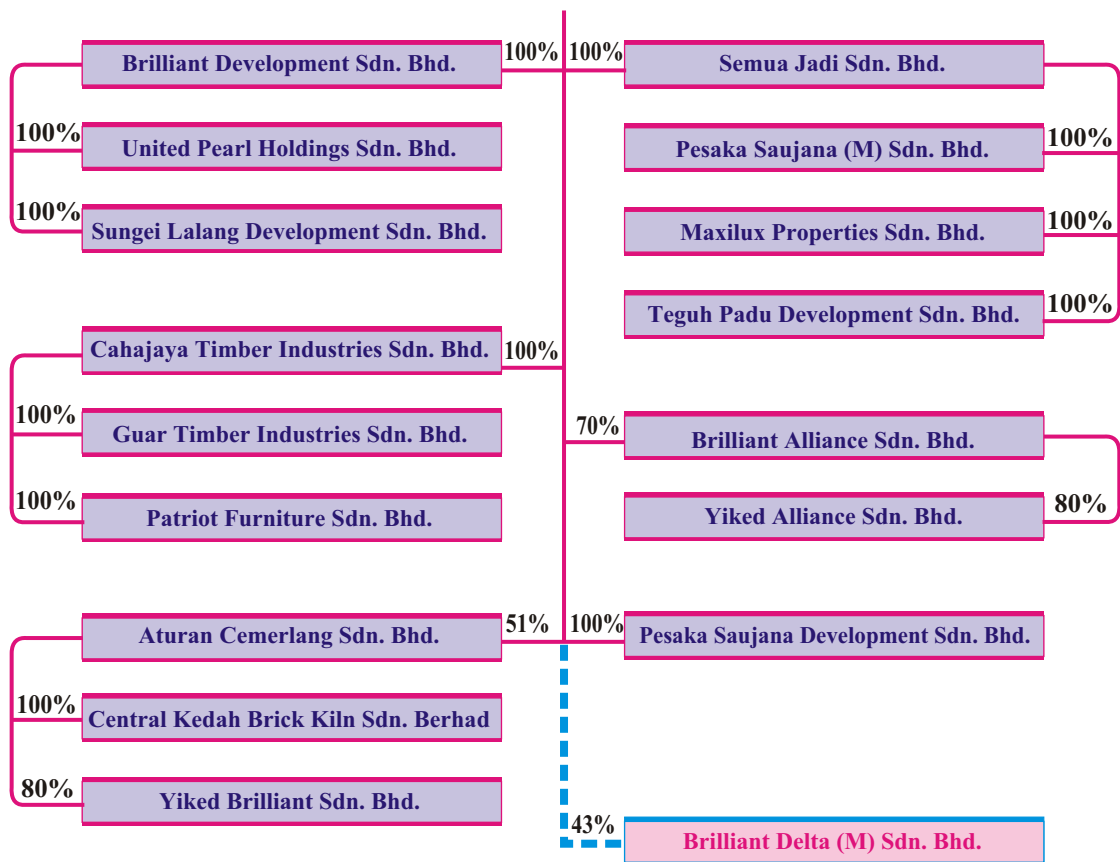
Bursa Malaysia Securities Berhad
Main Board
Stock Code: 5827
Stock Name: OIB



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 the then Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) 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 19 years, the Group has completed numerous construction and property development projects totalling over RM1.1 billion in value and has established itself as a leading housing developer, having completed approximately 18,400 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 companies, Cahajaya Group, 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 89% of its products are exported to United States of America, Japan, United Kingdom, Belgium, Netherlands, China and Canada.



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 58, 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 and has 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 has no conviction for offences within the past 10 years.

Mr Goh Cheng Hock, Malaysian, aged 67, 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 founding members of OIB Group, he became an entrepreneur at the age of 18, when he ventured into fertilizer dealing in 1955, before embarking on 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 and has a substantial interest in Goh Cheng Hock Holdings Sdn Bhd; all of them are major shareholders of the Company. Mr Goh has no conflict of interest with the Company. He does not hold any directorship in other public companies and has no conviction for offences within the past 10 years.

Mr Goh Aik Lai, Malaysian, aged 38, 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 and has a substantial interest in Goh Cheng Hock Holdings Sdn Bhd; all of them are major shareholders of the Company. Mr Goh has no conflict of interest with the Company. He does not hold any directorship in other public companies and has no conviction for offences within the past 10 years.

Mr Koay Leong Eng, Malaysian, aged 53, 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 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 or any conflict of interest with the Company. He does not hold any directorship in other public companies and has no conviction for offences within the past 10 years.



Mr Lim Hai Hong @ Lim Hai Hak, Malaysian, aged 67, 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 founding 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 or any conflict of interest with the Company. He does not hold any directorship in other public companies and has no conviction for offences within the past 10 years.

Mr Chai Tin Kok @ Sua Ah Seng, Malaysian, aged 69, is a Non-Independent and Non Executive Director of the Company and was appointed to the Board on 19 August 1994. Also a founding 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 or any conflict of interest with the Company. He does not hold any directorship in other public companies and has no conviction for offences within the past 10 years.

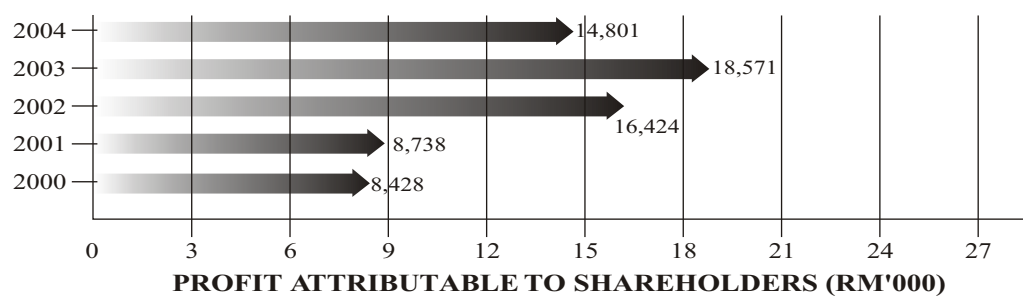
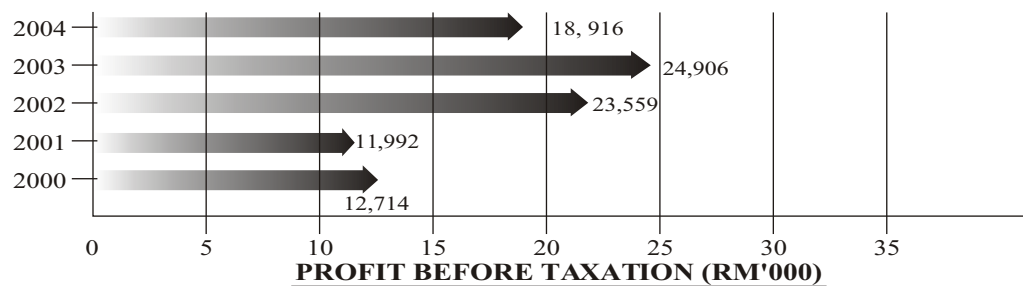
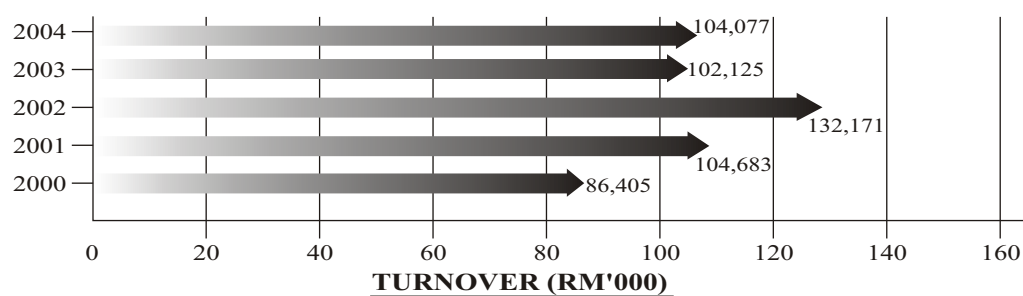
Mr Gee Kok Sang, Malaysian, aged 48, is an Independent Non-Executive Director of the Company and was appointed to the Board on 19 August 1994. He joined Messrs. Kassim Chan & Co., then an affiliated firm of Deloitte, Haskins & Sells, upon graduating with a Diploma in Commerce from Tunku Abdul Rahman 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 has no conviction for offences within the past 10 years.

Tuan Haji Ahmad Bin Abdul Rashid, Malaysian, aged 53, 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, and after a few months, served 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 has no conviction for offences within the past 10 years.

Mr Chin Kuet Sen, Malaysian, aged 41, 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 has no conviction for offences within the past 10 years.

FINANCIAL HIGHLIGHTS

5 Years Results (RM'000)	Year Ended 30 June				
	2004	2003	2002	2001	2000
Revenue	104,077	102,125	132,171	104,683	86,405
Profit Before Taxation	18,916	24,906	23,559	11,992	12,714
Taxation	(3,243)	(5,697)	(6,424)	(2,627)	(3,428)
Profit After Taxation	15,673	19,209	17,135	9,365	9,286
Minority Interests	(872)	(638)	(711)	(627)	(858)
Profit Attributable To Shareholders	14,801	18,571	16,424	8,738	8,428



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Oriental Interest Berhad ("OIB"), it is my pleasure to present the Eleventh Annual Report of the Group for the financial year ended 30 June 2004.

FINANCIAL RESULTS

For the financial year ended 30 June 2004, although the Group registered a 2% increase in revenue of RM104.077million compared with RM102.125million of the previous financial year, pre-tax profit was lower by 24%, from RM24.906million to RM18.916million for the same comparable period.

Property Development

Total billings generated by the Division amounted to RM72.092million, representing a 5% rise from RM68.748million of preceding year. However, writing down of carrying value of certain development properties arising from periodical assets impairment review, inflated construction cost and one-off accruals of short term employees' benefits, in compliance with MASB 29, had an adverse impact on the contribution margin of the Division rendering its segment results lower by 36%.

Manufacturing

For the financial year under review, the Division recorded a 29% reduction in segment contribution to the Group; mainly as a result of the 5% drop in sales to RM31.409million from RM33.038million of the preceding year, which was due to significant contraction in export for the Asia Pacific region.

Associated Company

Although tonnage harvested was lower compared with the previous year, sustainable favourable price of Cruel Palm Oil together with accelerated billings from its housing development activity had significantly increased contribution from the associated company, Brilliant Delta (M) Sdn. Bhd., to the Group by more than three quarters of that for the preceding financial year, amounting to RM4.609million.

Financial Position

Besides creating shareholders' value and improving financial performance, the prudent approach adopted by the management had in mind consolidating the financial position of the Group as the first priority. For the financial year under review, the leverage of the Group was improved with net borrowing reduced from RM10.300million to RM7.657million. Meanwhile, Shareholders' Equity was further enhanced by 5% to RM223.306million.



DIVIDEND

The Board of Directors has recommended, subject to shareholders' approval at the forthcoming Annual General Meeting, a first and final dividend of 4% less 28% income tax in respect of the financial year ended 30 June 2004.

CORPORATE GOVERNANCE

With the establishment of high standards of corporate governance, the Board collectively and through its members individually pledged to not only observing the principle and practices so prescribed but also be receptive to new concepts supplementing those adopted. Our efforts are detailed in the Statement of Corporate Governance enclosed in this Annual Report.

PROSPECTS

With home-seekers better informed about selection of properties and reputation of the developers in the market nowadays, the competition within the property sector is intensifying with emphasis on strategic locations, affordable prices and appealing designs. Therefore, greater cost efficiency and well-thought development plans are required to face the stiff competition ahead. Well-equipped to weather the challenges, the Board is confident that the Group would still be able to produce profitable results for the financial year ending 30 June 2005.

APPRECIATION

Finally, together with my fellow Directors, I would like to express our sincere appreciation to all our customers, business allies, regulatory authorities and investors for their confidence in OIB Group. I also wish to thank my colleagues on the Board, the management and staff of the Group in recognition of their endeavour and excellent co-operation through out the past year. Going forward with this well-organised and motivated workforce under the competent leadership of the Board and management, I have complete confidence in the Group delivering yet another encouraging results for the ensuing financial year.



Dato' Haji Thobrani Bin Haji Hanafi

Executive Chairman

16 September 2004



CORPORATE GOVERNANCE STATEMENT

The Board of Directors fully appreciates 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 and integrity.

The Board continuously evaluates the status of the Group's corporate governance practices with a view to adopt and apply, where practicable, the Principles and Best Practices enshrined in Parts 1 and 2 of the Malaysian Code on Corporate Governance (the "Code") respectively. As such, the Board is fully committed to the maintenance of high standards of corporate governance in its quest to enhance shareholder value.

The Board is pleased to provide the following statement, which outlines 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.

A. Directors

The Board

The Board acknowledges its role in the stewardship of the Group's direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfill 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. Although it does not have a formal schedule of matters reserved to it for decision, the Board is normally involved in deciding the overall Group strategy and direction, acquisition and divestment policy, approval of capital expenditure, consideration of significant financial matters and the review of financial and operating performance of the Group.

The Board delegates the day-to-day operations of the Group to the Executive Directors, who have vast experience in the business of the Group.

Meetings

The Board ordinarily 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 financial year ended 30 June 2004, the Board met four (4) times, 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 details of Board attendance are as follows:

	Director	Attendance
Executive	Dato' Haji Thobrani Bin Haji Hanafi – Chairman	4/4
	Goh Cheng Hock – Managing Director	4/4
	Goh Aik Lai – Deputy Managing Director	3/4
	Koay Leong Eng	4/4
Non-Independent Non-Executive	Lim Hai Hong @ Lim Hai Hak	4/4
	Chai Tin Kok @ Sua Ah Seng	4/4
Independent Non-Executive	Gee Kok Sang	4/4
	Tuan Haji Ahmad Bin Abdul Rashid	4/4
	Chin Kuet Sen	4/4

All Directors are furnished with an agenda and documents on matters requiring their consideration in advance of each Board meeting. The Chairman, with the assistance of the Company Secretary, undertakes the primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis.

All proceedings of Board meeting are duly recorded and the minutes thereof signed by the Chairman of the Board.

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 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.

Board balance

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 brief profile of each Director is presented on pages 5 and 6 of the 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 Bursa Malaysia Securities Berhad ("Bursa Securities"). The key elements for fulfilling the criteria are the appointment of directors who are not members of Management and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest 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, legal, marketing and operations.

The Executive Directors 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 review and challenge on the performance of Management.

The Non-Executive Directors contribute in areas such as policy and strategy, performance monitoring as well as improving governance and controls. Together with the Executive Directors who have intimate knowledge of the business, the Board is comprised of individuals who have a proper understanding of, and competence to deal with, the current and emerging business issues.

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 Managing Director.

The roles of Chairman and the 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 Managing Director is responsible for the day-to-day management of the business as well as the implementation of the Board's policies and decisions.

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

Supply of information

The Board recognises that the decision making process is highly dependent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Group.

The Chairman, with the assistance of the Company Secretary, ensures that all Directors have full and timely access to information with Board papers distributed in advance of Board meetings. This ensures that Directors have sufficient time to understand and appreciate issues deliberated at the Board meeting and expedites the decision making process.

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

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.

The Directors meet, review and approve all corporate announcements, including the announcement of quarterly financial results, before releasing them to Bursa Securities.

There is a formal procedure sanctioned by the Board for Directors, 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:

- Tuan Haji Ahmad Bin Abdul Rashid - Chairman, Independent Non-Executive Director
- Chin Kuet Sen - Independent Non-Executive Director
- Lim Hai Hong @ Lim Hai Hak - Non-Independent Non-Executive Director

The Committee consists entirely of Non-Executive Directors, a majority of whom are independent in accordance with Best Practice of the Code.

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 systematically 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 function, and at least once every year in carrying out an annual review of the Board, its Committees and the contribution of individual Directors to the Company.

During the financial year, the Committee met once, attended by all members to deliberate on the retirement of Directors and their eligibility for re-election at the Annual General Meeting ("AGM"), the performance of the Board and the various Board Committees as well as contribution of individual Directors.

Directors' training

The Board, through the Nominating Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfill the duties of a Director appropriately. There is no formal training or orientation programme for Directors.



All Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Bursa Malaysia Training Sdn. Bhd. The Directors shall continue to undergo the Continuing Education Program to 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 AGM, 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 Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates.

The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished in a separate statement accompanying the Notice of the AGM.

B. Directors' remuneration

Remuneration Committee

The Remuneration Committee comprises the following members:

- | | | |
|------------------------------------|---|--|
| Gee Kok Sang | - | Chairman, Independent Non-Executive Director |
| • Tuan Haji 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, the 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 to effectively manage the business of the Group.

The Remuneration Committee met once during the financial year, attended by all the members.

Details of the Directors' remuneration

Details of Directors' remuneration for the financial year ended 30 June 2004 are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	80	100	180
Allowance	10	21	31
Salaries	950	-	950
Bonuses	421	-	421
Employees' Provident Fund	164	-	164
Estimated Value of Benefits-in-Kind	86	-	86
Total	1,711	121	1,832

The remuneration paid/payable to Directors, analysed into bands of RM50,000 for the year ended 30 June 2004, are summarised as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	5
RM300,001 RM350,000	2	-
RM400,001 RM450,000	1	-
RM600,001 RM650,000	1	-

C. Shareholders

The Company realises the importance of communicating with its shareholders and does this through the Annual Report, the AGM and Extraordinary General Meetings ("EGM"). Whilst the Annual Report provides a comprehensive source of information on the Group's financial and operational performance, the AGM and EGM provide a platform to shareholders to seek more information and clarification on the audited financial statements, operational issues and other matters of interest. The Directors readily avail themselves to answer any such questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or circulars. The Company's practice is to send out the notice of AGM and related papers to shareholders at least twenty-one (21) working days before the meeting.

In addition, the Group's quarterly financial results, information on corporate exercises undertaken by the Group, and other information that warrants an announcement under the Listing Requirements are released on a timely basis to continuously provide shareholders with an update of the Group's operations.



While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. In any of the circumstances, the Directors are cautious not to provide unpublicized material information about the Group and frequently stress the importance of timely and equal dissemination of information to shareholders and stakeholders.

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 results to shareholders 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 in respect of the preparation of the audited financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results of their operations 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 Statement on Internal Control furnished on pages 22 to 24 of the Annual Report provides an overview on the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 19 to 21 of the Annual Report.

A summary of the activities of the Audit Committee during the financial year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 18 and 19 of the Annual Report.

Compliance statement

The Company has complied throughout the financial year with all the Best Practices of corporate governance set out in Part 2 of the Code, except for the following:

- A Senior Independent Non-Executive Director, to whom concerns may be conveyed, has not been identified by the Board as the Directors are of the opinion that it is sufficient that the Chairman normally encourages full discussion and deliberation by all Directors during Board meetings;
- 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 and direction of the Group such as major investment or divestment decisions, financial and operating performance, acquisition and disposal of capital expenditure; and
- The Board together with the Managing Director has not developed formal position descriptions for the Board and the Managing Director. This is due to the current set-up of the Board whereby the majority of the members have been with the Group since its commencement and thus, are cognisant of their respective roles and responsibilities over the years.

This statement is issued in accordance with a resolution of the Directors dated 16 September 2004.

AUDIT COMMITTEE REPORT

Membership

The present members of the Audit Committee (the "Committee") comprise:

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

Terms of reference of the Audit Committee

The Committee was established to act as a Committee to the Board of Directors, with terms of reference as set out on pages 19 to 21 of the Annual Report.

Meetings

The Committee convened five (5) meetings, which were attended by all the members, during the financial year. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

The Company Secretary or her representative was present by invitation at all the meetings. The external auditors and internal auditors were also invited to attend the meetings that concerned them.

Summary of activities during the financial year

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

- Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan;
- Reviewed with the external auditors the results of the audit and the audit/accounting issues;
- Reviewed and approved the internal audit plans for financial year 2004;
- Reviewed the report on internal audit, carried out by an independent firm of consultants, which highlighted the audit issues, recommendations and Management's response;
- Reviewed the Company's compliance, in particular the quarterly and year end financial statements, with the Listing Requirements of Bursa Malaysia Securities Berhad and other relevant legal and regulatory requirements, before recommending them for the Board's approval; and
- Reviewed related party transactions entered into by the Group.

Internal audit function

The Group outsourced its internal audit function to an independent firm of consultants to carry out internal audit of the Group. The principal role of the internal audit function is to undertake independent and regular reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year ended 30 June 2004, the internal audit function carried out 2 cycles of internal audit to test the effectiveness of the internal control system of the Group. The opportunities for improvement noted together with the recommendations thereof and agreed management action plans were presented to the Audit Committee for consideration.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control on page 23 of the Annual Report.

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 he is not a member of MIA, he must have at least three (3) years of working experience and:
 - the person must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - the person must be a member of the associations 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 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 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 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 its 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 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, if necessary, 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 Listing Requirements, the Committee shall promptly report such matter to Bursa Malaysia Securities Berhad.

Responsibilities and duties

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

- To consider the appointment of 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.



STATEMENT ON INTERNAL CONTROL

Introduction

Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad 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 in the Group and presents the following statement, which outlines the nature and scope of internal control prevailing in the Group during the financial year under review. The associated company has not been considered in this statement.

Board responsibility

The Board affirms its ultimate 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. In view 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 financial, operational and compliance controls and risk management procedures.

The Board is fully aware of the publication on the *Statement on Internal Control: Guidance for Directors of Public Listed Companies* (the "Internal Control Guidance") and has established a process for identifying, evaluating and managing significant risks faced by the Group. The process has been in place throughout the financial year.

Enterprise risk management framework

The Board appointed a firm of consultants to assist it in establishing a risk management framework for the Group. Besides strengthening risk management functions, the Enterprise Risk Management project was carried out to sensitise all employees within the Group more strongly to risk identification, evaluation, control, ongoing monitoring and reporting.

The formalisation of the enterprise risk management framework encompasses the following key elements:

- 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;

- Workshops and interviews were conducted with Directors and operational managers from the major business units in the Group. A database of all principal business risks and controls has been created, with the information filtered to produce a detailed risk register, and individual risk profiles for the major business units in the Group. Key risks to each major business unit's objectives, aligned with the Group's strategic objectives, were identified and scored for likelihood of the risks occurring and magnitude of the impact;
- A risk profile of the Group was developed which together with a summary of the key findings, was discussed in the Audit Committee before being presented to the Board for consideration;
- Key management in each major business unit have been entrusted to prepare action plans, with implementation time scales, to address any risk and control issues; and
- Periodic cycles of internal audit carried out by an independent firm of consultants which highlighted areas of concerns, including improvement opportunities for Management to strengthen internal control.

Internal audit function

The Group outsourced its internal audit function to an independent firm of consultants, which provides the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control of the Group. The internal audit function reviews the internal control in the key activities of the Group's businesses based on a 3-year internal audit strategy and detailed annual internal audit plans presented to the Audit Committee for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group. Opportunity for improvements to the system of internal control are identified and presented to the Audit Committee via internal audit reports whilst Management formulates the relevant action plans to address the issues noted on periodic basis.

During the financial year, 2 cycles of internal audit were carried out. The findings by the internal audit function, including recommendations and Management's responses, were reported to the Audit Committee. In addition, follow-up on the implementation of recommendations of the previous internal audits was carried out to update the Audit Committee on the status of Management-agreed action plan implementation.

Other risk and control processes

Apart from risk management and internal audit, the Board has put in place an organizational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include 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 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.

Where areas of improvement in the system are identified, the Board will consider the recommendation made by the Audit Committee and the Management for implementation.

Weaknesses in internal controls that result in material losses

The Board is of the opinion that there were no material losses incurred during the financial year ended 30 June 2004 resulting from weaknesses in internal control. Management continues to take measures to strengthen the control environment.

This statement is issued in accordance with the resolution of the Directors dated 16 September 2004.

Directors' report for the financial year ended 30 June 2004

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 2004.

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

	Group RM'000	Company RM'000
Profit from ordinary activities after taxation	15,673	12,614
Minority interests	(872)	0
Net profit for the financial year	<u>14,801</u>	<u>12,614</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 is as follows:

	RM'000
In respect of the financial year ended 30 June 2003, as proposed in the Directors' report for that financial year, a first and final dividend of 7% less income tax paid on 11 December 2003	<u>4,555</u>

The Directors now recommend the payment of a first and final dividend of 4 sen per share on 90,417,002 ordinary shares, less income tax, amounting to RM2,604,010 in respect of financial year ended 30 June 2004 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 period since the date of the last report, 227,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of share options pursuant to the Company's Employee Share Option Scheme ("ESOS")) at an exercise price of RM1.32 per share.

The new ordinary shares issued during this period rank pari passu in all respects with the existing ordinary shares of the Company.

Employee share option scheme

The Company's 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:

- (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 Bursa Securities, 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 shall not be to the advantage of the grantees without prior approval of the shareholders of the Company in a general meeting.

Employee share option scheme (continued)

- (j) The basis on which the options may be exercised by virtue of Bye-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:

Offer date	Exercise price RM	Number of ordinary shares of RM1 each under option				At 30 June 2004
		At 1 July 2003	Granted	Exercised	Terminated	
8 January 2002	1.32	6,512,000	0	(227,000)	(297,000)	5,988,000
24 August 2002	1.36	294,000	0	0	(108,000)	186,000
14 January 2004	1.36	0	522,000	0	0	522,000
		<u>6,806,000</u>	<u>522,000</u>	<u>(227,000)</u>	<u>(405,000)</u>	<u>6,696,000</u>

At the end of the financial year, there were 5,988,000 unissued ordinary shares under option at an exercise price of RM1.32 and 708,000 unissued ordinary shares under option at an exercise price of RM1.36. All shares under option granted under the ESOS will expire on 23 November 2011.

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 40,000 options or more.



Employee share option scheme (continued)

The list of option holders granted with 40,000 options or more on ordinary shares of RM1 each are as follows:

Name of option holder	Granted
Gobikumar A/L Muniandy	40,000
Hazrin Bin Thobrani	250,000
Mohd. Hamzy Bin Abd. Samad	40,000
Subramaniam A/L Rahman	40,000
Lee Huey Sie	40,000

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
Tuan Haji Ahmad Bin Abdul Rashid
Chin Kuet Sen

In accordance with Article 80 of the Articles of Association, Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP, Mr. Goh Cheng Hock and Mr. Chin Kuet Sen 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			
	1.7.2003	Addition	Disposal	30.6.2004
Oriental Interest Berhad				
(The Company)				
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Direct	453	0	0	453
Indirect	13,263,000	0	0	13,263,000
Goh Cheng Hock				
Direct	325,002	0	0	325,002
Indirect	11,352,807	0	0	11,352,807
Goh Aik Lai				
Indirect	10,439,807	74,600	0	10,514,407
Koay Leong Eng				
Direct	104,500	0	0	104,500
Indirect	208,169	0	0	208,169
Lim Hai Hong @ Lim Hai Hak				
Direct	2,060,931	0	0	2,060,931
Indirect	2,368,232	0	0	2,368,232
Chai Tin Kok @ Sua Ah Seng				
Direct	249,000	0	0	249,000
Indirect	1,477,077	0	0	1,477,077
Tuan Haji Ahmad Bin Abdul Rashid				
Indirect	60,000	0	0	60,000
Chin Kuet Sen				
Direct	2,000	0	0	2,000
Aturan Cemerlang Sdn. Bhd.				
(Subsidiary company)				
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Indirect	0	384,000	0	384,000
Goh Cheng Hock				
Direct	0	522,000	0	522,000
Indirect	1,260,000	2,500,000	0	3,760,000
Goh Aik Lai				
Indirect	0	2,500,000	0	2,500,000
Brilliant Alliance Sdn. Bhd.				
(Subsidiary company)				
Goh Cheng Hock				
Direct	0	376,000	0	376,000
Indirect	300,000	2,125,000	0	2,425,000
Goh Aik Lai				
Indirect	300,000	2,125,000	0	2,425,000
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Indirect	0	44,000	0	44,000

**Directors' interests (continued)**

	1.7.2003	Number of ordinary shares of RM1 each			30.6.2004
		Addition	Disposal		
Yiked Alliance Sdn. Bhd.					
(Subsidiary company)					
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP					
Direct	1*	0	0		1*
Goh Cheng Hock					
Direct	1*	0	0		1*
Indirect	0	199,997	0		199,997
Goh Aik Lai					
Indirect	0	199,997	0		199,997
Yiked Brilliant Sdn. Bhd.					
(Subsidiary company)					
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP					
Direct	1 [#]	0	0		1 [#]
Goh Cheng Hock					
Direct	1 [#]	0	0		1 [#]
Indirect	0	199,997	0		199,997
Goh Aik Lai					
Indirect	0	199,997	0		199,997
Central Kedah Brick Kiln Sdn. Bhd.					
(Subsidiary company)					
Goh Cheng Hock					
Indirect	0	504,000	0		504,000
Goh Aik Lai					
Indirect	0	504,000	0		504,000

* Held in trust for Brilliant Alliance Sdn. Bhd.

[#] Held in trust for Aturan Cemerlang Sdn. Bhd.

	1.7.2003	Number of ordinary shares under share option			30.6.2004
		Granted	Exercised	Terminated	
Oriental Interest Berhad					
(The Company)					
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP	450,000	0	0	0	450,000
Goh Cheng Hock	450,000	0	0	0	450,000
Goh Aik Lai	450,000	0	0	0	450,000
Koay Leong Eng	450,000	0	0	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 31 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 ESOS 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:

- (a) 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
- (b) 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 Group and of the Company had been written down to an amount which they might be expected so to realise.

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 or 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.



Other statutory information (continued)

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 Group or the Company 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 16 September 2004.

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

Goh Cheng Hock
Managing Director

Sungai Petani

Report of the auditors to the members of Oriental Interest Berhad

(Company no: 272144-M)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 34 to 69. 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:

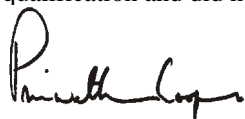
- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at 30 June 2004 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
[2082/09/04 (J)]
Partner of the firm

Penang
16 September 2004



Income statements for the financial year ended 30 June 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	5	104,077	102,125	17,650	13,478
Cost of sales		(75,276)	(70,391)	0	0
Gross profit		28,801	31,734	17,650	13,478
Other operating income		2,007	1,492	0	0
Selling and distribution costs		(2,484)	(488)	0	0
Administration expenses		(8,537)	(7,901)	(466)	(471)
Other operating expenses		(4,323)	(1,692)	(128)	(133)
Profit from operations	6	15,464	23,145	17,056	12,874
Finance cost	8	(1,157)	(858)	(1,042)	(800)
Share of results of associated company		4,609	2,619	0	0
Profit from ordinary activities before taxation		18,916	24,906	16,014	12,074
Taxation					
- Company and subsidiaries/company		(1,952)	(4,971)	(3,400)	(2,343)
- share of tax of associated company		(1,291)	(726)	0	0
	9	(3,243)	(5,697)	(3,400)	(2,343)
Profit from ordinary activities after taxation		15,673	19,209	12,614	9,731
Minority interests		(872)	(638)	0	0
Net profit attributable to shareholders		14,801	18,571	12,614	9,731
Earnings per share (sen)					
- basic	10	16.39	20.59		
- diluted	10	16.28	N/A		

The above income statements are to be read in conjunction with the notes to the financial statements on pages 38 to 69.

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**Balance sheets
as at 30 June 2004**

	Note	Group		Company	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
Capital and reserves					
Share capital	11	90,417	90,190	90,417	90,190
Reserves	12	132,889	122,571	131,554	123,423
Shareholders' equity		223,306	212,761	221,971	213,613
Minority interests		17,223	17,387	0	0
		240,529	230,148	221,971	213,613
Non-current liability					
Deferred tax liabilities	17	1,572	1,490	0	0
		242,101	231,638	221,971	213,613
Non-current assets					
Property, plant and equipment	13	24,615	24,007	0	0
Subsidiary companies	14	0	0	98,325	98,333
Associated companies	15	13,947	12,789	10,000	10,000
Real property assets	16	12,769	12,874	0	0
Deferred tax assets	17	5,415	4,419	0	0
Current assets					
Development properties	18	148,057	146,967	0	0
Inventories	19	14,390	18,401	0	0
Receivables, deposits and prepayments	20	43,817	40,304	2	2
Amounts due from subsidiary companies	14	0	0	140,573	127,004
Tax recoverable		1,025	570	336	196
Fixed deposits with licensed banks	21	13,857	5,972	0	0
Cash and bank balances	22	6,938	5,282	0	348
		228,084	217,496	140,911	127,550
Current liabilities					
Payables and accrued liabilities	23	13,790	17,663	274	273
Amounts owing to subsidiary companies	14	0	0	0	1,921
Short term borrowings	24	26,500	20,000	26,500	20,000
Taxation		487	730	0	0
Bank overdrafts	25	1,952	1,554	491	76
		42,729	39,947	27,265	22,270
Net current assets		185,355	177,549	113,646	105,280
		242,101	231,638	221,971	213,613

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 38 to 69.

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Statements of changes in equity for the financial year ended 30 June 2004

Group	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
		Number of shares '000	Nominal value RM'000			
At 1 July 2002		90,190	90,190	73	108,473	198,736
Dividend		0	0	0	(4,546)	(4,546)
Net profit attributable to shareholders		0	0	0	18,571	18,571
At 30 June 2003		90,190	90,190	73	122,498	212,761
At 1 July 2003		90,190	90,190	73	122,498	212,761
Dividend	26	0	0	0	(4,555)	(4,555)
Net profit attributable to shareholders		0	0	0	14,801	14,801
Issue of shares: - exercise of share options	11	227	227	72	0	299
At 30 June 2004		90,417	90,417	145	132,744	223,306

Company	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
		Number of shares '000	Nominal value RM'000			
At 1 July 2002		90,190	90,190	73	118,165	208,428
Dividend		0	0	0	(4,546)	(4,546)
Net profit for the financial year		0	0	0	9,731	9,731
At 30 June 2003		90,190	90,190	73	123,350	213,613
At 1 July 2003		90,190	90,190	73	123,350	213,613
Dividend	26	0	0	0	(4,555)	(4,555)
Net profit for the financial year		0	0	0	12,614	12,614
Issue of shares: - exercise of share options		227	227	72	0	299
At 30 June 2004		90,417	90,417	145	131,409	221,971

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 38 to 69.

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**Cash flow statements
for the financial year ended 30 June 2004**

	Note	Group		Company	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
OPERATING CASH FLOWS					
Cash flow from operations	27	12,940	24,862	(15,992)	(41)
Taxation paid		(4,507)	(5,734)	(3,540)	(2,329)
Net operating cash flow		8,433	19,128	(19,532)	(2,370)
INVESTING CASH FLOWS					
Interest received		415	200	1,312	1,287
Dividends received		3,000	200	16,255	11,970
Proceeds from disposal of property, plant and equipment		111	135	0	0
Addition to property, plant and equipment		(2,739)	(2,154)	0	0
Addition to real property assets		(127)	(3,399)	0	0
Proceeds from disposal of real property assets		0	26	0	0
Proceeds from disposal of quoted investment		0	2	0	0
Net investing cash flow		660	(4,990)	17,567	13,257
FINANCING CASH FLOWS					
Proceeds from issue of shares:					
- exercise of share options		299	0	299	0
Proceeds from short term borrowings		305,000	223,456	305,000	221,500
Repayment of short term borrowings		(298,500)	(229,074)	(298,500)	(224,500)
Interest paid		(1,157)	(858)	(1,042)	(800)
Placement of fixed deposit held under lien as security for a guarantee line		(25)	0	0	0
Dividend paid to minority interests		(1,037)	(46)	0	0
Dividend paid		(4,555)	(4,546)	(4,555)	(4,546)
Net financing cash flow		25	(11,068)	1,202	(8,346)
Net change in cash and cash equivalents during the financial year		9,118	3,070	(763)	2,541
Cash and cash equivalents at the beginning of the financial year		9,328	6,258	272	(2,269)
Cash and cash equivalents at the end of the financial year	28	18,446	9,328	(491)	272

Non-cash transactions

During the financial year, a subsidiary of the Company disposed of a building included in property, plant and equipment (note 13) for an amount of RM285,000, of which cash payments of RM43,000 were received during the financial year. The outstanding amount of RM242,000 as at 30 June 2004 is included in other receivables.

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 38 to 69.

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Notes to the financial statements for the financial year ended 30 June 2004

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 Bursa Securities. 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 428 (2003: 427). The Company did not have any employee at the end of the financial year (2003: 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 unless otherwise indicated in this note to the financial statements.

The new applicable approved accounting standard adopted in these financial statements is MASB Standard 29: "Employee Benefits".

There are no changes in accounting policy that materially affect the net profit for the financial year or shareholders' equity at the beginning of the financial year as a result of the adoption of the above standard in these financial statements.

3 Significant Group accounting policies (continued)

Accounting convention

The financial statements are prepared under the historical cost convention unless otherwise indicated in this note to the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to 30 June 2004. 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 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at the dates of acquisition, are accounted for under that method. Intra-group transactions, balances and unrealised gains on transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated unless cost cannot be recovered.

- (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 and 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.

Minority interest is measured at the minorities' share of the post-acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

As allowed under MASB Standard 21: "Business Combinations", the Group has applied the Standard prospectively and accordingly, business combinations entered into prior to 1 July 2001 have not been restated to comply with this Standard.

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, are stated in the Company's financial statements at cost. Where an indication of impairment exists, carrying amount of the investments are assessed and written down immediately to its recoverable amount.



3 Significant Group accounting policies (continued)

Associated companies

The Group treats as associated companies, those companies where it is in a position to exercise significant influence over the financial and operating policies of those companies but not control over the 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.

In the Company's financial statements, investments in associated companies are stated at cost. Where an indication of impairment exists, carrying amount of the investments are assessed and written down immediately to its recoverable amount.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses on such transactions are also eliminated to the extent of the Group's interest in the associated company unless cost cannot be recovered.

Revenue and profit recognition

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

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

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

Employee benefits

(i) Short term employee benefits

Wages, salaries, annual leave, bonuses and other employee benefits are accrued in the period in which the associated services are rendered by employees of the Group.

3 Significant Group accounting policies (continued)

Employee benefits (continued)

(ii) Retirement benefits

Defined contribution plan

Subsidiary companies incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan. The Group's contributions to the defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Termination benefits

The Group recognises termination benefits as a liability and an expense when, and only when, it is demonstrably committed to either terminate the employment of an employee or group of employees according to a detailed formal plan without realistic possibility of withdrawal or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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	2004 RM	2003 RM
1 US Dollar	3.7950	3.7950
100 Thai Bahts	9.5040	10.7425

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. All other borrowing costs are expensed in the income statement when incurred.



3 Significant Group accounting policies (continued)

Income taxes

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based on taxable profits.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets and tax losses carried forward.

The tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiary companies and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Impairment of assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount of the affected asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

An impairment loss is charged to the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

Share capital and dividends

Ordinary shares are classified as equity. 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.

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 and impairment losses.

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 and impairment losses.

3 Significant Group accounting policies (continued)

Freehold land and capital work in progress are not depreciated. Leasehold land is amortised in equal instalments over the periods 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.

Capital work in progress is not depreciated. 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 - 50
Electrical installation	10
Plant and machinery	2 - 20
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 of International Accounting Standard 16 (Revised): Property, Plant and Equipment as allowed for by the Malaysian Accounting Standards Board to retain the carrying amounts of these revalued land and buildings on the basis of their previous revaluation subject to the continuing application of the current depreciation policy.

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.

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.

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.



3 Significant Group accounting policies (continued)

Inventories (continued)

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

Receivables

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

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.

Financial instruments

- (i) Financial instruments recognised on the balance sheet

The accounting policies and recognition methods adopted for financial instruments recognised on the balance sheet are separately disclosed in the policy statements of the respective items.

- (ii) Fair value estimation for disclosure purposes

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

4 Financial risk management objectives and policies

The Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, market, credit, liquidity and cash flow risks. Financial risk management is carried out through risk reviews and internal control systems. The management regularly reviews these risks and approves the treasury policies, which cover the management of these risks.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

4 Financial risk management objectives and policies (continued)

Property development division

(a) Interest rate risk

The Group borrows for operations via short term borrowings such as revolving credit facilities and bank overdrafts. The Group's exposure to the risk of changes in interest rates is mainly on floating rate terms and deposits with banks and financial institutions.

The Group reviews on a regular basis the exposure to interest rate risks. The Group does not hedge interest rate risks due to its low borrowings.

(b) Market risk

The Group's principal exposure to market risk arises mainly from the state of the domestic property markets.

The Group manages its exposure to adverse fluctuation in property value by obtaining all the necessary information before investing in property and continuous monitoring of the state of the property market. The Group optimises its return on realisation by managing its decision to dispose or hold, continue or postpone development of these properties based on the current and expected future trend of the property market. For property development activities to sustain, preservation of land bank is of utmost importance for future development. The Group is actively pursuing the continuous purchase of land and joint venture with landowners at strategic locations.

Impairment losses will be recognised when there is indication of adverse changes in fair values of these properties. Reversals are taken to the income statement immediately to the extent of the previously recognised impairment losses when the adverse conditions which led to the impairment of the assets cease to exist.

(c) Credit risk

The Group controls credit risks by assessing all the relevant information obtained and also via monitoring procedures to ensure that the sales of products and services rendered are made to customers with an appropriate credit history. The exposure to credit risk is monitored on an ongoing basis and on a case-by-case basis.

At balance sheet date, there was no significant concentration of credit risk.

(d) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

**4 Financial risk management objectives and policies (continued)****Manufacturing division****(a) Interest rate risk**

The Group is exposed to interest rate risk for changes in interest rates primarily for borrowings and placement of fixed deposits. The Group controls and monitors closely its cash flows to minimise on borrowings and ensure that the interest rates are always maintained at favourable rates.

(b) Market risk

The Group seeks to overcome market risk by being more aggressive and innovative in its product range. This is by way of diversification, enhancing the quality, design and features of the products.

The Group currently sources rubberwood from Thailand and local suppliers. The Group may face significant exposure from the risk of changes in rubberwood prices from the suppliers. The management minimises the risk by widening the selection of rubberwood suppliers.

(c) Credit risk

The Group has a credit policy in place and the exposure to credit risk is being monitored regularly. A large portion of the sales of the Group is on confirmed standby Letter of Credit, document against payment and document against acceptance terms. These terms generally do not expose the Group to significant credit risk. As for the other minority customers, the Group seeks to manage the credit risk by setting credit limits and taking action to ensure prompt payment. Furthermore, the creditworthiness of each potential new customer is evaluated carefully before orders are accepted.

(d) Liquidity and cash flow risk

Prudent liquidity and cash flow risk management implies maintaining sufficient cash and the availability of funding through internally generated cash flows and an adequate amount of committed credit facilities. The Group aims at strengthening its cash flow position and minimising on bank borrowings. In addition, the Group also maintains flexibility in funding by keeping adequate committed credit lines available at any one time to meet the future needs of the business.

5 Revenue

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Dividend income	0	0	16,255	11,970
Loan interest income	0	0	1,312	1,287
Management fees	0	64	83	221
Progress billings received and receivable	72,092	68,748	0	0
Sales of goods at invoiced value	31,409	33,038	0	0
Sales of fresh bunches of oil palm	576	275	0	0
	<u>104,077</u>	<u>102,125</u>	<u>17,650</u>	<u>13,478</u>

6 Profit from operations

Profit from operations is stated after charging:

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- statutory audit	116	104	25	22
- other services	26	28	4	4
Depreciation of property, plant and equipment	1,905	1,783	0	0
Rental of land and building	4	4	0	0
Hire of plant and machinery	23	31	0	0
Impairment losses on investment in subsidiary company	0	0	8	16
Impairment loss on development properties (included in other operating expenses)	2,338	0	0	0
Property, plant and equipment written off	7	266	0	0
Inventories written off	0	904	0	0
Stock of unsold houses written down to net realisable value	335	0	0	0
Staff costs* (including Executive Directors' remuneration other than fees)	10,156	9,036	0	0
and crediting:				
Gross dividends received from subsidiary companies (unquoted)	0	0	13,255	11,770
Gross dividend received from associated company (unquoted)	0	0	3,000	200
Rental income	538	529	0	0
Gain on disposal of property, plant and equipment	179	84	0	0
Gain on disposal of real property assets	0	26	0	0
Interest income	415	200	1,312	1,287
Gain on foreign exchange - realised	21	24	0	0

* The above staff costs are analysed as follows:

Wages, salaries and bonuses	9,138	8,246	0	0
Contributions to defined contribution retirement plan	734	685	0	0
Gratuity	100	0	0	0
Other employee benefits	184	105	0	0
	10,156	9,036	0	0

**7 Directors' remuneration**

The Directors of the Company in office during the financial year are as follows:

Executive Directors

Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP
 Goh Cheng Hock
 Goh Aik Lai
 Koay Leong Eng

Non-executive Directors

Lim Hai Hong @ Lim Hai Hak
 Chai Tin Kok @ Sua Ah Seng
 Gee Kok Sang
 Tuan Haji Ahmad bin Abdul Rashid
 Chin Kuet Sen

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

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Fees receivable	180	180	180	180
Salaries and bonuses	1,371	1,309	0	0
Contributions to defined contribution retirement plan	164	157	0	0
Allowances	31	31	31	31
	1,746	1,677	211	211
Estimated monetary value of benefits otherwise than in cash	86	76	0	0
	1,832	1,753	211	211

Executive Directors of the Company have been granted options under the ESOS on the same terms and conditions as those offered to other employees of the Group (note 11) as follows:

<u>Number of share options on shares of RM1 each</u>							
Grant date	Expiry date	Exercise price RM/share	At beginning	Granted	Exercised	Terminated	At end of
			of the year				the year
			RM'000	'000	'000	'000	'000
Financial year ended 30 June 2004							
8 January 2002	23 November 2011	1.32	1,800	0	0	0	1,800
Financial year ended 30 June 2003							
8 January 2002	23 November 2011	1.32	1,800	0	0	0	1,800

8 Finance cost

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Interest expense	<u>1,157</u>	<u>858</u>	<u>1,042</u>	<u>800</u>

9 Taxation

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
In respect of current financial year:				
- Malaysian income tax	5,219	5,298	3,400	2,279
- Transfer (from)/to deferred taxation	(922)	250	0	0
In respect of prior financial years:				
- Malaysian income tax	(1,065)	146	0	64
- Transfer to deferred taxation	7	3	0	0
- Real property gains tax on disposal of landed property	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>3,243</u>	<u>5,697</u>	<u>3,400</u>	<u>2,343</u>
Current tax				
Current financial year	5,219	5,807	3,400	2,279
Benefit from previously unrecognised tax loss	0	(509)	0	0
(Over) / under accrual in prior years	(1,061)	146	0	64
Deferred tax				
Origination and reversal of temporary differences	(909)	253	0	0
Benefit from previously unrecognised tax loss	<u>(6)</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>3,243</u>	<u>5,697</u>	<u>3,400</u>	<u>2,343</u>

9 Taxation (continued)

The reconciliations of income tax expense applicable to profit from ordinary activities before taxation at the statutory tax rate to taxation charge at the average effective income tax rate of the Group and Company are as follows:

	Group		Company	
	2004	2003	2004	2003
	%	%	%	%
Statutory tax rate	28.0	28.0	28.0	28.0
Tax effects of:				
- Expenses that are not deductible in determining taxable profit	1.3	0.9	0.2	0.3
- Lower tax rate for small and medium scale companies #	(0.4)	(0.1)	0.0	0.0
- Income not subject to tax:				
- Income exempted under pioneer status	(2.6)	0.0	0.0	0.0
- Others	0.0	(0.1)	(7.0)	(9.4)
- Utilisation of reinvestment allowance	(0.4)	(4.3)	0.0	0.0
- Utilisation of export allowance	0.0	(1.6)	0.0	0.0
- Expenses eligible for double deduction	(3.2)	(0.4)	0.0	0.0
- Utilisation of previously unrecognised capital allowance	0.0	(0.1)	0.0	0.0
Average effective tax rate for the financial year	22.7	22.3	21.2	18.9
(Over)/underaccrual of Malaysian income tax in respect of prior financial year	(5.6)	0.6	0.0	0.5
	17.1	22.9	21.2	19.4

As gazetted in the Finance Act 2003 (2003: Finance (No. 2) Act 2002) during the financial year, the income tax rate for the first chargeable income of RM500,000 (2003: RM100,000) for small and medium scale companies with paid-up share capital of RM2.5 million and below is reduced to 20% for the financial year as compared to 28% in the previous financial year. For chargeable income in excess of RM500,000 (2003: RM100,000), income tax at the rate of 28% is still applicable.

A subsidiary company of the Group has been granted pioneer status in principle under the Promotion of Investments Act, 1986 to manufacture wooden furniture, wooden furniture parts and multi-ply parquet for a period of 5 years commencing from 1 January 2004. As a result of this tax incentive granted, 70% of the subsidiary company's statutory income will be exempted from income tax.

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Tax saving as a result of the utilisation of current year tax losses for which credit is recognised during the financial year	114	72	114	72

9 Taxation (continued)

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	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Tax losses carried forward	579	547	241	241
Unabsorbed capital allowances	138	206	0	0
Unabsorbed reinvestment allowances	623	31	0	0

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:

	2004	2003
Net profit attributable to shareholders for the financial year (RM'000)	14,801	18,571
Weighted average number of ordinary shares in issue ('000)	90,328	90,190
Basic earnings per share (sen)	16.39	20.59

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.

For the share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the "unpurchased" shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit attributable to shareholders for the share options calculations.

	2004
Net profit attributable to shareholders for the financial year (RM'000)	14,801
Weighted average number of ordinary shares in issue ('000)	90,328
Adjustment per share options	608
	<u>90,936</u>
Diluted earnings per share (sen)	<u>16.28</u>

No computation of diluted earnings per share for the financial year ended 30 June 2003 was made as the potential ordinary shares were anti-dilutive.

11 Share capital

	Group and Company	
	2004	2003
	RM'000	RM'000
Authorised:		
Ordinary shares of RM1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of RM1 each		
At 1 July	90,190	90,190
Issue of shares - exercise of share options	<u>227</u>	<u>0</u>
At 30 June	<u>90,417</u>	<u>90,190</u>

During the financial year, 227,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employee Share Option Scheme ("ESOS") at an exercise price of RM1.32 per share.

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

Employee share option scheme

The Company's 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:

- (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 Bursa Securities, 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.

11 Share capital (continued)

- (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 shall not be 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:

Number of ordinary shares of RM1 each under option						
Offer date	Exercise price RM	At 1 July 2003	Granted	Exercised	Terminated	At 30 June 2004
8 January 2002	1.32	6,512,000	0	(227,000)	(297,000)	5,988,000
24 August 2002	1.36	294,000	0	0	(108,000)	186,000
14 January 2004	1.36	0	522,000	0	0	522,000
		<u>6,806,000</u>	<u>522,000</u>	<u>(227,000)</u>	<u>(405,000)</u>	<u>6,696,000</u>

At the end of the financial year, there were 5,988,000 unissued ordinary shares under option at an exercise price of RM1.32 and 708,000 unissued ordinary shares under option at an exercise price of RM1.36. All shares under option granted under the ESOS will expire on 23 November 2011.

**12 Reserves**

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Share premium	145	73	145	73
Retained earnings	132,744	122,498	131,409	123,350
	132,889	122,571	131,554	123,423

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 2004, without incurring any additional taxation.

13 Property, plant and equipment

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

Group

	Land and buildings, at cost/ valuation RM'000	Plantation development expenditure, at cost RM'000	Furniture and fittings, office equipment and electrical installation, at cost RM'000	Plant and machinery, at cost RM'000	Motor vehicles, at cost RM'000	Site equipment, at cost RM'000	Office renovations, at cost RM'000	Capital work in progress, at cost RM'000	Total RM'000
2004									
Cost or valuation									
At 1 July 2003	20,254	504	2,183	11,722	5,268	37	117	230	40,315
Additions	5	0	123	2,034	145	0	8	424	2,739
Disposals	(177)	0	(5)	(250)	(336)	0	0	0	(768)
Write off	0	0	(16)	(198)	0	0	0	0	(214)
Reclassification	652	0	0	0	0	0	0	(652)	0
At 30 June 2004	20,734	504	2,285	13,308	5,077	37	125	2	42,072
Accumulated depreciation									
At 1 July 2003	2,207	68	1,604	8,812	3,539	32	46	0	16,308
Charge for the financial year	264	27	223	929	490	4	13	0	1,950
Disposals	(31)	0	(4)	(223)	(336)	0	0	0	(594)
Write off	0	0	(16)	(191)	0	0	0	0	(207)
Reclassification	0	0	(44)	0	44	0	0	0	0
At 30 June 2004	2,440	95	1,763	9,327	3,737	36	59	0	17,457
Net book value									
30 June 2004	18,294	409	522	3,981	1,340	1	66	2	24,615
30 June 2003	18,047	436	579	2,910	1,729	5	71	230	24,007

13 Property, plant and equipment (continued)

The land and buildings of the Group comprise:

2004	Land, at cost/ valuation RM'000	Buildings, at cost RM'000	Building, at valuation RM'000	Factory building, at cost RM'000	Factory building, at valuation RM'000	Total RM'000
Cost or valuation						
At 1 July 2003	9,701	4,584	428	1,041	4,500	20,254
Additions	0	0	0	5	0	5
Disposal	0	(177)	0	0	0	(177)
Reclassification	0	652	0	0	0	652
At 30 June 2004	9,701	5,059	428	1,046	4,500	20,734
Accumulated depreciation						
At 1 July 2003	427	687	77	224	792	2,207
Charge for the financial year	46	107	99	12	0	264
Disposal	0	(31)	0	0	0	(31)
At 30 June 2004	473	763	176	236	792	2,440
Net book value						
30 June 2004	9,228	4,296	252	810	3,708	18,294
30 June 2003	9,274	3,897	351	817	3,708	18,047

The land of the Group comprises:

2004	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Long term leasehold land, at cost RM'000	Long term leasehold land, at valuation RM'000	Short term leasehold land, at valuation RM'000	Freehold oil palm plantation land, at cost RM'000	Total RM'000
Cost or valuation							
At 1 July 2003/ 30 June 2004	1,324	1,302	46	327	2,345	4,357	9,701
Accumulated depreciation							
At 1 July 2003	0	0	0	36	391	0	427
Charge for the financial year	0	0	0	4	42	0	46
At 30 June 2004	0	0	0	40	433	0	473
Net book value							
30 June 2004	1,324	1,302	46	287	1,912	4,357	9,228
30 June 2003	1,324	1,302	46	291	1,954	4,357	9,274

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 accumulated depreciation amounted to RM4,344,000 (2003: RM4,420,000).

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.

**14 Subsidiary companies**

The subsidiary companies which are all incorporated in Malaysia are:

Name of company	Effective interest in equity				Principal activities
	Held by the Company		Held through subsidiary company		
	2004	2003	2004	2003	
	%	%	%	%	
Brilliant Development Sdn. Bhd.	100	100	0	0	Property development and oil palm cultivation
Semua Jadi Sdn. Bhd.	100	100	0	0	Property development and general construction
Cahajaya Timber Industries Sdn. Bhd.	100	100	0	0	Manufacture of kiln dried rubberwood, sawn timber, solid doors and moulded wood products
Pesaka Saujana Development Sdn. Bhd.	100	100	0	0	Property development
Brilliant Alliance Sdn. Bhd.	70	70	0	0	Investment holding
Aturan Cemerlang Sdn. Bhd.	51	51	0	0	Investment holding
United Pearl Holdings Sdn. Bhd.	0	0	100	100	Property development
Sungei Lalang Development Sdn. Bhd.	0	0	100	100	Dormant
Pesaka Saujana (M) Sdn. Bhd.	0	0	100	100	Property development
Maxilux Properties Sdn. Bhd.	0	0	100	100	Property development
Teguh Padu Development Sdn. Bhd.	0	0	100	100	Property development
Patriot Furniture Sdn. Bhd. (formerly known as Cahajaya Furniture Sdn. Bhd.)	0	0	100	100	Manufacture and sales of wooden furniture, wooden furniture parts, and parquet
Guar Timber Industries Sdn. Bhd.	0	0	100	100	Trading in moulded rubberwood
Yiked Alliance Sdn. Bhd.	0	0	56	56	Property development
Central Kedah Brick Kiln Sdn. Berhad	0	0	51	51	Investment holding
Yiked Brilliant Sdn. Bhd.	0	0	41	41	Property development

	2004 RM'000	2003 RM'000
Unquoted shares, at cost	100,297	100,297
Impairment losses	(1,972)	(1,964)
	<u>98,325</u>	<u>98,333</u>
Amounts due from subsidiary companies - advances	140,402	127,004
- dividend	171	0
	<u>140,573</u>	<u>127,004</u>
Amounts owing to subsidiary companies - advances	<u>0</u>	<u>1,921</u>

Amounts due from subsidiary companies bear interest at rates ranging from 1.00% to 4.05% per annum (2003: 1.00% to 4.11%) and are repayable on demand.

Amounts owing to subsidiary companies are unsecured, interest free and are repayable on demand.

Related company balances are all denominated in Ringgit Malaysia.

15 Associated company

The associated company is:

Name of company	Country of incorporation	Financial year end	Interest in equity		Principal activities
			2004 %	2003 %	

Brilliant Delta (M) Sdn. Bhd.	Malaysia	31 December	43	43	Oil palm plantation
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	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares, at cost	10,000	10,000	10,000	10,000
Share of post-acquisition profit net of dividends received	3,947	2,789	0	0
	<u>13,947</u>	<u>12,789</u>	<u>10,000</u>	<u>10,000</u>

Represented by:

Share of net assets of associated company	<u>13,947</u>	<u>12,789</u>
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16 Real property assets**Group only**

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

	2004 RM'000	2003 RM'000
Freehold land	9,700	14,123
Transferred to development properties	(187)	(4,423)
	<u>9,513</u>	<u>9,700</u>
Long term leasehold land	700	700
Related expenditure	2,601	3,304
Transferred to development properties	(45)	(830)
	<u>2,556</u>	<u>2,474</u>
	<u>12,769</u>	<u>12,874</u>

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

**17 Deferred taxation****Group only**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2004 RM'000	2003 RM'000
Deferred tax assets	5,415	4,419
Deferred tax liabilities		
- Subject to income tax	(1,562)	(1,480)
- Subject to capital gains tax	(10)	(10)
	(1,572)	(1,490)
	3,843	2,929
	2004 RM'000	2003 RM'000
Movements in deferred taxation:		
At the beginning of the year	2,929	3,177
Charged/(credited) to income statement:		
- Property, plant and equipment	(145)	111
- Unrealised profits and interest	(32)	139
- Tax losses	301	(509)
- Impairment loss	655	0
- Accruals	135	0
Assets written off	0	11
At the end of the year	3,843	2,929
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Unrealised profits and interest	4,387	4,419
- Tax losses	301	0
- Impairment loss	655	0
- Accruals	135	0
	5,478	4,419
Offsetting	(63)	0
Deferred tax assets (after offsetting)	5,415	4,419
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(1,625)	(1,480)
Offsetting	63	0
Deferred tax liabilities (after offsetting)	(1,562)	(1,480)
Subject to capital gains tax:		
Deferred tax liabilities-property, plant and equipment	(10)	(10)

Deferred tax assets are recognised for unrealised profits, interest and tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

18 Development properties**Group only**

Development properties stated at cost are made up as follows:

	2004	2003
	RM'000	RM'000
Freehold land	42,158	38,392
Transferred from real property assets	187	4,423
	42,345	42,815
Long term leasehold land	24,446	11,030
Accumulated impairment loss	(2,338)	0
	64,453	53,845
Development expenditure	200,322	188,254
Transferred from real property assets	45	830
Attributable profit	20,281	15,291
	220,648	204,375
	285,101	258,220
Progress billings received and receivable	(137,044)	(111,253)
	148,057	146,967

Included in development expenditure, are landowners' entitlement amounting to RM45,327,642 (2003: RM39,337,000) arising from agreements entered into between the subsidiary companies and certain landowners to develop properties on land belonging to the landowners. The agreements provide that the subsidiary companies will bear all development expenditure incurred and in return be entitled to the profits from the sales of properties developed, but subject a certain portion of the sales proceeds to the landowners.

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

	2004	2003
	RM'000	RM'000
Depreciation	45	47
Hire of equipment	484	53

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

The title deeds in respect of freehold land amounting to RM10,781,000 (2003: RM10,781,000) have yet to be issued pending finalisation of the relevant transfer documents.

The impairment loss recognised for two pieces of land held under development expenditure of the Group in the income statement during the financial year is due to the downward revaluation by the Group of the land arising from a valuation done by an independent professional valuer on 26 April 2004 based on the open market value basis. The valuer is Shah Reni Huzzeini, a member of the Institution of Surveyors, Malaysia, and an Associate Director of REGroup Associates Sdn. Bhd. As the Group does not have other development projects in the vicinity and there was no benchmark on the current market value from surrounding real property to be used as comparison for the Directors to make a fair valuation of the said land, an independent professional valuer was engaged to determine the current market value.

**19 Inventories****Group only**

	2004	2003
	RM'000	RM'000
At cost:		
Work in progress	2,847	4,226
Finished goods	351	354
Consumables	249	154
Plantation supplies	6	3
	<u>3,453</u>	<u>4,737</u>
At net realisable value:		
Work in progress	1,336	750
	<u>4,789</u>	<u>5,487</u>
Stock of unsold houses		
At cost	9,007	12,914
At net realisable value	594	0
	<u>9,601</u>	<u>12,914</u>
	<u>14,390</u>	<u>18,401</u>

20 Receivables, deposits and prepayments

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Trade receivables	40,588	36,795	0	0
Other receivables	1,653	1,901	0	0
Deposits	515	528	2	2
Balance of sales proceeds retained by lawyers	784	784	0	0
Advance extended to sub-contractors	231	227	0	0
Prepayments	46	69	0	0
	<u>43,817</u>	<u>40,304</u>	<u>2</u>	<u>2</u>

The currency exposure profile of receivables and deposits (excluding prepayments) is as follows:

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
- Ringgit Malaysia	39,838	36,941	2	2
- US Dollar	3,825	3,294	0	0
- Thai Baht	108	0	0	0
	<u>43,771</u>	<u>40,235</u>	<u>2</u>	<u>2</u>

The normal credit terms of trade receivables range from 14 days to 60 days. Included in trade receivables of the property segment are amounts owing by landowners that purchased the houses in their respective development projects as described in note 18. On a yearly basis, the amounts owing by the landowners will be settled to the extent that the landowners' entitlement have crystallised.

Also included in trade receivables of the property segment is a receivable from a company ("the debtor") for contribution cost amounting to approximately RM1,625,000 for the sharing of sewerage treatment plant and main drains constructed and upgraded by a subsidiary company of the Group. On 17 October 2003, legal action was initiated against the debtor on grounds that the debtor failed to transfer a piece of land by way of contra against the contribution cost. The Group is claiming for the contribution cost with interest at 10% per annum from 6 August 2001 together with other damages amounting to approximately RM2,096,000. After seeking legal advice, the Directors are of the opinion that the Group has a reasonably good chance to succeed in this case and as such, no allowance for doubtful debts in respect of this receivable has been made in the financial statements.

In respect of the manufacturing division, as a large portion of the sales is on letter of credit, document against payment and document against acceptance terms, the Group is not exposed to significant credit risk.

21 Fixed deposits with licensed banks**Group only**

	2004 RM'000	2003 RM'000
Fixed deposits with licensed banks	13,460	5,600
Fixed deposits held under lien as security for a guarantee line	397	372
	<u>13,857</u>	<u>5,972</u>

Fixed deposits with licensed banks are denominated in Ringgit Malaysia.

Fixed deposits bear the following range of effective annual interest rates:

	2004 %	2003 %
Fixed deposits with licensed banks	2.50 - 3.20	2.70 - 3.20
Fixed deposits held under lien as security for a guarantee line	<u>3.00 - 4.00</u>	<u>3.00 - 4.00</u>

These fixed deposits have maturity periods which vary from 12 days to 230 days (2003: 3 days to 230 days).

Fixed deposits held under lien amounting to RM397,100 (2003: RM372,100) were pledged to banks as security for bankers' guarantee facilities granted.

22 Cash and bank balances

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and bank balances held under Housing Development Accounts pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966	4,597	2,770	0	0
Cash at bank and in hand	<u>2,341</u>	<u>2,512</u>	<u>0</u>	<u>348</u>
	<u>6,938</u>	<u>5,282</u>	<u>0</u>	<u>348</u>

Withdrawals from the Housing Development Accounts are restricted under Section 7A of the Housing Development (Control and Licensing) Act, 1966.

The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
- Ringgit Malaysia	6,937	4,517	0	348
- US Dollar	<u>1</u>	<u>765</u>	<u>0</u>	<u>0</u>
	<u>6,938</u>	<u>5,282</u>	<u>0</u>	<u>348</u>

Bank balances are deposits held at call with banks.

**23 Payables and accrued liabilities**

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Trade payables	8,048	14,055	0	0
Retention sums	337	220	0	0
Other payables	2,712	1,484	0	0
Accrued liabilities	2,693	1,399	274	273
Deposits received for contract work	0	505	0	0
	13,790	17,663	274	273

The currency exposure profile of payables and accrued liabilities is as follows:

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
- Ringgit Malaysia	12,870	17,141	274	273
- US Dollar	920	431	0	0
- Thai Baht	0	91	0	0
	13,790	17,663	274	273

Credit terms of trade payables granted to the Group vary from 7 days to 60 days (2003: 7 days to 60 days).

Included in trade payables are landowners' entitlement in respect of development projects as described in note 18. On a yearly basis, payments will be made to the landowners based on the collections received from the respective housing projects.

24 Short term borrowings

	Group and Company	
	2004	2003
	RM'000	RM'000
Revolving credits	26,500	20,000

Revolving credits are unsecured and are denominated in Ringgit Malaysia.

The effective interest rates of revolving credits for the Group and Company as at 30 June 2004 range between 4.03% and 4.13% (2003: 4.03 and 4.15) per annum.

25 Bank overdrafts

Bank overdrafts are unsecured and are denominated in Ringgit Malaysia.

The effective interest rates of the bank overdrafts for the Group and Company as at 30 June 2004 range between 7.00% and 7.50% (2003: 7.00% and 7.50%) per annum.

26 Dividend

	2004		2003	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Proposed/paid:				
First and final dividend in respect of current financial year	<u>4</u>	<u>2,604</u>	<u>7</u>	<u>4,555</u>

At the forthcoming Annual General Meeting, a first and final gross dividend in respect of the financial year ended 30 June 2004 of 4 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 2005.

27 Cash flow from operations

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit from ordinary activities before taxation but after minority interests	18,044	24,268	16,014	12,074
Adjustments for:				
Depreciation of property, plant and equipment	1,905	1,783	0	0
Loss on disposal of quoted investment	0	1	0	0
Gain on disposal of real property assets	0	(26)	0	0
Dividend income	0	0	(16,255)	(11,970)
Gain on disposal of property, plant and equipment	(179)	(84)	0	0
Allowance for diminution in value of quoted investment	0	3	0	0
Impairment loss on development properties	2,338	0	0	0
Impairment losses on investment in subsidiary company	0	0	8	16
Minority interests	872	638	0	0
Interest income	(415)	(200)	(1,312)	(1,287)
Property, plant and equipment written off	7	266	0	0
Bad debts written off	1	27	0	0
Inventories written off	0	904	0	0
Write down of stock of unsold houses	335	0	0	0
Interest expense	1,157	858	1,042	800
Share of results of associated company	(4,609)	(2,619)	0	0
Allowance for doubtful recovery of tax penalty	103	0	0	0
	<u>1,515</u>	<u>1,551</u>	<u>(16,517)</u>	<u>(12,441)</u>
	19,559	25,819	(503)	(367)
Changes in working capital:				
Development properties	(3,151)	(4,576)	0	0
Stock of unsold houses	2,978	(197)	0	0
Inventories	698	(680)	0	0
Receivables	(3,271)	9,964	0	0
Payables	(3,873)	(5,468)	1	(8)
Related company balances	0	0	(15,490)	334
	<u>(6,619)</u>	<u>(957)</u>	<u>(15,489)</u>	<u>326</u>
Cash flow from operations	<u>12,940</u>	<u>24,862</u>	<u>(15,992)</u>	<u>(41)</u>

**28 Cash and cash equivalents**

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

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	13,857	5,972	0	0
Cash and bank balances	6,938	5,282	0	348
Bank overdrafts	(1,952)	(1,554)	(491)	(76)
Fixed deposits held under lien as security for a guarantee line (note 21)	(397)	(372)	0	0
	<u>18,446</u>	<u>9,328</u>	<u>(491)</u>	<u>272</u>

29 Contingent liabilities

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Pending litigation against a subsidiary company*	1,196	1,126	0	0
Guarantee for banking facilities granted to subsidiary companies - unsecured	0	0	2,000	1,615

*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 a 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 8.00% per annum from 4 November 1999 together with other damages amounting to approximately RM1,145,000 (2003: RM1,099,000). On 8 August 2004, the presiding judge of the case ruled in favour of the purchaser. To this date, the written judgement has not been given and the amount of settlement by PSD has yet to be determined. The Directors, after seeking legal advice, are of the opinion that PSD has a reasonably good chance to succeed in appealing the case and as such, no reversal of the above transaction has been made in the financial statements.

30 Capital commitments**Group only**

	2004	2003
	RM'000	RM'000
Capital commitments in respect of plant and equipment:		
Contracted but not provided for	<u>2,474</u>	<u>361</u>

31 Related party disclosures

- (a) In addition to related parties mentioned elsewhere in the financial statements, other related parties having transactions with the Group 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 (M) 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 company of Tentumewah Sdn. Bhd.
Ladang Sin Hock Sdn. Bhd.	Enterprise in which Mr. Goh Cheng Hock, Mr. Goh Aik Lai and 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

	2004	2003
	RM'000	RM'000
Trade:		
Purchases of construction materials from Conlin Sdn. Bhd.	<u>1,224</u>	<u>1,490</u>

The rates transacted are on average between 3.00% and 7.00% 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 service despite the short notice required as well as minimise interruption of supply in the event of material shortage.

	2004	2003
	RM'000	RM'000
Purchases of semi-produced rubberwood from First Light Industries Co. Ltd.	<u>2,529</u>	<u>2,282</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 the manufacturing division. The close business relationship enables the Group to purchase the products in quantities and at the specification required for its production, even at short notice.

**31 Related party disclosures (continued)****(b) Significant related party transactions during the financial year are as follows (continued):**

The rates charged are negotiable based on the internally computed production cost plus method, while the mode of payment is by way of letter of credit.

	2004 RM'000	2003 RM'000
Purchases of fertilizer and chemical products from Teong Choon Enterprise (M) Sdn Bhd	<u>144</u>	<u>121</u>
Management fees receivable from Brilliant Delta (M) Sdn Bhd	<u>508</u>	<u>254</u>

Company

	2004 RM'000	2003 RM'000
Trade:		
Dividend income from subsidiary companies	13,255	11,770
Loan interest from subsidiary companies	1,312	1,287
Management fees receivable from subsidiary companies	<u>83</u>	<u>157</u>

Interest is charged on amounts due from wholly-owned subsidiary companies at the rate of 1.00% (2003: 1.00%) per annum. Whereas, interest charged on amounts owing by non-wholly-owned subsidiary companies is at the rate of 4.05% (2003: 4.11%) per annum, equivalent to 1.00% 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.

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

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

32 Group segmental information**(a) Analysis by primary segments**

The Group is organised into two main business segments:

- Property development of residential and commercial units
- Manufacturing of kiln dried rubberwood, sawn timber, solid doors and moulded wood products

Other operations of the Group comprise mainly of investment holding and oil palm cultivation, none of which are of a sufficient size to be reported separately.

Inter-segment sales comprise mainly of interest income and management fees from advances to and management services provided to subsidiary companies.

32 Group segmental information (continued)Primary reporting format - business segments

2004	Property development RM'000	Manufacturing RM'000	Others RM'000	Group RM'000
Sales				
Total sales	124,119	39,007	18,676	181,802
Intra-segment sales	(52,027)	(7,598)	(4,969)	(64,594)
Inter-segment sales	0	0	(13,131)	(13,131)
External sales	<u>72,092</u>	<u>31,409</u>	<u>576</u>	<u>104,077</u>
Results				
Segment results	10,338	5,403	(155)	15,586
Unallocated income				32
Unallocated expenses				<u>(154)</u>
				15,464
Profit from operations				
Finance costs				(1,157)
Share of associate's results				<u>4,609</u>
Profit from ordinary activities before taxation				18,916
Taxation				<u>(3,243)</u>
Profit from ordinary activities after taxation				15,673
Minority interest				(872)
Net profit attributable to shareholders				<u>14,801</u>
Other information				
Segment assets	228,641	32,258	944	261,843
Associates				13,947
Unallocated assets				9,040
Total assets				<u>284,830</u>
Segment liabilities	12,133	2,833	716	15,682
Unallocated liabilities				28,619
Total liabilities				<u>44,301</u>
Capital expenditure	762	2,102	2	<u>2,866</u>
Depreciation and amortisation	579	1,332	39	<u>1,950</u>
Impairment loss on development properties	2,338	0	0	<u>2,338</u>

**32 Group segmental information (continued)**Primary reporting format - business segments (continued)

2003	Property development RM'000	Manufacturing RM'000	Others RM'000	Group RM'000
Sales				
Total sales	108,222	33,056	14,402	155,680
Intra-segment sales	(39,474)	(18)	(882)	(40,374)
Inter-segment sales	0	0	(13,181)	(13,181)
External sales	<u>68,748</u>	<u>33,038</u>	<u>339</u>	<u>102,125</u>
Results				
Segment results	16,033	7,575	(328)	23,280
Unallocated income				23
Unallocated expenses				<u>(158)</u>
Profit from operations				23,145
Finance costs				(858)
Share of associate's results	0	0	2,619	<u>2,619</u>
Profit from ordinary activities before taxation				24,906
Taxation				<u>(5,697)</u>
Profit from ordinary activities after taxation				19,209
Minority interest				<u>(638)</u>
Net profit attributable to shareholders				<u>18,571</u>
Other information				
Segment assets	225,621	26,209	1,277	253,107
Associates				12,789
Unallocated assets				5,689
Total assets				<u>271,585</u>
Segment liabilities	16,904	1,952	301	19,157
Unallocated liabilities				22,280
Total liabilities				<u>41,437</u>
Capital expenditure	4,398	1,155	0	<u>5,553</u>
Depreciation and amortisation	525	1,266	39	<u>1,830</u>

32 Group segmental information (continued)

Primary reporting format - business segments (continued)

(b) Analysis by secondary segments

The Group's operations are located in Malaysia. The customers are located on a worldwide basis mainly in the following four geographical areas:

- Malaysia (mainly property development and housing activities)
- Europe, United States of America, Canada and other Asian countries (mainly wood related products business)

	Sales		Total assets		Capital expenditure	
	2004	2003	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	75,992	70,705	270,883	258,796	2,866	5,553
Unites States of America and Canada	25,289	25,480	0	0	0	0
Europe	2,676	3,568	0	0	0	0
Other Asian countries	120	2,372	0	0	0	0
	104,077	102,125	270,882	258,796	2,866	5,553
Associates			13,947	12,789		
Total assets			284,830	271,585		

33 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 16 September 2004.



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 34 to 69 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 2004 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

In accordance with a resolution of the Board of Directors dated 16 September 2004.

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 34 to 69 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 16 September 2004.

Before me



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

Commissioner for Oaths

Analysis of Shareholdings as at 22 September 2004

Authorised share capital	: RM200,000,000/=
Issued and fully paid-up share capital	: RM90,417,002/=
Class of share	: Ordinary shares of RM1/= each fully paid
Voting rights	: One vote per share

Thirty Largest Shareholders

	Name	No. of Shares	% of Issued Share Capital
1	Thobrani Holdings Sdn Bhd	11,351,365	12.55
2	Goh Cheng Hock Holdings Sdn Bhd	8,086,729	8.94
3	Teoh Peng Yeow	3,740,000	4.14
4	K T Ooi Holdings Sdn Bhd	3,191,171	3.53
5	Fortune Yields Sdn Bhd	2,484,000	2.75
6	Tow Hing Wa Holdings Sdn Bhd	2,459,182	2.72
7	Permodalan Nasional Berhad	2,369,794	2.62
8	Daedalin Sdn Bhd	2,368,232	2.62
9	Lim Hai Hong @ Lim Hai Hak	2,060,931	2.28
10	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Thobrani Holdings Sdn Bhd	1,911,635	2.11
11	Hoe Siew Mee	1,757,741	1.94
12	Goh Cheng Guan Holdings Sdn Bhd	1,726,191	1.91
13	Yeap Peng Hean Holdings Sdn Bhd	1,570,182	1.74
14	Lembaga Tabung Haji	1,459,793	1.61
15	Chai Tin Kok Holdings Sdn Bhd	1,321,422	1.46
16	Chua Ting San Holdings Sdn Bhd	1,101,022	1.22
17	Goh Aik Keong	1,069,585	1.18
18	Teong Choon Enterprise (Malaysia) Sdn Bhd	1,016,000	1.12
19	Employees Provident Fund Board	1,014,000	1.12
20	Goh Aik Lean	1,000,000	1.11
21	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Aik Lai Holdings Sdn Bhd	900,000	1.00
22	Yeoh Swee Seong Sdn Bhd	896,000	0.99
23	Yap Shing @ Yap Sue Kim	846,300	0.94
24	Tentumewah Sdn Bhd	782,078	0.87
25	Wai Lok Holding Sdn Bhd	764,000	0.85
26	Goh Aik Lai Holdings Sdn. Bhd.	754,600	0.83
27	Yeoh Kooi Chuan	707,585	0.78
28	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Perfect Scores Sdn Bhd	700,000	0.77
29	Tan Kin Lan	686,940	0.76
30	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeap Peng Hean	620,000	0.69
	Total	60,716,478	67.15

**Distribution Schedule**

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	5	0.17	234	0.00
100 - 1,000	1,274	43.10	1,261,836	1.40
1,001 - 10,000	1,329	44.96	5,275,900	5.83
10,001 - 100,000	257	8.69	8,141,831	9.00
100,001 - 4,520,849	89	3.01	56,299,107	62.27
4,520,850 - 90,417,002	2	0.07	19,438,094	21.50
	2,956	100.00	90,417,002	100.00

Substantial Shareholders

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1.	Dato' Haji Thobrani Bin Haji Hanafi	453	0.00	13,263,000	14.67
2.	Datin Sharifah Mahiran Binti Syed Kechil	282,000	0.31	13,263,000	14.67
3.	Thobrani Holdings Sdn. Bhd.	13,263,000	14.67	-	-
4.	Goh Aik Keong	1,069,585	1.18	11,352,807	12.56
5.	Goh Cheng Hock	325,002	0.36	11,352,807	12.56
6.	Goh Aik Lai	-	-	10,523,407	11.64
7.	Goh Aik Lean	1,000,000	1.11	8,868,807	9.81
8.	Goh Cheng Hock Holdings Sdn. Bhd.	8,086,729	8.94	782,078	0.86

Directors' Shareholdings

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
*	Dato' Haji Thobrani Bin Haji Hanafi	453	0.00	13,263,000	14.67
*	Goh Cheng Hock	325,002	0.36	11,352,807	12.56
*	Goh Aik Lai	-	-	10,523,807	11.64
*	Koay Leong Eng	104,500	0.12	208,169	0.23
	Lim Hai Hong @ Lim Hai Hak	2,060,931	2.28	2,368,232	2.62
	Chai Tin Kok @ Sua Ah Seng	249,000	0.28	1,477,077	1.63
	Gee Kok Sang	-	-	-	-
	Tuan Haji Ahmad Bin Abdul Rashid	-	-	60,000	0.07
	Chin Kuet Sen	2,000	0.00	-	-

The deemed interests of Mr Goh Cheng Hock and Mr Goh Aik Lai in the related corporations are as disclosed in pages 29 and 30 of the Annual Report.

* Option to subscribe for 450,000 shares in the Company pursuant to ESOS 2001.

PROPERTIES OF THE GROUP AS AT 30 JUNE 2004

Address / Location	Description / Year of Acquisition or Revaluation	Approximate Land/Floor Area	Tenure/Age of Buildings (years)	Net Book Value (RM'000)
Sungai Petani				
1 & 2, Jalan Bank, Sg. Petani, Kedah Darul Aman.	6 Storey Office Building / 1993	25,255 sq.ft.	Freehold/8	2,426
7 & 8, Jalan Bank, Sg. Petani, Kedah Darul Aman.	3 Storey Office Building 1996 & 1993	12,861 sq.ft.	Freehold/1	1,451
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 2088/16	6,317
Mukim Sungai Pasir, District of Kuala Muda, Kedah Darul Aman.	Development Land Approved for Housing	57.32 acres	Freehold	20,109
Mukim Teloi Kiri, District of Kuala Muda, Kedah Darul Aman.	Oil Palm Plantation for Future Development	283.08 acres	Freehold	4,357
Kulim				
343, Jalan Tunku Mohd. Asaad, Kulim, Kedah Darul Aman.	Sales Office (Bunglow)/1996	62,483 sq.ft.	Freehold/47	1,080
32-42 & 44, Lorong Semarak 2, Taman Semarak, Kulim, Kedah Darul Aman.	3 Storey Shophouses/1996	49,059 sq.ft.	Freehold/9	1,826
Mukim Keladi, District of Kulim, Kedah Darul Aman.	Development Land Approved for Housing	39.52 acres	Freehold	8,279
Mukim Kulim, District of Kulim, Kedah Darul Aman.	Development Land Approved for Housing	79.95 acres	Freehold	14,113



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	43.40 acres	Freehold	6,710
Mukim Lunas, District of Kulim, Kedah Darul Aman.	Agriculture Land for Future Development	4.18 acres	Freehold	82
Kuala Lumpur/ Sepang/ Negeri Sembilan				
61-1, Jalan Kg. Pandan, Taman Maluri, Kuala Lumpur.	4 Storey Office Building/ 1993	7,040 sq.ft.	99 years lease expiring in 2076/14	630
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 2092/8	152
Mukim Dengkil, District of Sepang, Selangor Darul Ehsan.	Development Land Approved for Housing	41.90 acres	Freehold	10,608
Mukim Sepang, District of Kuala Langat, Selangor Darul Ehsan.	Development Land Approved for Housing	13.30 acres	Freehold	3,310
Mukim Dengkil, District of Sepang, Selangor Darul Ehsan.	Development Land Approved for Housing	18.93 acres	99 years lease expiring between 2094 - 2096	7,592
Mukim Setul, Seremban, Negeri Sembilan.	Development Land Future Development	173.81 acres	99 years lease expiring in 2081	11,213

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh 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, 18 November 2004 at 10:00 a.m. for the following purposes: -

1. To receive the Audited Financial Statements for the year ended 30 June 2004 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) Dato' Haji Thobrani Bin Haji Hanafi **Ordinary Resolution 2**
 - ii) Mr Goh Cheng Hock **Ordinary Resolution 3**
 - iii) Mr Chin Kuet Sen **Ordinary Resolution 4**
3. To declare a first and final dividend of 4% less Malaysian Income Tax for the year ended 30 June 2004. **Ordinary Resolution 5**
4. To approve Directors' fees for the year ended 30 June 2004. **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 with or without any modification, the following Ordinary Resolutions:-

- i) **SECTION 132D OF THE COMPANIES ACT, 1965** **Ordinary Resolution 8**

"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 upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolutions 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 Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."



ii) **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT
RELATED PARTY TRANSACTIONS ("RRPT") INVOLVING
ITS SUBSIDIARY WITH FIRST LIGHT INDUSTRIES CO LTD**

**Ordinary
Resolution 9**

"THAT approval be and is hereby given to its subsidiary to seek the Shareholders' Mandate for RRPT to enter into and to give effect to the specified RRPT with First Light Industries Co Ltd ("Proposed Shareholders' Mandate I") as stated in Section 2.6 of the Circular to Shareholders dated 27 October 2004 ("Circular") 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.

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

- (a) the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act 1965);
or
- (c) revoked or varied by resolutions passed by the shareholders of the Company 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 Shareholders' Mandate I."

iii) **PROPOSED SHAREHOLDERS' MANDATE FOR RRPT INVOLVING THE COMPANY WITH YIKED BRILLIANT SDN. BHD.**

*Ordinary
Resolution 10*

"THAT approval be and is hereby given to the Company to seek the Shareholders' Mandate for RRPT to enter into and to give effect to the specified RRPT with Yiked Brilliant Sdn. Bhd. ("Proposed Shareholders' Mandate II") as stated in Section 2.6 of the Circular 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.

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

- (a) the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act 1965); or
- (c) revoked or varied by resolutions passed by the shareholders of the Company 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 Shareholders' Mandate II."



iv) **PROPOSED SHAREHOLDERS' MANDATE FOR RRPT INVOLVING THE COMPANY WITH YIKED ALLIANCE SDN. BHD.**

**Ordinary
Resolution 11**

"THAT approval be and is hereby given to the Company to seek the Shareholders' Mandate for RRPT to enter into and to give effect to the specified RRPT with Yiked Alliance Sdn. Bhd. ("Proposed Shareholders' Mandate III") as stated in Section 2.6 of the Circular 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.

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

- (a) the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting;
 - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act 1965); or
 - (c) revoked or varied by resolutions passed by the shareholders of the Company 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 Shareholders' Mandate III."

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 4:00 p.m. on 29 November 2004 in respect of ordinary transfers; and
- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

The dividend, if approved will be paid on 9 December 2004 to depositors registered in the Record of Depositors at the close of business on 29 November 2004.

BY ORDER OF THE BOARD

LAM VOON KEAN
(MIA 4793)
Company Secretary
Penang, 27 October 2004

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 80 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 AGM of the Company or the expiration of the period within which the next AGM 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 its subsidiary to enter into and to give effect to the specified RRPT with Frist Light Industries Co Ltd as stated in Section 2.6 of the Circular to Shareholders dated 27 October 2004 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 the Company to enter into and to give effect to the specified RRPT with Yiked Brilliant Sdn. Bhd. as stated in Section 2.6 of the Circular to Shareholders dated 27 October 2004 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.
10. The proposed Resolution 11, if passed, will obtain the Shareholders' Mandate for the Company to enter into and to give effect to the specified RRPT with Yiked Alliance Sdn. Bhd. as stated in Section 2.6 of the Circular to Shareholders dated 27 October 2004 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. Shareholdings of the Directors standing for re-election at the forthcoming Annual General Meeting of the Company are disclosed in the Directors' Report on pages 29 and 30 of the Annual Report, while personal particulars for each of them are detailed in the Directors' Profile on pages 5 and 6 of the Annual Report.
2. Details of attendance of Directors at Board Meetings held during the financial year are disclosed in the Corporate Governance Statement on page 11 of the Annual Report.
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 227,000 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 RM16,300 and RM72,800 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.

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**PROXY FORM****ORIENTAL INTEREST BERHAD (272144-M)***(Incorporated in Malaysia)***PROXY**I/We,
(Full name in block letters)of.....
(Address)

being a member / members of Oriental Interest Berhad hereby appoint

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

or failing him the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Serindit Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Thursday, 18 November 2004 at 10:00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To receive the Audited Financial Statements.	-Resolution 1		
2.	To re-elect the following Directors who retire pursuant to Article 80 :- i) Dato' Haji Thobrani Bin Haji Hanafi ii) Mr Goh Cheng Hock iii) Mr Chin Kuet Sen	-Resolution 2 -Resolution 3 -Resolution 4		
3.	To declare a first and final dividend of 4% 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) Proposed Shareholders' Mandate for RRPT Involving its Subsidiary with Frist Light Industries Co Ltd iii) Proposed Shareholders' Mandate for RRPT Involving the Company with Yiked Brilliant Sdn. Bhd. iv) Proposed Shareholders' Mandate for RRPT Involving the Company with Yiked Alliance Sdn. Bhd.	-Resolution 8 -Resolution 9 -Resolution 10 -Resolution 11		

(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 2004.

.....
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.

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Affix
Stamp

ORIENTAL INTEREST BERHAD
(272144-M)

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

Fold here

Fold this flap for sealing