



Oriental Interest Berhad

(272144-M)



Annual Report 2005

ANNUAL REPORT 2005

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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	[Senior 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

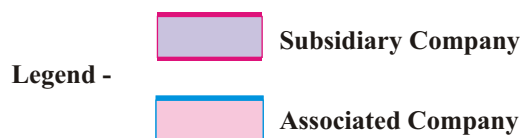
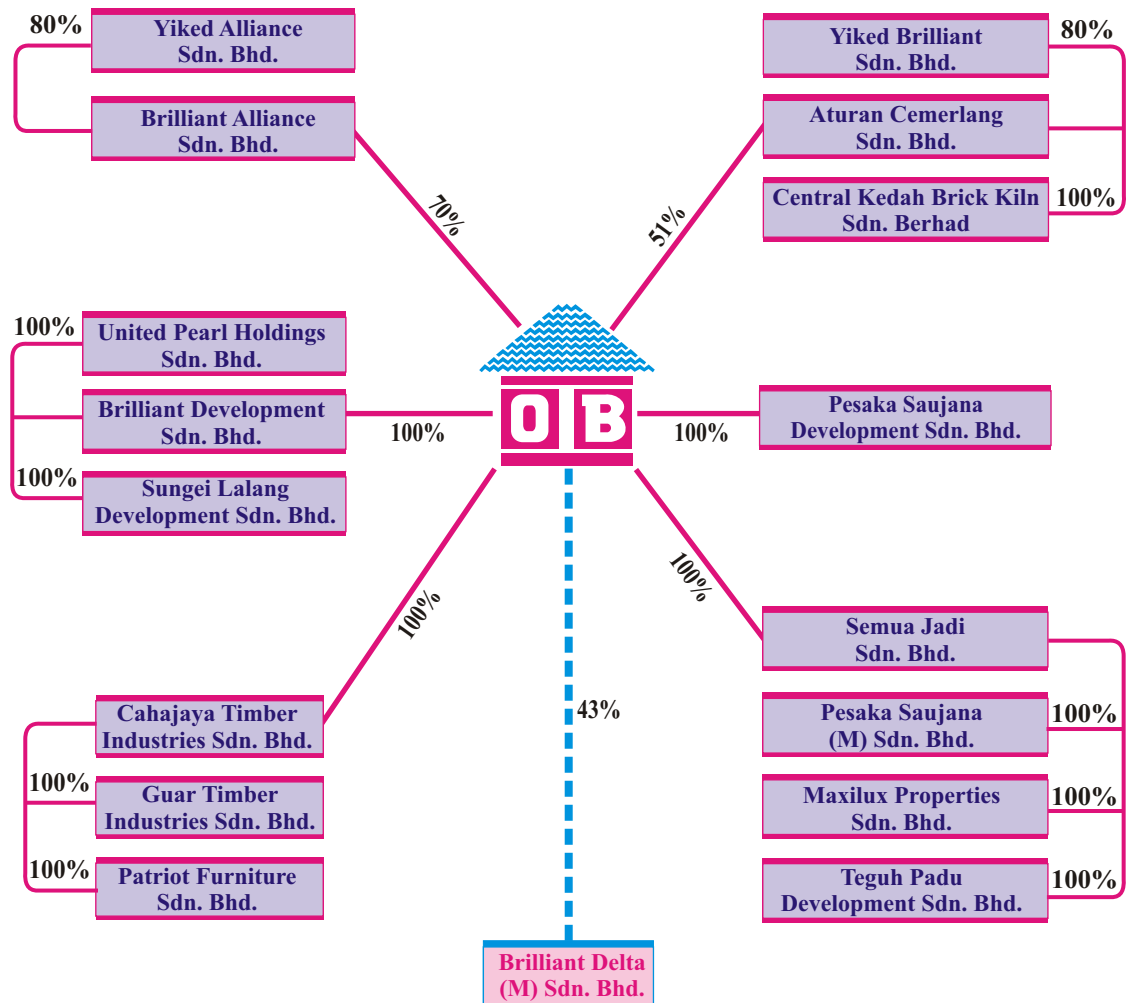
RHB Bank Berhad
Malayan Banking Berhad
Alliance Bank Malaysia Berhad

Stock Exchange Listing

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



GROUP STRUCTURE





CORPORATE PROFILE

Incorporation

Oriental Interest Berhad ("OIB" or "the Company") 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.

The Company 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 OIB Group. The OIB Group, comprises of OIB, 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 20 years, OIB Group has completed numerous construction and property development projects totalling over RM1.2 billion in value and has established itself as a leading housing developer, having completed approximately 18,800 units of houses since 1985.

OIB 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

OIB Group, 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 97% of its products are exported to United States of America, United Kingdom, Belgium, Netherlands and Japan.

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 [Senior 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 59, 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 68, 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 39, 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 54, 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 68, 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 70, 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.



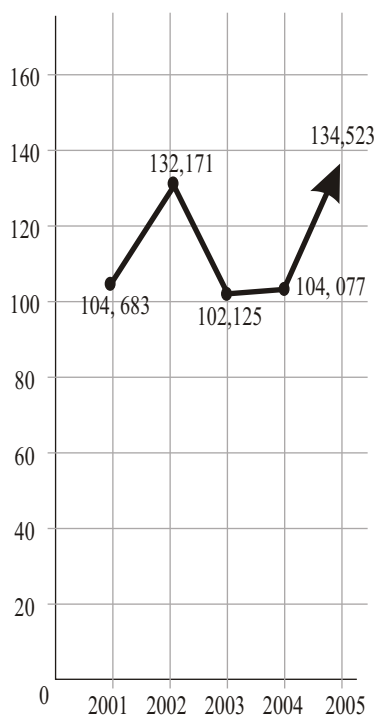
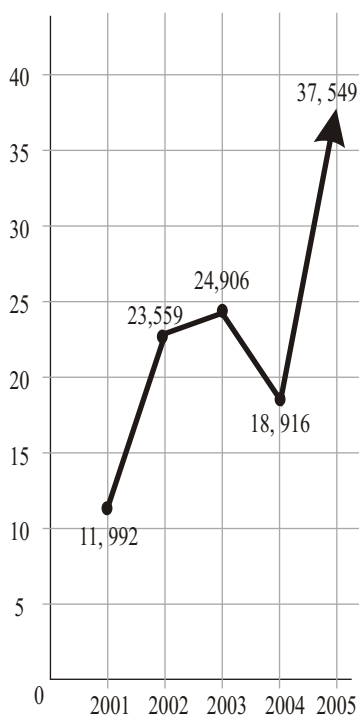
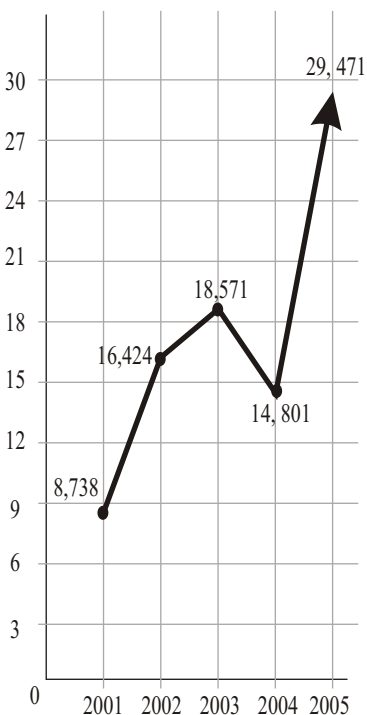
Mr Gee Kok Sang, Malaysian, aged 49, is a Senior Independent Non-Executive Director of the Company and was appointed to the Board on 19 August 1994. He joined Messrs. Kassim Chan & Co., then an affiliated firm of Deloitte, Haskins & Sells, upon graduating with a Diploma in Commerce from Tunku Abdul Rahman 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 54, 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 42, 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				
	2005	2004	2003	2002	2001
Revenue	134,523	104,077	102,125	132,171	104,683
Profit Before Taxation	37,549	18,916	24,906	23,559	11,992
Taxation	(6,621)	(3,243)	(5,697)	(6,424)	(2,627)
Profit After Taxation	30,928	15,673	19,209	17,135	9,365
Minority Interests	(1,457)	(872)	(638)	(711)	(627)
Profit Attributable To Shareholders	29,471	14,801	18,571	16,424	8,738

**TURNOVER (RM'000)****PROFIT BEFORE
TAXATION (RM'000)****PROFIT ATTRIBUTABLE
TO SHAREHOLDERS
(RM'000)**



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of OIB, I take great pleasure presenting to you the Twelfth Annual Report of OIB Group in respect of the financial year ended 30 June 2005.

FINANCIAL RESULTS

For the financial year under review, the Group recorded a notable 29% rise in revenue to RM134.523million compared with RM104.077million of the preceding financial year, thus producing its unprecedented pre-tax profit of RM37.549million, which was almost double that reported in the same comparable period of RM18.916million.

Property Development

The Division registered an encouraging 14% increase in progress billings amounting to RM82.311million, from RM72.092million of previous financial year. Meanwhile, the segment result was more than double that of financial year 2004; predominantly attributable to marked improvement in project contribution margin and exceptional gain arising from compulsory acquisition of land during the year.

Manufacturing

Remarkable results was achieved by the Division for the reporting financial year, with sales and operating profit higher by 64% and 164% respectively; principally through increase in sales volume and reduced production costs arising from economies of scale.

Associated Company

Share of profit of the associated company, Brilliant Delta, registered a 30% reduction, from RM4.609million to RM3.236million, compared with the preceding financial year. The decrease in profit was mainly due to the fact that second phase of its housing scheme was still at an early development stage as well as partly caused by 22% drop in average price of crude palm oil. However, based on the inspiring sales progress from its latest housing project, contribution from the associated company is expected to surpass its present level for the forthcoming financial year.

Financial Position

With the excellent results and improved collection, short term borrowings of the Group totalling RM26.500million as at the balance sheet date of the previous financial year had been fully settled by the end of the reporting financial year. The leverage of the Group had turned from net borrowing of RM7.657million into net cash position RM21.559million. Simultaneously, Shareholders' Equity was further improved by 12% to RM250.173million.





DIVIDEND

The Board of Directors is delighted in making a recommendation for, subject to shareholders' approval at the forthcoming Annual General Meeting, a first and final dividend of 10% less 28% income tax in respect of the financial year ended 30 June 2005.

CORPORATE GOVERNANCE

Through individual and collective efforts, the Board continues to uphold the high standards of principle and practices prescribed in the corporate governance principles adopted. Meanwhile, various board committees are conducting their own research and making relevant proposals for improvement on the existing core elements of corporate governance. Our efforts are detailed in the Corporate Governance Statement enclosed in this Annual Report.

PROSPECTS

Measures taken by the Government recently to reduce subsidy on certain basic commodities might result in an inflationary spiral effect on construction materials and dampened the contribution margin. Meanwhile, the decision by Bank Negara on de-pegging Ringgit against US Dollar, although well received by the business community, might affect the competitiveness of the export products of Manufacturing Division in the near future. In spite of the aforesaid difficult conditions, the Board is still confident that OIB Group, with its excellent financial strength at present, would still be able to report profitable results for the financial year ending 30 June 2006.

APPRECIATION

With my fellow members of the Board, I wish to congratulate the management and staff of the Group in accomplishing such a superb performance as well as extend heart-felt gratitude to them for the hardwork they underwent through out the year. At the same time, I would also like to acknowledge the continuing support and co-operation accorded by our customers, business associates, regulatory authorities and shareholders.

Dato' Haji Thobrani Bin Haji Hanafi

Executive Chairman

15 September 2005



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 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 under review 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 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 2005, the Board met four 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 Directors attended all the meetings convened during the year.

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 to 7 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.

During the financial year, the Board appointed Mr Gee Kok Sang as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

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 constituted of individuals who have a proper understanding of, and competence to deal with, 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 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 Company Secretary who shall be deemed to be the Company 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 Practices of the Code.

The Nominating Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations on 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 Research Institute of Investment Analysts Malaysia. The Directors continue to undergo the Continuous 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 or a multiple of three, 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 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, Senior Independent Non-Executive Director
- Tuan Haji Ahmad bin Abdul Rashid - Independent Non-Executive Director
- Chai Tin Kok @ Sua Ah Seng - Non Independent Non-Executive Director

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

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

The policy adopted by the Committee on Directors' remuneration is to structure remuneration packages necessary to attract, retain and motivate Directors 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 2005 are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	80	100	180
Allowance	10	19	29
Salaries	1,136	-	1,136
Bonuses	363	-	363
Employees' Provident Fund	180	-	180
Estimated Value of Benefits-in-Kind	94	-	94
Total	1,863	119	1,982



The remuneration paid/payable to Directors, analysed into bands of RM50,000 for the year ended 30 June 2005, are summarised as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	5
RM300,001 RM350,000	1	-
RM350,001 RM400,000	1	-
RM500,001 RM550,000	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 for 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 undisclosed 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 Bursa Securites 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 the results of their operations and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that the MASB 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 23 to 25 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 22 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, was only appointed by the Board on 16 May 2005;
- 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 a 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 15 September 2005.



AUDIT COMMITTEE REPORT

Membership

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

Gee Kok Sang	Chairman, Senior 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 22 of the Annual Report.

Meetings

The Committee convened four 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 plan 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 plan for financial year 2005;
- Reviewed the reports on internal audit, carried out by an independent firm of consultants, which highlighted the audit issues, recommendations and Management's response, including the implementation status of Management-agreed actions to address findings highlighted in previous cycles of internal audit;
- Reviewed the Company's compliance, in particular the quarterly and year end financial statements, with the Listing Requirements of Bursa Securities 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 periodic reviews of the system of internal control so as to provide reasonable assurance that such system continues 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 key business 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 2005, the internal audit function carried out 2 cycles of internal audit on 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 24 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 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 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 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, the Board shall within three 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 years.

Quorum and Committee's procedures

Meetings shall be convened at least four 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 , in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one 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 auditors 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 auditors 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 Securities.

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; and



- 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 verify allocation of options pursuant to Employee Share Option Scheme of the Company in compliance with the criteria stipulated in the Bye-Laws.
- 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 Securities 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. To ensure that the risk profile of the Group is appropriately updated, a risk assessment update for the Group was carried out in November 2004. Based on the results thereof, a revised risk register and risk profile of the key business risks in the Group was drawn up to enable Management to deploy action plans to manage the risks on an ongoing basis.

The formalisation of the risk management framework, including the risk update, encompasses the following key elements:

- A database of all principal business risks and controls was compiled in the form of 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 were identified and scored for likelihood of the risks occurring and magnitude of impact;



- The risk profile was developed and reported to the Audit Committee and the Board;
- Key management personnel in each major business unit have been entrusted to prepare action plans to address any risk and control issues;
- The issuance of a Risk Management Policy and Procedures document, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management 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 plan 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 a periodic basis.

During the financial year under review, 2 cycles of internal audit were carried out. The findings of the internal audit function, including its recommendations and Management's responses, were reported to the Audit Committee. In addition, the internal audit function followed up on the implementation of recommendations from previous cycles of internal audit and updated 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 appropriate segregation of duties. 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 of internal control are identified, the Board will consider the recommendation made by the Audit Committee and 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 2005 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 15 September 2005.



Directors' report for the financial year ended 30 June 2005

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 2005.

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	30,928	11,392
Minority interests	(1,457)	0
Net profit for the financial year	<u>29,471</u>	<u>11,392</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.

Dividends

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

	RM'000
In respect of the financial year ended 30 June 2004, as proposed in the Directors' report for that financial year, a first and final dividend of 4% less income tax, paid on 9 December 2004	<u>2,604</u>

The Directors now recommend the payment of a first and final dividend of 10 sen per share on 90,417,002 ordinary shares, less income tax, amounting to RM6,510,024 in respect of financial year ended 30 June 2005 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.



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 2005
		At 1 July 2004	Granted	Exercised	Terminated	
8 January 2002	1.32	5,988,000	0	0	(132,000)	5,856,000
24 August 2002	1.36	186,000	0	0	(52,000)	134,000
14 January 2004	1.36	522,000	0	0	(40,000)	482,000
		<u>6,696,000</u>	<u>0</u>	<u>0</u>	<u>(224,000)</u>	<u>6,472,000</u>

At the end of the financial year, there were 5,856,000 unissued ordinary shares under option at an exercise price of RM1.32 and 616,000 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.

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, Mr. Koay Leong Eng, Mr. Lim Hai Hong @ Lim Hai Hak and Mr. Gee Kok Sang retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. Chai Tin Kok @ Sua Ah Seng who is above seventy years of age, will retire pursuant to Section 129 (2) of the Companies Act, 1965 at the forthcoming Annual General Meeting and offers himself for re-appointment in accordance with Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.

**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			
	1.7.2004	Addition	Disposal	30.6.2005
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	10,514,407	138,800	0	10,653,207
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	297,000	0	0	297,000
Goh Cheng Hock				
Direct	522,000	0	0	522,000
Indirect	3,760,000	0	0	3,760,000
Goh Aik Lai				
Indirect	2,500,000	0	0	2,500,000
Chai Tin Kok @ Sua Ah Seng				
Indirect	207,000	0	0	207,000
Brilliant Alliance Sdn. Bhd.				
(Subsidiary company)				
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Indirect	44,000	0	0	44,000
Goh Cheng Hock				
Direct	376,000	0	0	376,000
Indirect	2,425,000	0	0	2,425,000
Goh Aik Lai				
Indirect	2,425,000	0	0	2,425,000
Chai Tin Kok @ Sua Ah Seng				
Indirect	122,000	0	0	122,000

**Directors' interests (continued)**

	1.7.2004	Number of ordinary shares of RM1 each			30.6.2005
		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	199,997	1	0		199,998
Goh Aik Lai					
Indirect	199,997	1	0		199,998
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	199,997	1	0		199,998
Goh Aik Lai					
Indirect	199,997	1	0		199,998
Central Kedah Brick Kiln Sdn. Bhd.					
(Subsidiary company)					
Goh Cheng Hock					
Indirect	504,000	0	0		504,000
Goh Aik Lai					
Indirect	504,000	0	0		504,000

* Held in trust for Brilliant Alliance Sdn. Bhd.

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

	1.7.2004	Number of ordinary shares under share option			30.6.2005
		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 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 15 September 2005.

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 75. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 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 MASB 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 2005 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
[2082/09/06 (J)]
Partner of the firm

Penang
15 September 2005



Income statements for the financial year ended 30 June 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	5	134,523	104,077	16,431	17,650
Cost of sales		(90,613)	(75,276)	0	0
Gross profit		43,910	28,801	16,431	17,650
Other operating income		7,201	2,007	1	0
Selling and distribution costs		(4,358)	(2,484)	0	0
Administrative expenses		(9,172)	(8,537)	(507)	(466)
Other operating expenses		(2,333)	(4,323)	(114)	(128)
Profit from operations	6	35,248	15,464	15,811	17,056
Finance cost	8	(935)	(1,157)	(793)	(1,042)
Share of results of an associated company		3,236	4,609	0	0
Profit from ordinary activities before taxation		37,549	18,916	15,018	16,014
Taxation					
- Company and subsidiaries/company		(5,713)	(1,952)	(3,626)	(3,400)
- share of tax of an associated company		(908)	(1,291)	0	0
	9	(6,621)	(3,243)	(3,626)	(3,400)
Profit from ordinary activities after taxation		30,928	15,673	11,392	12,614
Minority interests		(1,457)	(872)	0	0
Net profit attributable to shareholders		29,471	14,801	11,392	12,614
Earnings per share (sen)					
- basic	10	32.59	16.39		
- diluted	10	N/A	16.28		

The above income statements are to be read in conjunction with the notes to the financial statements on pages 40 to 75.

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Balance sheets as at 30 June 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Capital and reserves					
Share capital	11	90,417	90,417	90,417	90,417
Reserves	12	159,756	132,889	140,342	131,554
Shareholders' equity		250,173	223,306	230,759	221,971
Minority interests		18,656	17,223	0	0
		268,829	240,529	230,759	221,971
Non-current liability					
Deferred tax liabilities	17	2,006	1,572	0	0
		270,835	242,101	230,759	221,971
Non-current assets					
Property, plant and equipment	13	30,181	24,615	0	0
Subsidiary companies	14	0	0	98,317	98,325
Associated companies	15	15,195	13,947	10,000	10,000
Land held of property development	16	23,021	23,982	0	0
Deferred tax assets	17	5,159	5,415	0	0
Current assets					
Property development costs	18	83,631	104,223	0	0
Inventories	19	23,119	14,390	0	0
Receivables, deposits and prepayments	20	89,278	76,438	2	2
Amounts due from subsidiary companies	14	0	0	124,271	140,573
Tax recoverable		1,894	1,025	377	336
Fixed deposits with licensed banks	21	14,019	13,857	4,500	0
Cash and bank balances	22	9,998	6,938	807	0
		221,939	216,871	129,957	140,911
Current liabilities					
Payables and accrued liabilities	23	21,751	13,790	280	274
Amounts owing to subsidiary companies	14	0	0	7,235	0
Short term borrowings	24	0	26,500	0	26,500
Taxation		451	487	0	0
Bank overdrafts	25	2,458	1,952	0	491
		24,660	42,729	7,515	27,265
Net current assets		197,279	174,142	122,442	113,646
		270,835	242,101	230,759	221,971

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 40 to 75.

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Statements of changes in equity for the financial year ended 30 June 2005

Group	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Distributable	Total
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	
At 1 July 2003		90,190	90,190	73	122,498	212,761
Dividend of the financial year ended 30 June 2003		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		<u>90,417</u>	<u>90,417</u>	<u>145</u>	<u>132,744</u>	<u>223,306</u>
At 1 July 2004		90,417	90,417	145	132,744	223,306
Dividend for the financial year ended 30 June 2004	26	0	0	0	(2,604)	(2,604)
Net profit attributable to shareholders		0	0	0	29,471	29,471
At 30 June 2005		<u>90,417</u>	<u>90,417</u>	<u>145</u>	<u>159,611</u>	<u>250,173</u>

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 40 to 75.

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**Statements of changes in equity
for the financial year ended 30 June 2005 (continued)**

Company	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Distributable	Total
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	
At 1 July 2003		90,190	90,190	73	123,350	213,613
Dividend of the financial year ended 30 June 2003		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	11	227	227	72	0	299
At 30 June 2004		<u>90,417</u>	<u>90,417</u>	<u>145</u>	<u>131,409</u>	<u>221,971</u>
At 1 July 2004		90,417	90,417	145	131,409	221,971
Dividend for the financial year ended 30 June 2004	26	0	0	0	(2,604)	(2,604)
Net profit attributable to shareholders		0	0	0	11,392	11,392
At 30 June 2005		<u>90,417</u>	<u>90,417</u>	<u>145</u>	<u>140,197</u>	<u>230,759</u>

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 40 to 75.

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Cash flow statements for the financial year ended 30 June 2005

	Note	Group		Company	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
OPERATING CASH FLOWS					
Cash flow from/(used in) operations	27	41,680	12,940	23,093	(15,992)
Taxation paid		(6,347)	(4,507)	(3,667)	(3,540)
Net operating cash flow		35,333	8,433	(19,426)	(19,532)
INVESTING CASH FLOWS					
Interest received		488	415	1,422	1,312
Dividends received		1,500	3,000	14,847	16,255
Proceeds from disposal of property, plant and equipment		439	111	0	0
Additions to property, plant and equipment		(7,989)	(2,739)	0	0
Additions to land held for property development		(426)	(127)	0	0
Proceeds from disposal of freehold land included in land held for property development		3,434	0	0	0
Net investing cash flow		(2,554)	660	16,269	17,567
FINANCING CASH FLOWS					
Proceeds from issue of shares:					
- exercise of share options		0	299	0	299
Proceeds from short term borrowings		202,500	305,000	202,500	305,000
Repayment of short term borrowings		(229,000)	(298,500)	(229,000)	(298,500)
Interest paid		(935)	(1,157)	(793)	(1,042)
Proceeds from withdrawal of fixed deposits held under lien as security for a guarantee line		330	0	0	0
Placement of fixed deposit held under lien as security for a guarantee line		0	(25)	0	0
Dividend paid to minority interests		(24)	(1,037)	0	0
Dividend paid		(2,604)	(4,555)	(2,604)	(4,555)
Net financing cash flow		(29,733)	25	(29,897)	1,202

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 40 to 75.

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Cash flow statements for the financial year ended 30 June 2005 (continued)

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Net change in cash and cash equivalents during the financial year		3,046	9,118	5,798	(763)
Cash and cash equivalents at the beginning of the financial year		<u>18,446</u>	<u>9,328</u>	<u>(491)</u>	<u>272</u>
Cash and cash equivalents at the end of the financial year	28	<u>21,492</u>	<u>18,446</u>	<u>5,307</u>	<u>(491)</u>

Non-cash transactions

During the financial year, a subsidiary company disposed of a portion of the freehold oil palm plantation land included in property, plant and equipment (note 13) and freehold land included in both land held for property development (note 16) and property development costs (note 18) for an amount of RM1,404,000 and RM6,557,000 respectively, of which cash payments of RM140,000 and RM6,229,000 were received respectively during the financial year. The respective outstanding amount of RM1,264,000 and RM328,000 were included in other receivables.

During the financial year, a subsidiary company disposed of motor vehicles included in property, plant and equipment (note 13) for an amount of RM119,000 of which no cash payments were received during the financial year. The outstanding amount of RM119,000 was included in other receivables.

During the financial year, certain subsidiary companies traded in motor vehicles and office equipment included in the disposals items of property, plant and equipment (note 13) amounting to RM51,000 and RM13,000 respectively.

In the previous financial year, a subsidiary company disposed of a building for an amount of RM285,000 of which cash payments of RM43,000 were received during previous financial year. The outstanding amount of RM242,000 was included in other receivables as at 30 June 2004.

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 40 to 75.

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Notes to the financial statements for the financial year ended 30 June 2005

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 487 (2004: 428). The Company did not have any employee at the end of the financial year (2004: 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 MASB approved accounting standards in Malaysia.

With effect from 1 January 2005, the accounting standards issued by the MASB, formerly known as MASB Standards, have been renamed Financial Reporting Standards ("FRS").

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 FRS 201: "Property Development Activities". With the exception of certain changes to comparative figures required under FRS 201: "Property Development Activities", there are no changes in accounting policy that materially affect the results for the financial year as a result of the adoption of the above Standard in these financial statements as the Group was already following the recognition and measurement principles in this Standard.



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 2005. 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 FRS 122: "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 an 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 for 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 plan 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.

(iv) Equity compensation benefits

Details of the Group's Employee Share Option Scheme are set out in note 11 to the financial statements. The Group does not make a charge to the income statement in connection with share options granted. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

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	2005 RM	2004 RM
1 US Dollar	3.7950	3.7950
1 Euro	4.5820	4.7260
100 Thai Bahts	9.3800	9.5040

Borrowing costs

Interest incurred on borrowings directly associated with development projects, construction projects and land held for property development 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 land held for property development 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.

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.



3 Significant Group accounting policies (continued)

Property, plant and equipment and depreciation (continued)

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.

Land held for property development

Land held for property development consists of land held for future development on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle.

Land held for property development consists of cost of acquisition and all related costs including professional fees, stamp duties, commissions, conversion fees and other relevant levies incurred subsequent to the acquisition on activities necessary to prepare the land for its intended use.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and are expected to be completed within the normal operating cycle of 2 to 4 years.

Property development costs

Property development costs comprise all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities incurred on the development work performed to date.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the stage of completion method. The stage of completion is based on a certificate issued by an architect based on the physical completion of the work performed in proportion to the total development.

When the outcome of the development activity cannot be estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable; property development costs on the development units sold are recognised when incurred.



3 Significant Group accounting policies (continued)

Property development costs (continued)

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

Where revenue recognised in the income statement exceeds billings to purchasers, the balance is shown as accrued billings under receivables (within current assets). Where billings exceed revenue recognised in the income statement, the balance is shown as progress billings under payables (within current liabilities).

Inventories

Raw materials, work in progress, finished goods and consumables 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 items. Cost is determined principally on a weighted average basis. Cost of work in progress and finished goods, consists of direct materials, direct labour, direct charges and production overheads.

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

Developed properties is stated at the lower of cost and net realisable value. Cost comprises direct building cost and proportionate 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:

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	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Dividend income	0	0	14,847	16,255
Loan interest income	0	0	1,422	1,312
Management fees	0	0	162	83
Progress billings received and receivable on houses sold	82,311	72,092	0	0
Sales of goods at invoiced value	51,426	31,409	0	0
Sales of fresh fruit bunches of oil palm	786	576	0	0
	<u>134,523</u>	<u>104,077</u>	<u>16,431</u>	<u>17,650</u>

**6 Profit from operations****Profit from operations is stated after charging:**

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- statutory audit	133	116	25	25
- other services	29	30	8	8
Depreciation of property, plant and equipment	2,167	1,905	0	0
Rental of land and building	13	4	0	0
Hire of plant and machinery	27	23	0	0
Impairment losses on investment in a subsidiary company	0	0	8	8
Impairment loss on development properties (included in other operating expenses)	0	2,338	0	0
Inventories written off	224	0	0	0
Developed properties written down to net realisable value	734	335	0	0
Staff costs* (including Executive Directors' remuneration other than fees)	<u>12,222</u>	<u>10,156</u>	<u>0</u>	<u>0</u>
and crediting:				
Gross dividends received from subsidiary companies (unquoted)	0	0	13,347	13,255
Gross dividend received from an associated company (unquoted)	0	0	1,500	3,000
Rental income	467	538	0	0
Gain on disposal of property, plant and equipment	1,406	179	0	0
Gain arising from compulsory acquisition of freehold land by the government	4,548	0	0	0
Interest income	488	415	1,422	1,312
Gain on foreign exchange - realised	<u>39</u>	<u>21</u>	<u>0</u>	<u>0</u>

Property development costs of the Group recognised as an expense during the financial year amounted to RM59,235,000 (2004: RM52,898,000).

* The above staff costs are analysed as follows:

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	11,053	9,138	0	0
Contributions to defined contribution retirement plan	798	734	0	0
Gratuity	0	100	0	0
Other employee benefits	371	184	0	0
	<u>12,222</u>	<u>10,156</u>	<u>0</u>	<u>0</u>

**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	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Fees receivable	180	180	180	180
Salaries and bonuses	1,499	1,371	0	0
Contributions to defined contribution retirement plan	180	164	0	0
Allowances	29	31	29	31
	1,888	1,746	209	211
Estimated monetary value of benefits otherwise than in cash	94	86	0	0
	1,982	1,832	209	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:

Grant date	Expiry date	Exercise price RM/share	Number of share options on shares of RM1 each				At end of the year '000
			At beginning of the year '000	Granted '000	Exercised '000	Terminated '000	
Financial year ended 30 June 2005							
8 January 2002	23 November 2011	1.32	<u>1,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,800</u>
Financial year ended 30 June 2004							
8 January 2002	23 November 2011	1.32	1,800	0	0	0	1,800

**8 Finance cost**

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Interest expense	<u>935</u>	<u>1,157</u>	<u>793</u>	<u>1,042</u>

9 Taxation

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
In respect of current financial year:				
- Malaysian income tax	6,031	5,219	3,653	3,400
- Transfer to/(from) deferred taxation	689	(922)	0	0
In respect of prior financial years:				
- Malaysian income tax	(99)	(1,065)	(27)	0
- Transfer to deferred taxation	0	7	0	0
- Real property gains tax on disposal of landed property	<u>0</u>	<u>4</u>	<u>0</u>	<u>0</u>
	<u>6,621</u>	<u>3,243</u>	<u>3,626</u>	<u>3,400</u>
Current tax				
Current financial year	6,031	5,219	3,653	3,400
Overaccrual in prior years	(99)	(1,061)	(27)	0
Deferred tax				
Origination and reversal of temporary differences	689	(909)	0	0
Benefit from previously unrecognised tax loss	<u>0</u>	<u>(6)</u>	<u>0</u>	<u>0</u>
	<u>6,621</u>	<u>3,243</u>	<u>3,626</u>	<u>3,400</u>

**9 Taxation (continued)**

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

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
Malaysian income tax rate	28.0	28.0	28.0	28.0
Tax effects of:				
- Expenses that are not deductible in determining taxable profit	0.7	1.3	0.2	0.2
- Lower tax rate for small and medium scale companies #	(0.4)	(0.4)	0.0	0.0
- Income not subject to tax:				
- Income exempted under pioneer status	(2.7)	(2.6)	0.0	0.0
- Others	(1.9)	0.0	(3.9)	(7.0)
- Utilisation of reinvestment allowance	(2.6)	(0.4)	0.0	0.0
- Expenses eligible for double deduction	(2.8)	(3.2)	0.0	0.0
- Malaysian income tax in respect of current financial year not recognised	(0.5)	0.0	0.0	0.0
- Others	(0.1)	0.0	0.0	0.0
Average effective tax rate for the financial year	17.7	22.7	24.3	21.2
Overaccrual of Malaysian income tax in respect of prior financial year	(0.1)	(5.6)	(0.2)	0.0
	17.6	17.1	24.1	21.2

As gazetted in the Finance Act 2003, the income tax rate for the first chargeable income of RM500,000 for small and medium scale companies with paid-up share capital of RM2.5 million and below is reduced to 20%. For chargeable income in excess of RM500,000, income tax at the rate of 28% is still applicable.

A subsidiary company of the Group has been granted pioneer status 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	
	2005	2004	2005	2004
	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	33	114	33	114

**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	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Tax losses carried forward	502	579	241	241
Unabsorbed capital allowances	138	138	0	0
Unabsorbed reinvestment allowances	1,338	623	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:

	2005	2004
Net profit attributable to shareholders for the financial year (RM'000)	29,471	14,801
Weighted average number of ordinary shares in issue ('000)	90,417	90,328
Basic earnings per share (sen)	32.59	16.39

Diluted earnings per share

No computation of diluted earnings per share for the financial year ended 30 June 2005 was made as the potential ordinary shares were anti-dilutive.

In respect of the diluted earnings per share calculation for the financial year ended 30 June 2004, 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
	90,936
Diluted earnings per share (sen)	16.28

**11 Share capital**

	Group and Company	
	2005	2004
	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	90,417	90,190
Issue of shares - exercise of share options	<u>0</u>	<u>227</u>
At 30 June	<u>90,417</u>	<u>90,417</u>

During the previous 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 previous 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.
- (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.

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

- (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:

Offer date	Exercise price RM	Number of ordinary shares of RM1 each under option				At 30 June 2005
		At 1 July 2004	Granted	Exercised	Terminated	
8 January 2002	1.32	5,988,000	0	0	(132,000)	5,856,000
24 August 2002	1.36	186,000	0	0	(52,000)	134,000
14 January 2004	1.36	522,000	0	0	(40,000)	482,000
		6,696,000	0	0	(224,000)	6,472,000

At the end of the financial year, there were 5,856,000 unissued ordinary shares under option at an exercise price of RM1.32 and 616,000 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.

There is no option exercised during the current financial year.

Details relating to options exercised during the previous financial year are as follows:

Exercise date	Fair value of share at share issue date RM/share	Exercise price RM/share	Number of shares issued for the year ended
			30.6.2004 '000
8 October 2003	1.410	1.320	130
11 November 2003	1.515	1.320	55
29 March 2004	1.550	1.320	35
6 April 2004	1.505	1.320	7
			227

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

	2004
	RM'000
Ordinary shares at par value of RM1 each	227
Share premium	<u>72</u>
Proceeds received on exercise of share options	<u><u>299</u></u>
At dates of issue of shares by virtue of exercise of share options:	
- total fair value of shares issued	<u><u>331</u></u>

The fair value of shares issued by virtue of the exercise of share options is the average market price at which the Company's shares were traded on Bursa Securities at the respective dates of issue of the shares.

12 Reserves

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Share premium	145	145	145	145
Retained earnings	<u>159,611</u>	<u>132,744</u>	<u>140,197</u>	<u>131,409</u>
	<u>159,756</u>	<u>132,889</u>	<u>140,342</u>	<u>131,554</u>

The Company has, subject to confirmation by the Inland Revenue Board, sufficient tax exempt account balance and tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of net dividends out of all its retained earnings at 30 June 2005, 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
2005									
Cost or valuation									
At 1 July 2004	20,734	504	2,285	13,308	5,077	37	125	2	42,072
Additions	358	0	278	6,449	832	2	3	131	8,053
Disposals	(198)	(21)	(43)	(152)	(554)	0	0	0	(968)
Write off	0	0	(85)	0	0	0	0	0	(85)
Transfer to land held for property development	(46)	0	0	0	0	0	0	0	(46)
Reclassification	1	0	13	0	1	0	0	(15)	0
At 30 June 2005	20,849	483	2,448	19,605	5,356	39	128	118	49,026
Accumulated depreciation									
At 1 July 2004	2,440	95	1,763	9,327	3,737	36	59	0	17,457
Charge for the financial year	279	27	204	1,118	560	1	13	0	2,202
Disposals	0	(4)	(21)	(152)	(554)	0	0	0	(731)
Write off	0	0	(83)	0	0	0	0	0	(83)
At 30 June 2004	2,719	118	1,863	10,293	3,743	37	72	0	18,845
Net book value									
30 June 2005	18,130	365	585	9,312	1,613	2	56	118	30,181
30 June 2004	18,294	409	522	3,981	1,340	1	66	2	24,615

The land and buildings of the Group comprise:

	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
2005						
Cost or valuation						
At 1 July 2004	9,701	5,059	428	1,046	4,500	20,734
Additions	0	0	0	358	0	358
Disposal	(198)	0	0	0	0	(198)
Transfer to land held for property development	(46)	0	0	0	0	(46)
Reclassification	0	0	0	1	0	1
At 30 June 2005	9,457	5,059	428	1,405	4,500	20,849
Accumulated depreciation						
At 1 July 2004	473	763	176	236	792	2,440
Charge for the financial year	46	102	8	32	91	279
At 30 June 2005	519	865	184	268	883	2,719
Net book value						
30 June 2005	8,938	4,194	244	1,137	3,617	18,130
30 June 2004	9,228	4,296	252	810	3,708	18,294

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

The land of the Group comprises:

	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
2005							
Cost or valuation							
At 1 July 2004/	1,324	1,302	46	327	2,345	4,357	9,701
Disposal	0	0	0	0	0	(198)	(198)
Transfer to land held for property development	0	0	(46)	0	0	0	(46)
At 30 June 2005	1,324	1,302	0	327	2,345	4,159	9,457
Accumulated depreciation							
At 1 July 2004	0	0	0	40	433	0	473
Charge for the financial year	0	0	0	4	42	0	46
At 30 June 2005	0	0	0	44	475	0	519
Net book value							
30 June 2005	1,324	1,302	0	283	1,870	4,159	8,938
30 June 2004	1,324	1,302	46	287	1,912	4,357	9,228

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 RM4,269,000 (2004: RM4,344,000).

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		
	2005	2004	2005	2004	
	%	%	%	%	
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	Property development
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.	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	Property development
Yiked Brilliant Sdn. Bhd.	0	0	41	41	Property development

	2005 RM'000	2004 RM'000
Unquoted shares, at cost	100,297	100,297
Impairment losses	(1,980)	(1,972)
	<u>98,317</u>	<u>98,325</u>
Amounts due from subsidiary companies - advances	124,271	140,402
- dividend	0	171
	<u>124,271</u>	<u>140,573</u>
Amounts owing to subsidiary companies - advances	<u>7,235</u>	<u>0</u>

**14 Subsidiary companies (continued)**

Amounts due from subsidiary companies bear interest at rates ranging from 1.00% to 4.05% per annum (2004: 1.00% to 4.05%) 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
			2005 %	2004 %	
Brilliant Delta (M) Sdn. Bhd.	Malaysia	31 December	43	43	Property development and oil palm plantation

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted shares, at cost	10,000	10,000	10,000	10,000
Share of post-acquisition profit net of dividends received	5,195	3,947	0	0
	<u>15,195</u>	<u>13,947</u>	<u>10,000</u>	<u>10,000</u>

Represented by:

Share of net assets of associated company	<u>15,195</u>	<u>13,947</u>
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**16 Land held for property development****Group only**

	2005 RM'000	2004 RM'000
At 1 July		
Freehold land, at cost	9,513	9,700
Leasehold land, at cost	11,900	700
Related costs	2,569	2,474
	23,982	12,874
Add: Movements in land		
- purchase of freehold land	137	0
- purchase of leasehold land	0	11,200
- transfer to property development costs – freehold land	0	(187)
- transfer from property, plant and equipment – leasehold land	46	0
- disposal of freehold land arising from compulsory acquisition by the government	(1,124)	0
	(941)	11,013
Add: Movements in related costs		
- additions	291	139
- transfer to property development costs	(4)	(44)
- related costs in relation to land disposed arising from compulsory acquisition by the government	(307)	0
	(20)	95
At 30 June	23,021	23,982
At 30 June		
Freehold land, at cost	8,526	9,513
Leasehold land, at cost	11,946	11,900
Related costs	2,549	2,569
	23,021	23,982

No interest on borrowings has been capitalised under land held for property development during the financial year.

17 Deferred taxation**Group only**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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:

**17 Deferred taxation (continued)**

	2005 RM'000	2004 RM'000
Deferred tax assets	5,159	5,415
Deferred tax liabilities		
- Subject to income tax	(1,996)	(1,562)
- Subject to capital gains tax	(10)	(10)
	(2,006)	(1,572)
	3,153	3,843
Movements in deferred taxation:		
At the beginning of the year	3,843	2,929
Charged/(credited) to income statement:		
- Property, plant and equipment	(625)	(145)
- Unrealised profits and interest	(410)	(32)
- Tax losses	43	301
- Impairment loss	0	655
- Accruals	302	135
At the end of the year	3,153	3,843
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Unrealised profits and interest	3,977	4,387
- Tax losses	344	301
- Impairment loss	655	655
- Accruals	437	135
	5,413	5,478
Offsetting	(254)	(63)
Deferred tax assets (after offsetting)	5,159	5,415
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(2,250)	(1,625)
Offsetting	254	63
Deferred tax liabilities (after offsetting)	(1,996)	(1,562)
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.

The aggregate amount of temporary difference relating to the unrecognised deferred tax liabilities arising from investment in subsidiary companies as at 30 June 2005 amounted to RM5,560,000 (2004: RM3,840,000).

**18 Property development costs****Group only**

Development properties stated at cost are made up as follows:

	2005 RM'000	2004 RM'000
At 1 July		
Freehold land, at cost	35,867	27,833
Leasehold land, at cost	4,000	15,030
Development costs	181,743	152,545
	221,610	195,408
 Add: Movements in land		
- purchase of freehold land	0	10,781
- transfer from freehold land held for property development	4	187
- disposals of freehold land:		
- arising from compulsory acquisition by the government	(2,929)	0
- others	(74)	0
- disposals of leasehold land	0	(11,030)
	(2,999)	(62)
 Add: Movements in development costs		
- additions	61,932	65,222
- transfer from freehold land held for property development	0	44
- development costs in relation to freehold land disposed		
- arising from compulsory acquisition by the government	(290)	0
- others	(6)	0
- development costs in relation to leasehold land disposed	0	(3,843)
	61,636	61,423
 Less: Accumulated costs charged to income statement		
- current financial year	(72,900)	(59,400)
- prior financial years	(116,060)	(90,989)
	(188,960)	(150,389)
 Transfer to developed properties	<u>(7,656)</u>	<u>(2,157)</u>
At 30 June	<u>83,631</u>	<u>104,223</u>

**18 Property development costs (continued)**

	2005 RM'000	2004 RM'000
At 30 June		
Freehold land, at cost	32,868	38,801
Leasehold land, at cost	4,000	4,000
Less: Land costs in respect of completed projects	(5,888)	(2,934)
	30,980	39,867
Development costs	243,379	213,968
Less: Development costs in respect of completed projects	(114,377)	(32,225)
Less: Development costs in respect of the revocation of a joint-venture agreement	(4,341)	0
	124,661	181,743
Accumulated costs charged to income statement	(188,961)	(150,422)
Add: Accumulated costs charged to income statement in respect of completed projects	118,325	34,362
Add: Accumulated costs charged to income statement in respect of the revocation of a joint-venture agreement	4,341	0
	(66,295)	(116,060)
Included in developed properties	(5,715)	(1,327)
	83,631	104,223

Included in property development costs, are cost of landowners' entitlement amounting to RM5,217,000 (2004: RM12,707,000) arising from agreements entered into between the subsidiary companies and certain landowners to develop properties on land belonging to the landowners.

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

	2005 RM'000	2004 RM'000
Depreciation	35	45
Hire of equipment	378	484

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

The title deeds in respect of freehold land amounting to RM10,781,000 (2004: 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 in previous 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**

	2005	2004
	RM'000	RM'000
At cost:		
Raw materials	820	0
Work in progress	5,276	2,847
Finished goods	1,147	351
Consumables	347	249
Plantation supplies	13	6
	7,603	3,453
At net realisable value:		
Work in progress	2,738	1,336
	10,341	4,789
Developed properties		
At cost	7,823	9,007
At net realisable value	4,955	594
	12,778	9,601
	23,119	14,390

20 Receivables, deposits and prepayments

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Trade receivables	52,145	40,588	0	0
Advances to landowners	32,265	32,621	0	0
Other receivables	4,040	1,653	0	0
Deposits	537	515	2	2
Balance of sales proceeds retained by lawyers	0	784	0	0
Advance extended to sub-contractors	125	231	0	0
Prepayments	166	46	0	0
	89,278	76,438	2	2

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

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
- Ringgit Malaysia	81,880	72,459	2	2
- US Dollar	7,232	3,825	0	0
- Thai Baht	0	108	0	0
	89,112	76,392	2	2

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.

**20 Receivables, deposits and prepayments (continued)**

Also included in trade receivables of the property segment in previous financial year was 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 as consideration for its share of contribution cost. During the current financial year, both parties have reached an agreement for the settlement of the aforesaid contribution cost whereby as at 30 June 2005 the debtor has paid RM900,000 with the remaining balance of RM725,000, included in trade receivables, to be settled within the next financial year.

On a yearly basis, the advances to landowners will be settled to the extent that the landowners' entitlement have crystallised.

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		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	13,952	13,460	4,500	0
Fixed deposits held under lien as security for a guarantee line	67	397	0	0
	14,019	13,857	4,500	0

Fixed deposits with licensed banks are denominated in Ringgit Malaysia.

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

	2005	2004
	%	%
Fixed deposits with licensed banks	2.50 - 3.00	2.50 - 3.20
Fixed deposits held under lien as security for a guarantee line	3.00	3.00 - 4.00

These fixed deposits have maturity periods which vary from 1 to 51 days (2004: 12 to 230 days).

Fixed deposits held under lien amounting to RM67,000 (2004: RM397,000) were pledged to banks as security for bankers' guarantee facilities granted.

22 Cash and bank balances

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances held under Housing Development Accounts pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966	4,882	4,597	0	0
Cash at bank and in hand	5,116	2,341	807	0
	9,998	6,938	807	0

**22 Cash and bank balances (continued)**

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	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
- Ringgit Malaysia	9,854	6,937	807	0
- US Dollar	144	1	0	0
	<u>9,998</u>	<u>6,938</u>	<u>807</u>	<u>0</u>

Bank balances are deposits held at call with banks.

23 Payables and accrued liabilities

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Trade payables	15,500	8,385	0	0
Other payables	4,081	2,712	0	0
Accrued liabilities	2,170	2,693	280	274
	<u>21,751</u>	<u>13,790</u>	<u>280</u>	<u>274</u>

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

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
- Ringgit Malaysia	21,125	12,870	280	274
- US Dollar	299	388	0	0
- Euro	51	532	0	0
- Thai Baht	276	0	0	0
	<u>21,751</u>	<u>13,790</u>	<u>280</u>	<u>274</u>

Credit terms of trade payables granted to the Group vary from 7 days to 60 days (2004: 7 days to 60 days).

Included in trade payables are payables arising from landowners' entitlement in respect of development projects as described in note 18. Payments are made to the landowners based on the collections received from the respective housing projects on a yearly basis. Also included in trade payables are subcontractors retention sums amounting to RM624,000 (2004: RM337,000).

**24 Short term borrowings**

	Group and Company	
	2005	2004
	RM'000	RM'000
Revolving credits	<u>0</u>	<u>26,500</u>

Revolving credits as at 30 June 2004 were unsecured and denominated in Ringgit Malaysia.

The effective interest rates of revolving credits for the Group and Company as at 30 June 2004 ranged between 4.03% and 4.13% 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 2005 range between 7.00% and 7.50% (2004: 7.00% and 7.50%) per annum.

26 Dividend

	2005		2004	
	Gross dividend per share	Amount of dividend, net of tax	Gross dividend per share	Amount of dividend, net of tax
	Sen	RM'000	Sen	RM'000
Proposed/paid:				
First and final dividend in respect of current financial year	<u>10</u>	<u>6,510</u>	<u>4</u>	<u>2,604</u>

At the forthcoming Annual General Meeting, a first and final gross dividend in respect of the financial year ended 30 June 2005 of 10 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 2006.

**27 Cash flow from/ (used in) operations**

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Profit from ordinary activities before taxation but after minority interests	36,092	18,044	15,018	16,014
Adjustments for:				
Depreciation of property, plant and equipment	2,167	1,905	0	0
Dividend income	0	0	(14,847)	(16,255)
Gain on disposal of property, plant and equipment	(1,406)	(179)	0	0
Gain arising from the compulsory acquisition of freehold land by the government	(2,186)	0	0	0
Impairment loss on development properties	0	2,338	0	0
Impairment losses on investment in subsidiary company	0	0	8	8
Minority interests	1,457	872	0	0
Interest income	(488)	(415)	(1,422)	(1,312)
Property, plant and equipment written off	2	7	0	0
Bad debts written off	0	1	0	0
Inventories written off	224	0	0	0
Developed properties written down	734	335	0	0
Interest expense	935	1,157	793	1,042
Share of results of associated company	(3,236)	(4,609)	0	0
Allowance for doubtful recovery of tax penalty	0	103	0	0
	(1,797)	1,515	(15,468)	(16,517)
	34,295	19,559	(450)	(503)
Changes in working capital:				
Property development costs	20,016	(3,151)	0	0
Development properties	(3,943)	2,978	0	0
Inventories	(5,777)	698	0	0
Receivables	(11,341)	(3,271)	0	0
Payables	8,430	(3,873)	6	1
Related company balances	0	0	23,537	(15,490)
	7,385	(6,619)	23,543	(15,489)
Cash flow from operations	41,680	12,940	23,093	(15,992)

28 Cash and cash equivalents

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

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	14,019	13,857	4,500	0
Cash and bank balances	9,998	6,938	807	0
Bank overdrafts	(2,458)	(1,952)	0	(491)
Fixed deposits held under lien as security for a guarantee line (note 21)	(67)	(397)	0	0
	21,492	18,446	5,307	(491)

**29 Contingent liabilities**

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Pending litigation against a subsidiary company*	0	1,162	0	0
Guarantee for banking facilities granted to subsidiary companies - unsecured	0	0	2,000	2,000

*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 had claimed for the refund of the purchase price with interest at 8.00% per annum from 25 April 2000 together with other damages amounting to approximately RM1,210,000 (2004: RM1,162,000). On 8 August 2004, the presiding judge of the case ruled in favour of the purchaser. As a result of this, PSD and its solicitors (also the stakeholder) have refunded the purchase price with interest for a total of RM1,210,000 to the purchaser during the financial year and this amount has been included under other receivables in note 20 to the financial statements. To this date, PSD's solicitors are still in the process of appealing to the Court of Appeal against the decision of the High Court. After seeking legal advice, the Directors are of the opinion that PSD has a reasonably good chance to succeed in appealing the case and as such, no allowance for doubtful debts in respect of this receivable has been made in the financial statements.

30 Capital commitments**Group only**

	2005	2004
	RM'000	RM'000
Capital commitments in respect of plant and equipment:		
Contracted but not provided for	2,700	2,474

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.

31 **Related party disclosures (continued)**

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

Group

	2005 RM'000	2004 RM'000
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Trade:

Purchases of construction materials from Conlin Sdn. Bhd.	<u>0</u>	<u>1,224</u>
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The rates transacted in the previous financial year were 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 enabled 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.

	2005 RM'000	2004 RM'000
Purchases of semi-produced rubberwood from First Light Industries Co. Ltd.	<u>3,051</u>	<u>2,529</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.

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.

	2005 RM'000	2004 RM'000
Purchases of fertilizer and chemical products from Teong Choon Enterprise (M) Sdn Bhd	<u>178</u>	<u>144</u>
Management fees receivable from Brilliant Delta (M) Sdn Bhd	<u>91</u>	<u>508</u>

Company

	2005 RM'000	2004 RM'000
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Trade:

Dividend income from subsidiary companies	13,347	13,255
Gross dividend received from an associated company	1,500	3,000
Loan interest from subsidiary companies	1,422	1,312
Management fees receivable from subsidiary companies	<u>162</u>	<u>83</u>

Interest is charged on amounts due from wholly-owned subsidiary companies at the rate of 1.00% (2004: 1.00%) per annum. Whereas, interest charged on amounts owing by non-wholly-owned subsidiary companies is at the rate of 4.05% (2004: 4.05%) 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.

**31 Related party disclosures (continued)**

- (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 revenue comprises mainly of dividend income, interest income from advances to subsidiary companies and management fees for management services provided to subsidiary companies.

Primary reporting format - business segments

	Property development RM'000	Manufacturing RM'000	Others RM'000	Group RM'000
2005				
Revenue				
Total revenue	129,046	63,763	17,494	210,303
Intra-segment revenue	(46,735)	(12,337)	(1,821)	(60,893)
Inter-segment revenue	0	0	(14,887)	(14,887)
External revenue	<u>82,311</u>	<u>51,426</u>	<u>786</u>	<u>134,523</u>
Results				
Segment results	21,080	14,250	(44)	35,286
Unallocated income				107
Unallocated expenses				<u>(145)</u>
Profit from operations				35,248
Finance costs				(935)
Share of results of associated company				<u>3,236</u>
Profit from ordinary activities before taxation				37,549
Taxation				<u>(6,621)</u>
Profit from ordinary activities after taxation				30,928
Minority interest				<u>(1,457)</u>
Net profit attributable to shareholders				<u>29,471</u>

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

2005	Property development RM'000	Manufacturing RM'000	Others RM'000	Group RM'000
Other information				
Segment assets	218,498	40,003	4,847	263,348
Associates				15,195
Unallocated assets				16,952
Total assets				295,495
Segment liabilities	19,862	4,051	236	24,149
Unallocated liabilities				2,517
Total liabilities				26,666
Capital expenditure	1,347	7,131	1	8,479
Depreciation	609	1,539	54	2,202
2004	Property development RM'000	Manufacturing RM'000	Others RM'000	Group RM'000
Revenue				
Total revenue	124,119	39,007	18,676	181,802
Intra-segment revenue	(52,027)	(7,598)	(4,969)	(64,594)
Inter-segment revenue	0	0	(13,131)	(13,131)
External revenue	72,092	31,409	576	104,077
Results				
Segment results	10,338	5,403	(155)	15,586
Unallocated income				32
Unallocated expenses				(154)
Profit from operations				15,464
Finance costs				(1,157)
Share of results of associated company				4,609
Profit from ordinary activities before taxation				18,916
Taxation				(3,243)
Profit from ordinary activities after taxation				15,673
Minority interest				(872)
Net profit attributable to shareholders				14,801

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

2004	Property development RM'000	Manufacturing RM'000	Others RM'000	Group RM'000
Other information				
Segment assets	228,641	32,258	944	261,843
Associates				13,847
Unallocated assets				9,040
Total assets				284,830
Segment liabilities	12,133	2,833	716	15,682
Unallocated liabilities				28,619
Total liabilities				44,301
Capital expenditure	762	2,102	2	2,866
Depreciation	579	1,332	39	1,950
Impairment loss on development properties	2,338	0	0	2,338

(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)

	Revenue		Total assets		Capital expenditure	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysia	84,702	75,992	280,300	270,883	8,479	2,866
Unites States of America and Canada	47,592	25,289	0	0	0	0
Europe	2,180	2,676	0	0	0	0
Other Asian countries	49	120	0	0	0	0
	<u>134,523</u>	<u>104,077</u>	<u>280,300</u>	<u>270,883</u>	<u>8,479</u>	<u>2,866</u>
Associates			15,195	13,947		
Total assets			<u>295,495</u>	<u>284,830</u>		



33 Comparative figures

During the financial year, the Group reclassified certain property development costs to land held for property development and advances to landowners (under receivables) amounting to RM11,213,000 and RM32,621,000 respectively. The Directors are of the view that the reclassification will result in a more appropriate presentation of the Group's state of affairs.

The details of the comparative figures for the financial year ended 30 June 2004, which have been reclassified are as follows:

	As previously reported RM'000	Reclassifica- tion RM'000	As reclassified RM'000
Group only			
Property development costs	148,057	(43,834)	104,223
Land held for property development	12,769	11,213	23,982
Advances to landowners	0	32,621	32,621

34 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 September 2005.



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 75 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 2005 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 MASB approved accounting standards in Malaysia.

In accordance with a resolution of the Board of Directors dated 15 September 2005.

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

Goh Cheng Hock
Managing Director

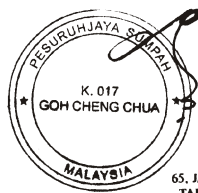
Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

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 75 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 15 September 2005.

Before me



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

Commissioner for Oaths

**Analysis of Shareholdings as at 21 September 2005**

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	1,081,585	1.20
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	Yap Shing @ Yap Sue Kim	977,300	1.08
22	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Aik Lai Holdings Sdn Bhd	900,000	1.00
23	Yeoh Swee Seong Sdn Bhd	896,000	0.99
24	Goh Aik Lai Holdings Sdn Bhd	885,400	0.98
25	Tentumewah Sdn Bhd	782,078	0.86
26	Wai Lok Holding Sdn Bhd	764,000	0.84
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	60,990,278	67.45

**Distribution Schedule**

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	5	0.18	234	0.00
100 - 1,000	1,207	42.56	1,194,338	1.32
1,001 - 10,000	1,281	45.17	5,144,898	5.69
10,001 - 100,000	253	8.92	7,980,931	8.83
100,001 - 4,520,849	88	3.10	56,658,507	62.66
4,520,850 - 90,417,002	2	0.07	19,438,094	21.50
	2,836	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	1,081,585	1.20	11,352,807	12.56
5.	Goh Cheng Hock	325,002	0.36	11,352,807	12.56
6.	Goh Aik Lai	-	-	10,653,207	11.78
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	11.78
*	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 Dato' Haji Thobrani Bin Haji Hanafi, Mr Goh Cheng Hock, Mr Goh Aik Lai and Mr Chai Tin Kok @ Sua Ah Seng 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 2005**

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/9	2,389
7 & 8, Jalan Bank, Sg. Petani, Kedah Darul Aman.	3 Storey Office Building 1996 & 1993	12,861 sq.ft.	Freehold/2	1,438
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 2088/17	6,520
Mukim Sungai Pasir, District of Kuala Muda, Kedah Darul Aman.	Development Land Approved for Housing	48.05 acres	Freehold	15,408
Mukim Teloi Kiri, District of Kuala Muda, Kedah Darul Aman.	Oil Palm Plantation for Future Development	226.10 acres	Freehold	4,158
Kulim				
343, Jalan Tunku Mohd. Asaad, Kulim, Kedah Darul Aman.	Sales Office (Bungalow)/1996	62,483 sq.ft.	Freehold/48	1,077
32-42 & 44, Lorong Semarak 2, Taman Semarak, Kulim, Kedah Darul Aman.	3 Storey Shophouses/1996	49,059 sq.ft.	Freehold/10	1,781
Mukim Keladi, District of Kulim, Kedah Darul Aman.	Development Land Approved for Housing	0.38 acres	Freehold	14
Mukim Kulim, District of Kulim, Kedah Darul Aman.	Development Land Approved for Housing	45.03 acres	Freehold	10,669



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	6,969
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 2076/15	617
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 2092/9	149
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	18.44 acres	99 years lease expiring between 2094 - 2096	7,546
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 Twelfth 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, 17 November 2005 at 10:00 a.m. for the following purposes: -

- | | |
|---|------------------------------|
| 1. To receive the Audited Financial Statements for the year ended 30 June 2005 and the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2a. To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association:- | |
| i) Mr Koay Leong Eng | Ordinary Resolution 2 |
| ii) Mr Lim Hai Hong @ Lim Hai Hak | Ordinary Resolution 3 |
| iii) Mr Gee Kok Sang | Ordinary Resolution 4 |
| 2b. To re-elect Mr Chai Tin Kok @ Sua Ah Seng who retire pursuant to Section 129 of the Companies Act, 1965. | Ordinary Resolution 5 |
| 3. To declare a first and final Dividend of 10% less Malaysian Income Tax for the year ended 30 June 2005. | Ordinary Resolution 6 |
| 4. To approve Directors' fees for the year ended 30 June 2005. | Ordinary Resolution 7 |
| 5. To re-appoint Messrs PricewaterhouseCoopers and to authorize the Directors to fix their remuneration. | Ordinary Resolution 8 |
| 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 9 |
|---|------------------------------|

"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 resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the 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 10**

"THAT approval be and is hereby given to its subsidiary to seek the Shareholders' Mandate to enter into and to give effect to the specified RRPT with First Light Industries Co Ltd ("Proposed Shareholders' Mandate") as stated in Section 2.5 of the Circular to Shareholders dated 26 October 2005 ("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 party 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."

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 21 November 2005 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 2 December 2005 to depositors registered in the Record of Depositors at the close of business on 21 November 2005.

BY ORDER OF THE BOARD

LAM VOON KEAN
(MIA 4793)
Company Secretary
Penang, 26 October 2005



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 84 of the Annual Report of the Company.

Explanatory Notes on Special Business:

7. The proposed Resolution 9, 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 to be 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 10, if passed, will obtain the Shareholders' Mandate for its subsidiary to enter into and to give effect to the specified RRPT with First Light Industries Co Ltd as stated in Section 2.5 of the Circular to Shareholders dated 26 October 2005 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 party 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 6 and 7 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

There were no share buybacks by the Company during the financial year.

Options Warrant or Convertible Securities

No 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 RM7,500 and RM30,000 respectively.

Profit Estimate, Forecast or Projection

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

Profit Guarantees

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

Material Contracts and Contracts Relating to Loans

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

Revaluation of Landed Properties

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



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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 Twelfth Annual General Meeting of the Company to be held at Serindit Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Thursday, 17 November 2005 at 10:00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To receive the Audited Financial Statements.	-Resolution 1		
2a.	To re-elect the following Directors who retire pursuant to Article 80 :- i) Mr Koay Leong Eng ii) Mr Lim Hai Hong @ Lim Hai Hak iii) Mr Gee Kok Sang	-Resolution 2 -Resolution 3 -Resolution 4		
2b.	To re-elect Mr Chai Tin Kok @ Sua Ah Seng who retire pursuant to Section 129 of the Companies Act, 1965.	-Resolution 5		
3.	To declare a first and final dividend of 10% less Malaysian Income Tax.	-Resolution 6		
4.	To approve Directors' fees.	-Resolution 7		
5.	To re-appoint Messrs PricewaterhouseCoopers.	-Resolution 8		
6.	Special Business i) Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. ii) Proposed Shareholders' Mandate for RRPT Involving the Company and its Subsidiary with First Light Industries Co Ltd.	-Resolution 9 -Resolution 10		

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

No. of Ordinary Shares Held

Signed this day of 2005.

.....
Signature of Shareholder(s)



Notes :

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

Fold here

Affix
Stamp

ORIENTAL INTEREST BERHAD
(272144-M)

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

Fold here

Fold this flap for sealing

Every person has different wishes, regardless of their backgrounds or prospects in life.

It would be fair to say that amongst these wishes; almost everyone would share a common desire owning a HOME.

Nevertheless, financial reality poses major obstacle preventing realization of that hope.

The Door on the cover of this Annual Report not only symbolizes OIB's endeavour assisting our customers in owning their homes; it too represents the door of opportunity for all our shareholders and trade associates achieving a brighter and rewarding future.