

ANNUAL REPORT 2007

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CORPORATE INFORMATION

Board of Directors

Dato' Haji Thobrani Bin Haji Hanafi	[Executive Chairman]
Mr Koay Leong Eng	[Executive Director]
Mr Goh Aik Keong	[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

Company Secretary

Ms Lam Voon Kean (MIA 4793)

Corporate Head Office

2nd Floor, Wisma OIB
1 & 2, Jalan Bank
08000 Sungai Petani
Kedah Darul Aman
Tel : 04-421 3352
Fax : 04-423 3352

Registered Office

Suite 2-1, 2nd Floor
Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-229 4390
Fax : 04-226 5860

Registrar

Agriteum Share Registration Services
Sdn Bhd
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-228 2321
Fax : 04-227 2391

Auditors

PricewaterhouseCoopers
4th Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-227 2200
Fax : 04-227 0124

Principal Corporate Advisor

Malaysian International
Merchant Bankers Berhad

Principal Bankers

RHB Bank Berhad
Malayan Banking Berhad
Alliance Bank Malaysia Berhad

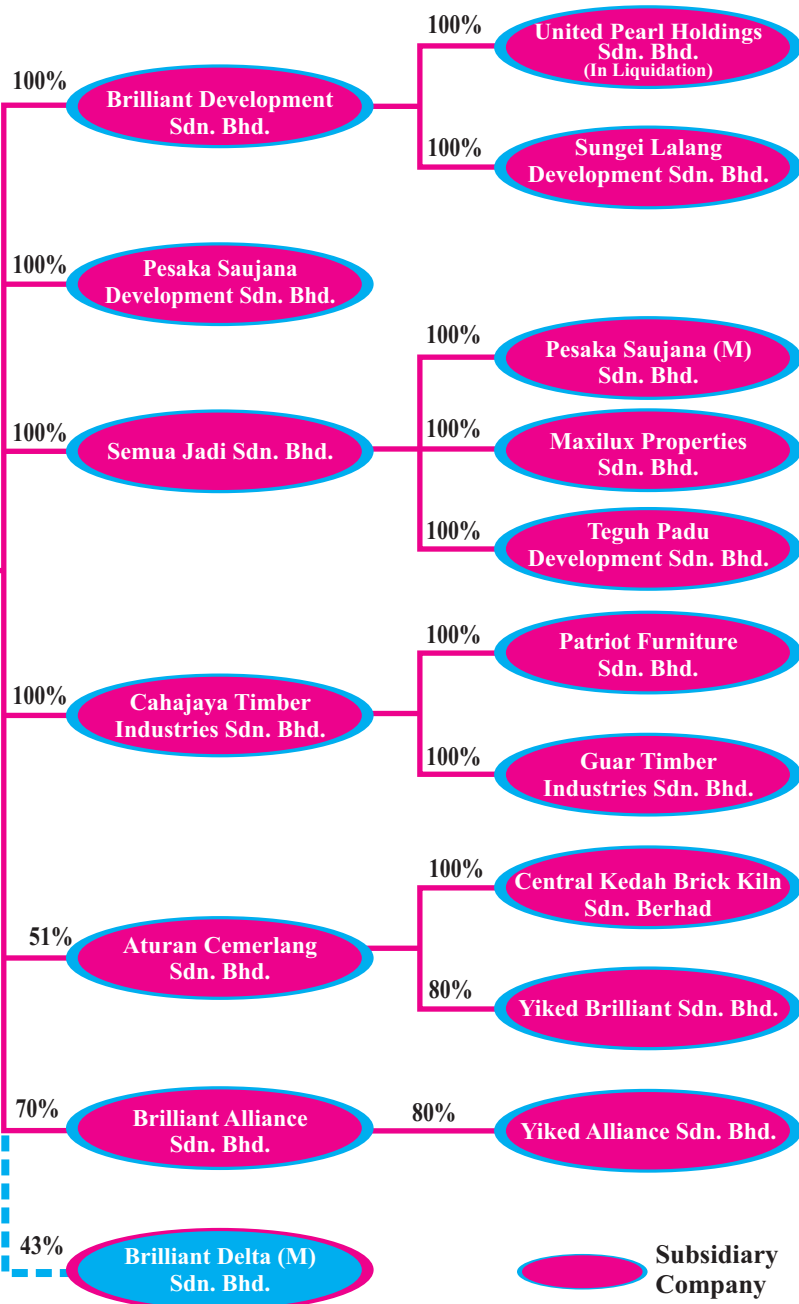
Stock Exchange Listing

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

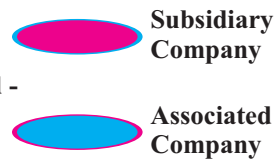
GROUP STRUCTURE



**Oriental
Interest
Berhad**



Legend -





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 "Bursa Securities") 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 22 years, OIB Group has completed numerous construction and property development projects totalling over RM1.4 billion in value and has established itself as a leading housing developer, having completed approximately 20,100 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 manufacturing facility, sited on 14.25 acres of land in the Bakar Arang Industrial Estate in Sungai Petani, Kedah. Approximately 87% of its products are exported to United States of America and Europe.

Profile of Directors

Dato' Haji Thobrani Bin Haji Hanafi, Malaysian, aged 61, was appointed to the Board on 19 August 1994 as 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 1977, attended City Planning Studies in Europe and Thailand. Dato' Haji Thobrani served with the Kedah State Civil Service for 13 years in various capacities and was President of Majlis Perbandaran Kota Setar, Kedah prior to leaving Civil Service to join OIB Group in August 1982. He is the spouse of Datin Sharifah Mahiran Binti Syed Kechil as well as having a substantial interest in Thobrani Holdings Sdn Bhd; both of them are major shareholders of the Company.

Mr Koay Leong Eng, Malaysian, aged 56, is an Executive Director of the Company and was appointed to the Board on 19 August 1994. He obtained a Bachelor of Economics (Honours) degree from University of Malaya in 1975. Mr Koay started his banking career with United Malayan Banking Corporation Bhd in 1975 as a Credit Officer. In 1976, he was sponsored by the Bank to pursue a 2-year part-time course at University of Malaya and obtained the Diploma in Accounting in 1978. In 1985, he was promoted to the position of a Branch Manager before resigning to join OIB Group in 1990.

Mr Goh Aik Keong, Malaysian, aged 44, is the Executive Director of the Company and was appointed to the Board on 23 November 2006. Mr. Goh graduated from University of Melbourne in 1988 with a Bachelor of Architecture degree. Upon returning to Malaysia in that same year, Mr. Goh joined Longway Sdn Bhd, a substantial founding shareholder of OIB, as Project Manager for the development of Taman Delima in Sungai Petani, Kedah. After the completion of earlier phases of Taman Delima, he left Longway to join OIB Group as General Manager in August 1990 and is responsible for planning, implementation and development of the Group's housing operations in the State of Selangor. He is the son of Mr Goh Cheng Hock and brother of Mr Goh Aik Lai and Mr Goh Aik Lean; all of them are major shareholders of the Company.

Mr Chai Tin Kok @ Sua Ah Seng, Malaysian, aged 72, is a Non-Independent and Non Executive Director of the Company and was appointed to the Board on 19 August 1994. Also a founder member of OIB Group, he started his own sundry shop at the age of 18 in 1953 and later became a padi merchant. In 1973, Mr Chai ventured into rubber plantation and subsequently into housing development in 1976. His business interests involve investment holdings and rubber/oil palm plantation.

Mr Gee Kok Sang, Malaysian, aged 51, is an Independent Non-Executive Director of the Company and was appointed to the Board on 19 August 1994. He joined Messrs. Kassim Chan & Co., then an affiliated firm of Deloitte, Haskins & Sells, upon graduating with a Diploma in Commerce from Tunku Abdul Rahman College in 1978. Mr Gee was attached to the firm for 6 years before setting up his own practice, Gee & Co., in 1984. He qualified as an Associate Member of the Association of Chartered Certified Accountants in 1981 and the Institute of Chartered Secretaries and Administrators in 1982 respectively. Presently, Mr Gee is a Fellow Member of both the aforementioned professional bodies as well as a member of the Malaysian Institute of Accountants.

Tuan Haji Ahmad Bin Abdul Rashid, Malaysian, aged 56, is an Independent Non-Executive Director of the Company and was appointed to the Board on 16 August 2001. He obtained a Bachelor of Arts degree from University of Malaya in 1974. Tuan Haji Ahmad started his career as an Assessing Officer in the Department of Inland Revenue, after a few months, to serve as an Assistant Director of the Bumiputera Participation Unit in the Ministry of Trade and Industry in 1975. He was appointed as a lay magistrate for a period of 2 years before pursuing his law degree in 1977. After obtaining his Bachelor of Law degree from University of Malaya in 1980, Tuan Haji Ahmad continued serving as a Judicial and Legal Officer until starting his private practice, Ahmad A. Rashid & Co., in 1983.

Mr Chin Kuet Sen, Malaysian, aged 44, 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 Oo 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.

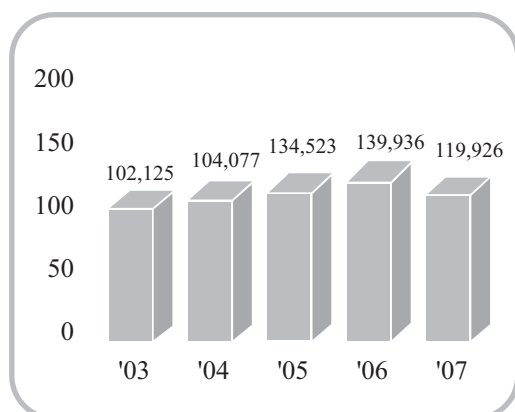
Notes:

- 1) Other than as disclosed in the Profile of Directors, none of the Directors has any family relationship with any other Directors and/or major shareholders of the Company.
- 2) None of the Directors has any conflict of interest with the Company.
- 3) None of the Directors holds any directorship in other public companies.
- 4) None of the Directors was convicted of any offences within the past 10 years, other than for traffic offences, if any.

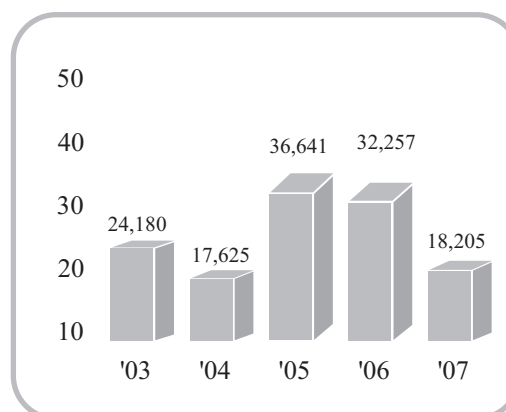
FINANCIAL HIGHLIGHTS

5 Years Results (RM'000)	Year Ended 30 June				
	2007	2006	2005	2004	2003
Revenue	119,926	139,936	134,523	104,077	102,125
Profit before tax	18,205	32,257	36,641	17,625	24,180
Tax expense	(3,735)	(6,075)	(5,713)	(1,952)	(4,971)
Profit for the financial year	14,470	26,182	30,928	15,673	19,209
Attributable to:					
Equity holders of the Company	11,161	24,046	29,471	14,801	18,571
Minority interests	3,309	2,136	1,457	872	638

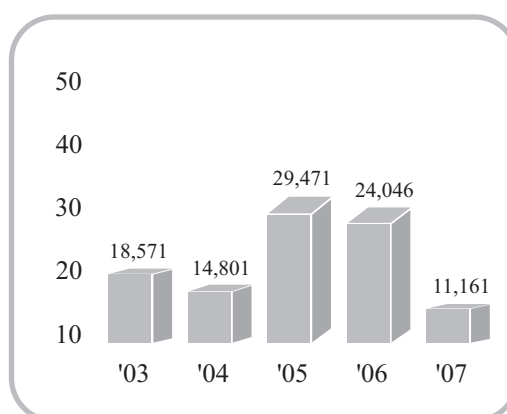
TURNOVER (RM'000)



PROFIT BEFORE TAXATION (RM'000)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (RM'000)



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Oriental Interest Berhad ("OIB"), I am pleased to present to you the Fourteenth Annual Report of OIB Group for financial year ended 30 June 2007.

Financial Results

For the financial year under review, both revenue and profit before taxation for the Group reported a decrease by 14%, from RM139.936million to RM119.926million, and 44%, from RM32.257million to RM18.205million, respectively compared with the preceding financial year.

Property Development

Compared with the previous financial year, Property Division registered 15% and 33% reduction in its revenue and segment results respectively; mainly due to general inflationary effect that had adversely affected the contribution margin for all housing projects. Meanwhile, the Management had taken upon itself as a continuing effort to systematically and realistically unlock the value of the slow-moving inventory of developed properties, resulting in impairment of RM0.899million worth of stock of unsold developed properties as well as selling these stocks at reduced prices.

Manufacturing

Manufacturing Division experienced a tough financial year, with its revenue and segment results fell by 14% and 90% respectively, compared with the previous financial year. Lower sales volume, whereby the Division had to operate below optimal production level, and escalating production costs, due to general inflationary effect, were the main factors. In addition, unfavourable movement in exchange rates, which had a negative effect on both foreign currency proceeds and imported raw materials, coupled with settlement of quality claim by customer, amounting to RM1.405million, and the write off of RM0.416million worth of work in progress were the supplementary factors.

Associated Company

Although the share of profit of an associate, Brilliant Delta (M) Sdn Bhd, recorded a 14% drop compared with the preceding financial year, mainly due to the completion of its housing project in the third quarter of the financial year and the absence of new project; nonetheless, its contribution was still significant to the results of the Group, representing 24% of the Group's profit for the financial year.

Financial Position

The Management has done marvelously on its treasury function, improving the net cash position of the Group by RM15.672million or 45% during the reporting financial year, from RM35.207million to RM50.879million; through tremendous effort in more effective collection system and prudent treasury management.



DIVIDEND

To maintain its record for the past two years, yet again, the Board is delighted in making a recommendation for the payment of a first and final dividend of 10% less 27% income tax in respect of the financial year ended 30 June 2007, subject to the members' approval at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE

Striving to uphold the high standards of principle and practices in pursuit of enhancing shareholders' value, the Board continues pledging its commitment in instilling a more open, participative and innovative approach in the conduct of all its meetings as well as those of its various board committees. The efforts exhibited by all members of the Board through out the past year are illustrated in more details in the Statement of Corporate Governance enclosed in this Annual Report.

PROSPECTS

Revision in the remuneration of civil servants across-the-board coupled with stable and affordable interest rates for mortgage financing, through sound monetary policy by the Government, have created a good sentiment for the property market. Manufacturing Division is still in the process of penetrating potential new markets and capturing new customers as well as curbing the continuing drop in its production contribution. Taking into consideration the above-mentioned and with the continuing financial strength, the Board of Directors, together with the Management, are confident that OIB Group is yet again capable of producing profitable results for the financial year ending 30 June 2008.

APPRECIATION

Finally, on behalf of the Board, I would like to express heartfelt appreciation to all employees for their loyalty and tireless service to OIB Group, customers for their patronage, business partners and regulatory bodies for their continuing co-operation as well as the investors for their faithful support. Lastly, I would also like to thank my fellow Board members for their dedication and energetic efforts in fulfilling their fiduciary duties. Special thanks also to two former Board members, namely Mr. Goh Cheng Hock and Mr. Lim Hai Hong, who had tendered their resignation to retire from the Board of OIB since last Annual General Meeting.



Dato' Haji Thobrani Bin Haji Hanafi

Executive Chairman

12 September 2007

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 2007, 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.

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.

The details of Board attendance are as follows:

	Directors	Attendance
Executive	Dato' Haji Thobrani Bin Haji Hanafi - Chairman	4/4
	Goh Cheng Hock – Managing Director (Resigned on 22 May 2007)	2/3
	Goh Aik Lai – Deputy Managing Director (Retired on 16 November 2006)	1/1
	Koay Leong Eng	4/4
	Goh Aik Keong (Appointed on 23 November 2006)	2/2
Non-Independent Non-Executive	Lim Hai Hong @ Lim Hai Hak (Resigned on 1 August 2007)	4/4
	Chai Tin Kok @ Sua Ah Seng	4/4
Independent Non-Executive	Gee Kok Sang	4/4
	Tuan Haji Ahmad Bin Abdul Rashid	4/4
	Chin Kuet Sen	4/4

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 seven (7) members; comprising three (3) Executive Directors, one (1) Non-Executive Directors and three (3) Independent Non-Executive Directors. A brief profile of each Director is presented on pages 4 and 5 of the Annual Report.

The Board had 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 specialisations, 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 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 Executive Directors are 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:

Chairman	:	Tuan Haji Ahmad bin Abdul Rashid	(Independent Non-Executive Director)
Member	:	Chin Kuet Sen	(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:

Chairman	: Gee Kok Sang	(Senior Independent Non-Executive Director)
Members	: 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.

Directors' remuneration

Details of Directors' remuneration for the financial year ended 30 June 2007 are as follows:

Categories	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	78	125	203
Allowance	12	25	37
Salaries	1,302	-	1,302
Bonuses	842	-	842
Employees' Provident Fund	258	-	258
Estimated Value of Benefits-in-Kind	112	-	112
Total	2,604	150	2,754

Directors' remuneration in bands of RM50,000

Remuneration bands	Number of Directors	
	Executive	Non-Executive
RM50,000 and below	-	5
RM200,001 RM250,000	1	-
RM300,001 RM350,000	1	-
RM450,001 RM500,000	1	-
RM700,001 RM750,000	1	-
RM750,001 RM800,000	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 Securities 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 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 19 and 20 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 16 to 18 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 15 and 16 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:

- 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. However, subsequent to the resignation of the Managing Director in May 2007, the position has since remained vacant.

This statement is issued in accordance with a resolution of the Directors dated 12 September 2007.

AUDIT COMMITTEE REPORT

Membership

The Audit Committee (the “Committee”) comprises of the following members:

Chairman	: Gee Kok Sang	<i>(Senior Independent Non-Executive Director)</i>
Members	: Tuan Haji Ahmad bin Abdul Rashid	<i>(Independent Non-Executive Director)</i>
	Chin Kuet Sen	<i>(Independent Non-Executive Director)</i>
	Koay Leong Eng	<i>(Executive Director)</i>

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 16 to 18 of the Annual Report.

Meetings

The Committee convened five 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 2007;
- 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;
- Verified allocation of options pursuant to Employee Share Option Scheme of the Company in compliance with the criteria stipulated in the By-Laws. (Only if there is allocation during the year); 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 2007, 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 20 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 "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one 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 By-Laws.
- To consider the major findings of internal investigations and Management's responses; and
- To consider other topics as defined by the Board.

STATEMENT ON INTERNAL CONTROL

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad requires the Board of Directors of public listed companies to include in its annual report a "statement about the state of internal control of the listed issuer as a Group".

The Board is committed to maintaining a sound system of internal control in the Group and presents the following statement, which outlines the nature and scope of internal control prevailing in the Group during the financial year under review. The associated company has not been considered in this statement.

Board responsibility

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

Following the publication of the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Guidance"), the Board confirms that there is an ongoing formal process for identifying, evaluating and managing significant risks faced by the Company and its key subsidiary. This process accords with the Internal Control Guidance.

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 2006. Based on the results thereof, an updated risk profile of the key business risks in the Group was drawn up to enable Management 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 with 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 2-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 organisational 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-à-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 2007 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 12 September 2007.

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ANNUAL REPORT 2007



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Directors' report for the financial year ended 30 June 2007

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 2007.

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 after taxation for the financial year	14,470	7,558
Minority interests	(3,309)	0
Profit attributable to equity holders	<u>11,161</u>	<u>7,558</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 2006, as proposed in the Directors' report for that financial year, a first and final dividend of 10% less income tax, paid on 4 December 2006	<u>6,517</u>

The Directors now recommend the payment of a first and final dividend of 10 sen per share on 90,539,002 ordinary shares, less income tax, amounting to RM6,609,347 in respect of financial year ended 30 June 2007 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 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 for 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 2007
		At 1 July 2006	Granted	Exercised	Terminated	
8 January 2002	1.32	5,810,000	0	(110,000)	(135,000)	5,565,000
24 August 2002	1.36	131,000	0	(5,000)	(9,000)	117,000
14 January 2004	1.36	482,000	0	0	(40,000)	442,000
		<u>6,423,000</u>	<u>0</u>	<u>(115,000)</u>	<u>(184,000)</u>	<u>6,124,000</u>

At the end of the financial year, there were 5,565,000 unissued ordinary shares under option at an exercise price of RM1.32 and 559,000 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

Koay Leong Eng

Chai Tin Kok @ Sua Ah Seng

Gee Kok Sang

Tuan Haji Ahmad Bin Abdul Rashid

Chin Kuet Sen

Goh Aik Keong

(appointed on 23 November 2006)

Lim Hai Hong @ Lim Hai Hak

(resigned on 1 August 2007)

Goh Cheng Hock

(resigned on 22 May 2007)

Goh Aik Lai

(retired on 16 November 2006)

In accordance with Article 80 of the Articles of Association, Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP and Mr. Gee Kok Sang will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. Goh Aik Keong will retire in pursuant to Article 87 of the Articles of Association at the forthcoming Annual General Meeting and, being eligible, offers himself for 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			
	1.7.2006/ date of appointment	Addition	Disposal	30.6.2007
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
Koay Leong Eng				
Direct	104,500	0	0	104,500
Indirect	208,169	0	0	208,169
Goh Aik Keong				
Direct	3,104,785	0	0	3,104,785
Indirect	6,319,507	0	0	6,319,507
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)				
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Indirect	207,900	0	0	207,900
Goh Aik Keong				
Indirect	2,653,700	0	0	2,653,700
Chai Tin Kok @ Sua Ah Seng				
Indirect	144,900	0	0	144,900
Brilliant Alliance Sdn. Bhd.				
(Subsidiary)				
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Indirect	44,000	0	0	44,000
Goh Aik Keong				
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)

	1.7.2006/ date of appointment	Number of ordinary shares of RM1 each		
		Addition	Disposal	30.6.2007
Yiked Alliance Sdn. Bhd.				
(Subsidiary)				
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Direct	1*	0	0	1*
Goh Aik Keong				
Indirect	199,998	0	0	199,998
Yiked Brilliant Sdn. Bhd.				
(Subsidiary)				
Dato' Haji Thobrani Bin Haji Hanafi, DSDK, BCK, BKM, JP				
Direct	1 [#]	0	0	1 [#]
Goh Aik Keong				
Indirect	199,998	0	0	199,998
Central Kedah Brick Kiln Sdn. Bhd.				
(Subsidiary)				
Goh Aik Keong				
Indirect	504,000	0	0	504,000

* Held in trust for Brilliant Alliance Sdn. Bhd.

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

	Number of ordinary shares under share option			
	1.7.2006/ date of appointment	Granted	Exercised	30.6.2007
Oriental Interest Berhad				
(The Company)				
Dato' Haji Thobrani Bin Haji Hanafi,				
DSDK, BCK, BKM, JP	450,000	0	0	450,000
Koay Leong Eng	450,000	0	0	450,000
Goh Aik Keong	350,000	0	0	350,000

Other than as disclosed above, none of the Directors in office at the end of the financial year held any interest in shares in, or debentures of, 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 in the ordinary course of business as disclosed in note 33 to the financial statements.

Directors' benefits (continued)

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.

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 12 September 2007.

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

Executive Chairman

Koay Leong Eng

Executive Director

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 31 to 82. 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 for Entities Other than Private Entities 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 2007 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 subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries 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 subsidiaries 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

Penang
12 September 2007



Yee Wai Yin
[2081/08/08 (J)]
Partner of the firm



Income statements for the financial year ended 30 June 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	4	119,926	139,936	9,581	20,235
Cost of sales		(90,166)	(98,294)	0	0
Gross profit		29,760	41,642	9,581	20,235
Other operating income		2,790	2,728	482	284
Selling and distribution costs		(4,968)	(3,692)	0	0
Administrative expenses		(10,343)	(10,276)	(329)	(472)
Other operating expenses		(2,499)	(2,075)	(107)	(107)
Finance cost	8	(14)	(111)	0	0
Share of results of an associate		3,479	4,041	0	0
Profit before taxation		18,205	32,257	9,627	19,940
Taxation	9	(3,735)	(6,075)	(2,069)	(5,085)
Profit for the financial year		14,470	26,182	7,558	14,855
Attributable to:					
Equity holders of the Company		11,161	24,046	7,558	14,855
Minority interests		3,309	2,136	0	0
Profit for the financial year		14,470	26,182	7,558	14,855
Earnings per share					
attributable to ordinary					
equity holders of the					
Company:					
- Basic (sen)	10	12.33	26.59		
- Diluted (sen)	10	12.26	26.55		

The above income statements are to be read in conjunction with the notes to the financial statements on pages 37 to 82.

**Balance sheets
as at 30 June 2007**

	Note	Group		Company	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	30,056	25,727	0	0
Land held for property development	12	12,552	12,203	0	0
Investment properties	13	3,427	3,335	0	0
Biological assets	14	419	417	0	0
Prepaid lease rentals	15	14,428	13,177	0	0
Investment in subsidiaries	16	0	0	95,545	95,558
Investment in an associate	17	15,155	14,555	10,000	10,000
Deferred tax assets	18	3,284	4,189	0	0
		79,321	73,603	105,545	105,558
Current assets					
Property development costs	19	71,149	77,919	0	0
Inventories	20	18,167	23,429	0	0
Trade and other receivables	21	93,732	96,209	2	2
Amounts due from subsidiaries	16	0	0	118,172	119,758
Current tax recoverable		4,449	3,539	333	354
Deposits with licensed banks	22	37,460	29,510	21,142	15,526
Cash and bank balances	23	13,512	7,031	859	839
		238,469	237,637	140,508	136,479
TOTAL ASSETS		317,790	311,240	246,053	242,037
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	24	90,539	90,424	90,539	90,424
Reserves	25	181,975	177,294	149,767	148,689
Minority interests		21,165	18,030	0	0
Total equity		293,679	285,748	240,306	239,113
Non-current liabilities					
Deferred tax liabilities	18	1,500	2,074	0	0
Current liabilities					
Trade and other payables	26	22,285	21,841	201	284
Amounts owing to subsidiaries	16	0	0	5,546	2,640
Current tax liabilities		233	243	0	0
Bank overdraft	27	93	1,334	0	0
		22,611	23,418	5,747	2,924
Total liabilities		24,111	25,492	5,747	2,924
TOTAL EQUITY AND LIABILITIES		317,790	311,240	246,053	242,037

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 37 to 82.

Statements of changes in equity for the financial year ended 30 June 2007

Group	Note	Attributable to equity holders of the Company					Total equity RM'000
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	Minority interests RM'000	
				Issued and fully paid ordinary shares of RM1 each	Non- distributable	Distributable	
At 1 July 2005		90,417	90,417	145			
Profit for the financial year		0	0	0			268,830
Dividend		0	0	0			26,182
Payment of reduction of share capital to minority interest		0	0	0			(6,627)
Issue of shares from exercise of share options	24	7	7	2			(2,646)
At 30 June 2006		90,424	90,424	147	177,147	18,030	285,748
At 1 July 2006		90,424	90,424	147	177,147	18,030	285,748
Profit for the financial year		0	0	0	11,161	3,309	14,470
Dividend	28	0	0	0	(6,517)	(174)	(6,691)
Issue of shares from exercise of share options	24	115	115	37	0	0	152
At 30 June 2007		90,539	90,539	184	181,791	21,165	293,679

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 37 to 82.

**Statements of changes in equity
for the financial year ended 30 June 2007 (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 2005		90,417	90,417	145	140,197	230,759
Dividend		0	0	0	(6,510)	(6,510)
Profit for the financial year		0	0	0	14,855	14,855
Issue of shares from exercise of share options	24	7	7	2	0	9
At 30 June 2006		<u>90,424</u>	<u>90,424</u>	<u>147</u>	<u>148,542</u>	<u>239,113</u>
At 1 July 2006		90,424	90,424	147	148,542	239,113
Dividend	28	0	0	0	(6,517)	(6,517)
Profit for the financial year		0	0	0	7,558	7,558
Issue of shares from exercise of share options	24	115	115	37	0	152
At 30 June 2007		<u>90,539</u>	<u>90,539</u>	<u>184</u>	<u>149,583</u>	<u>240,306</u>

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 37 to 82.

Cash flow statements for the financial year ended 30 June 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
OPERATING CASH FLOWS					
Cash flow from/(used in) operations	29	30,112	28,265	4,055	(545)
Taxation paid		(5,442)	(8,865)	(2,048)	(5,062)
Tax refunds		0	153	0	0
Net operating cash flow		24,670	19,553	2,007	(5,607)
INVESTING CASH FLOWS					
Interest received		1,364	1,072	496	424
Dividends received		4,000	6,500	9,498	19,988
Proceeds from disposal of property, plant and equipment		1,327	123	0	0
Additions to property, plant and equipment		(8,007)	(3,696)	0	0
Additions to biological assets		(24)	(100)	0	0
Additions to land held for property development		(1,105)	(429)	0	0
Proceeds from capital reduction of a subsidiary	16	0	0	0	2,754
Net investing cash flow		(2,445)	3,470	9,994	23,166
FINANCING CASH FLOWS					
Proceeds from issue of shares: - exercise of share options		152	9	152	9
Interest paid		(14)	(111)	0	0
Proceeds from withdrawal of fixed deposits held under lien as security for a guarantee line		6,000	67	0	0
Placement of fixed deposit held as security for banking facilities		(18)	(6,000)	0	0
Dividend paid to minority interests		(174)	(117)	0	0
Dividend paid		(6,517)	(6,510)	(6,517)	(6,510)
Payment of reduction of share capital to minority interests	16	0	(2,646)	0	0
Net financing cash flow		(571)	(15,308)	(6,365)	(6,501)

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 37 to 82.

**Cash flow statements
for the financial year ended 30 June 2007 (continued)**

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Net change in cash and cash equivalents during the financial year		21,654	7,715	5,636	11,058
Cash and cash equivalents at the beginning of the financial year		<u>29,207</u>	<u>21,492</u>	<u>16,365</u>	<u>5,307</u>
Cash and cash equivalents at the end of the financial year	30	<u><u>50,861</u></u>	<u><u>29,207</u></u>	<u><u>22,001</u></u>	<u><u>16,365</u></u>

During the previous financial year, a subsidiary disposed of a portion of the freehold oil palm plantation land included in property, plant and equipment for an amount of RM1,404,000 of which cash payment of RM140,000 was received during the previous financial year. The outstanding amount of RM1,264,000 was received during the current financial year.

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 37 to 82.