

*a new  
dimension  
of vibrancy*

**ORIENTAL INTEREST BERHAD**  
**ANNUAL REPORT 2012**



**Oriental Interest Berhad**  
(272144-M)

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# Corporate information

## Board of Directors

Dato' Wira Haji Thobrani Bin Haji Hanafi  
**Executive Chairman**

Mr Goh Aik Keong  
**Managing Director**

En. Hazman Bin Thobrani  
**Executive Director**

Mr Khaw Eng Peng  
**Executive Director**

Mr Goh Chooi Eam  
**Non-Independent Non-Executive Director**

Tuan Haji Ahmad Bin Abdul Rashid  
**Senior Independent Non-Executive Director**

En. Aswandi Bin Mohamed Hashim  
**Independent Non-Executive Director**

## Audit Committee

Tuan Haji Ahmad Bin Abdul Rashid  
**Chairman**

Mr Goh Chooi Eam

En. Aswandi Bin Mohamed Hashim

## Remuneration Committee

Mr Goh Chooi Eam  
**Chairman**

Tuan Haji Ahmad Bin Abdul Rashid  
En. Aswandi Bin Mohamed Hashim

## Nominating Committee

Tuan Haji Ahmad Bin Abdul Rashid  
**Chairman**

Mr Goh Chooi Eam  
En. Aswandi Bin Mohamed Hashim

## Joint Company Secretaries

Ms Tai Yit Chan (MAICSA 7009143)  
Ms Tan Ai Ning (MAICSA 7015852)

## 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

Lot 6.05, Level 6, KPMG Tower,  
8 First Avenue, Bandar Utama,  
47800 Petaling Jaya, Selangor  
Darul Ehsan.  
Tel: 03-7720 1188  
Fax: 03-7720 1111

## 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  
16th Floor Bangunan KWSP, Jalan Sultan  
P.O. Box 856, 10810 Penang.  
Tel: 04-238 9188 Fax: 04-238 9288

## Principal Corporate Advisor

MMB Investment Bank Berhad

## Principal Bankers

RHB Bank Berhad  
Malayan Banking Berhad  
CIMB Bank Berhad

## Stock Exchange Listing

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

[www.oibgroup.com](http://www.oibgroup.com)

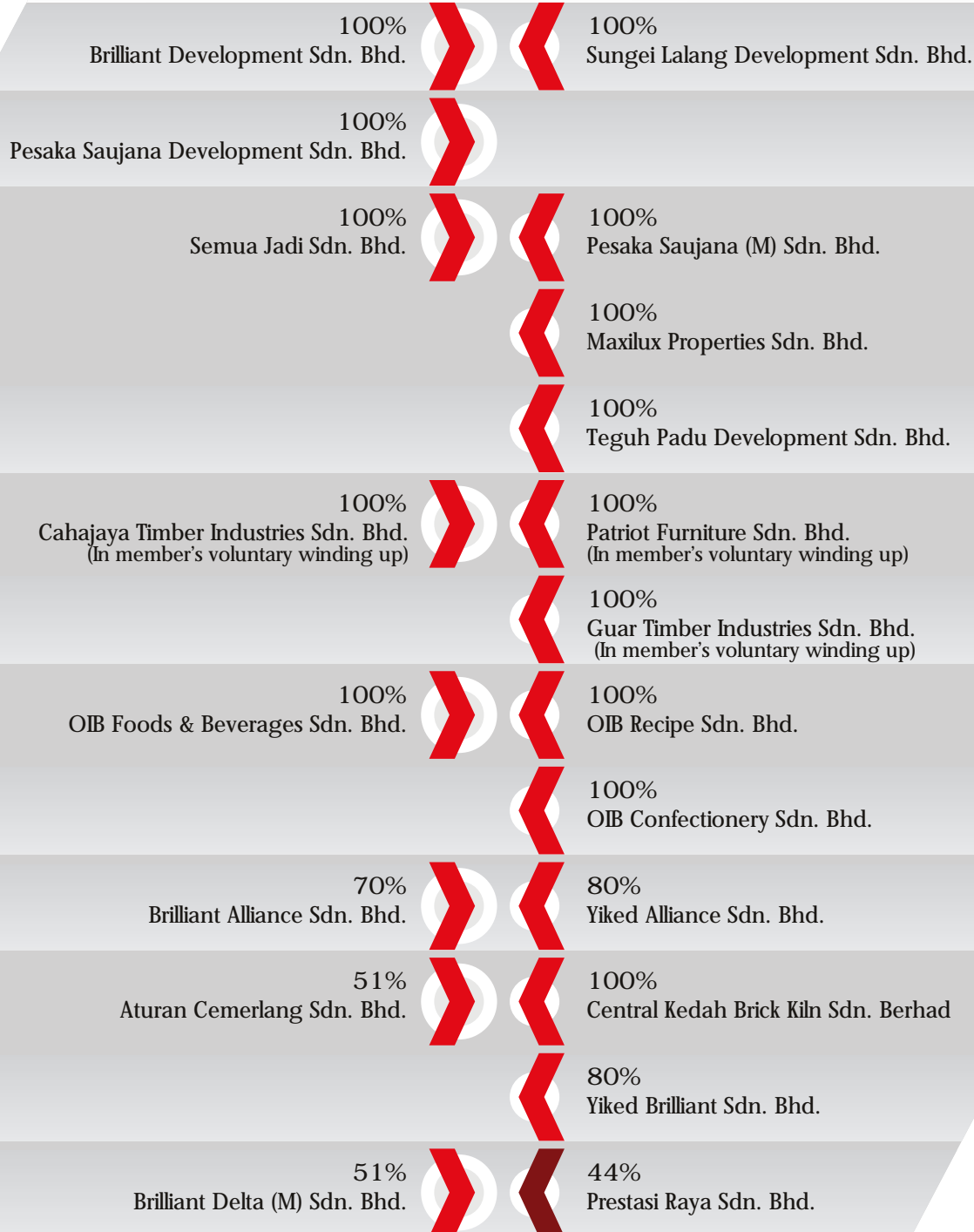


Oriental Interest Berhad  
(272144-M)

# Group structure

➤ Subsidiary Company

➤ Associated Company



## 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 Market 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, which comprises of OIB, 8 subsidiary companies and 11 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 27 years, OIB Group has completed numerous construction and property development projects totalling over RM1.766billion in value and has established itself as a leading housing developer, having completed approximately 21,629 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. Cahajaya Group was placed under member's voluntary winding up on 11 July 2012.

## Oil Palm Cultivation

Meanwhile, OIB Group operates its oil palm cultivation through two of its subsidiary companies, namely Brilliant Development Sdn Bhd and Brilliant Delta (M) Sdn Bhd, over 826.26 acres of agriculture land. The results of oil palm cultivation are expected to contribute positively to the performance of OIB Group.



# *Profile of directors*

## **Dato' Wira Haji Thobrani Bin Haji Hanafi**

Malaysian, aged 66, 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' Wira 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 substantial shareholders of the Company. He is the father of En. Hazman Bin Thobrani, the Executive Director of the Company.

## **Mr Goh Aik Keong**

Malaysian, aged 49, joined the Board on 23 November 2006 and was appointed as the Managing Director of the Company on 26 August 2008. 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 currently responsible for overseeing the operations of Property Division (Central Region) and Manufacturing Division for OIB Group. He is a substantial shareholder of the Company.

## **En. Hazman Bin Thobrani**

Malaysian, aged 37, is an Executive Director of the Company and was appointed to the Board on 5 November 2007. En. Hazman was awarded a full scholarship from Telekom Malaysia Berhad for his undergraduate studies and graduated from Carnegie Mellon University, Pittsburgh, Pennsylvania, USA in 1999 with a Bachelor of Science degree in Electrical and Computer Engineering with an additional major in Economics. En. Hazman's preliminary involvement in OIB Group began during semester breaks of his undergraduate studies as an Assistant Project Manager. After graduation, he joined OIB Group on 1 August 1999 as Assistant General Manager, overseeing planning and implementation of the Group's property development operation in the state of Selangor. In 2007, he was promoted as the General Manager of the Group to lead the operation of the Northern Region Property Division. He is the son of Dato' Wira Haji Thobrani Bin Haji Hanafi, the Executive Chairman of the Company, and Datin Sharifah Mahiran Binti Syed Kechil, both of them are substantial shareholders of the Company.

## **Mr Khaw Eng Peng**

Malaysian, aged 45, is an Executive Director of the Company and was appointed to the Board on 5 November 2007. Mr Khaw is a fellow member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants. He joined Messrs. Coopers & Lybrand (now merged under the firm PricewaterhouseCoopers) in 1993, attached to audit and compliance services division of the firm. In 1996, he left audit practice, as Assistant Audit Manager, joining OIB Group as Senior Manager in Finance and Administration Department. He was promoted to the rank of Assistant General Manager in 2001, overseeing all financial reporting, corporate compliance and administration aspects for OIB Group. Mr Khaw is also a Director of Kobay Technology Berhad and Lipo Corporation Berhad.

## Profile of directors (cont'd)

### Mr Goh Chooi Eam

Malaysian, aged 51, is a Non-Independent Non-Executive Director of the Company and was appointed to the Board on 5 November 2007. Mr Goh is a fellow member of the Association of Chartered Certified Accountants and a member of Malaysian Institute of Accountants and Malaysian Institute of Taxation. He is also a Certified Financial Planner of Financial Planning Association of Malaysia. He was attached to Allan Ong & Co., Sateras Management Sdn. Bhd. and Tor & Co. between 1984 and 1988, from which he acquired both statutory and internal audit training. Mr Goh qualified as a Chartered Certified Accountant in 1988. He joined Messrs. Coopers & Lybrand (now merged under the firm PricewaterhouseCoopers) in 1989 as an Audit Assistant and was promoted to Assistant Audit Manager in 1991. He left Messrs. Coopers & Lybrand in 1994 to set up his own practice under the name of CE Goh & Associates providing audit, accounting and other related services. He is also a Director of CE Goh Taxation Services Sdn. Bhd. providing tax consultancy services.

### Tuan Haji Ahmad Bin Abdul Rashid

Malaysian, aged 61, is a Senior 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.

### En. Aswandi Bin Mohamed Hashim

Malaysian, aged 39, is an Independent Non-Executive Director of the Company and was appointed to the Board on 29 May 2012. En. Aswandi served as an officer at the Immigration Department of Malaysia once completed his studies at secondary level. He continues to pursue his diploma in the field of Public Administration at Institut Teknologi MARA (ITM) and completed his law studies at Universiti Kebangsaan Malaysia. Upon completion of his studies, En. Aswandi worked at the Immigration Department of Malaysia and was promoted to Assistant Director of Department of Relation Industrial, heading the Investigation and Enforcement Unit of Legislation Division. In year 2007, En. Aswandi was elected Deputy Director as well as Head of Industrial Dispute Unit who are responsible in advising Director of State Department and was an Assistant Facilitator in the Ministry of Human Resources on Wage System which related to productivity. Since year 2009, En. Aswandi operates his own legal firm until current, after working in public sector for 18 years.

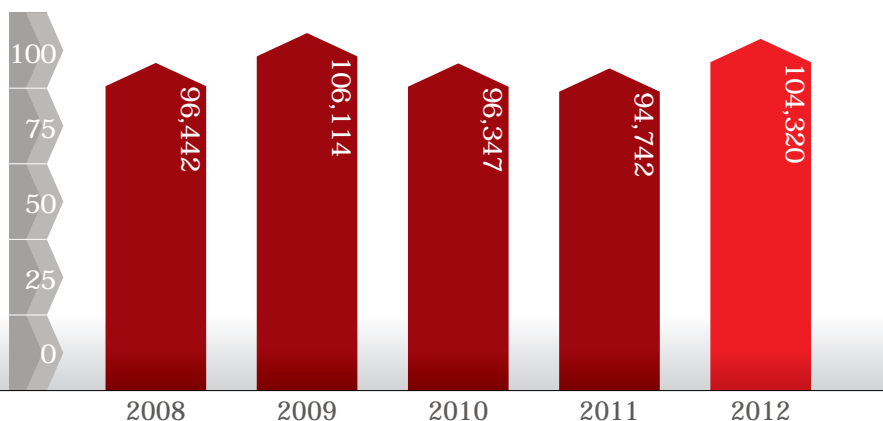
#### Notes:

- Other than as disclosed in the Profile of Directors, none of the Directors has any family relationship with any other Directors and/or substantial shareholders of the Company.
- None of the Directors has any conflict of interest with the Company.
- Other than as disclosed in the Profile of Directors, none of the Directors holds any directorship in other public companies.
- None of the Directors has been convicted of any offences within the past 10 years.

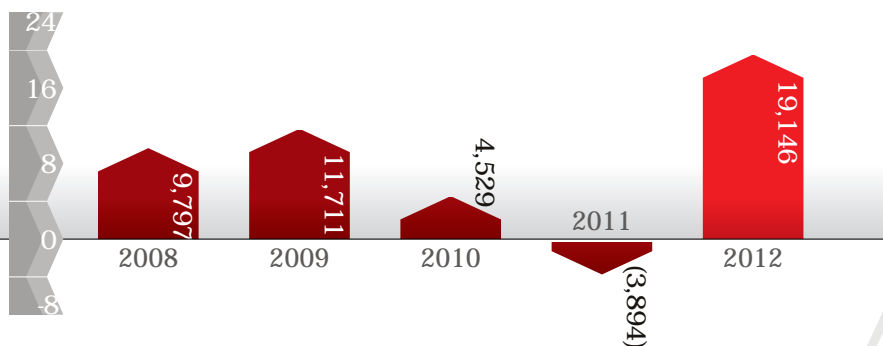
# Financial highlights

5 Years Results (RM'000)	2012	2011	2010	2009	2008
Revenue	104,320	94,742	96,347	106,114	96,442
Profit/(Loss) before taxation	19,146	(3,894)	4,529	11,711	9,797
Taxation	(5,339)	(1,006)	(2,632)	(2,446)	(1,817)
Profit/(Loss) for the financial year	13,807	(4,900)	1,897	9,265	7,980
Attributable to:					
Owners of the parent	9,068	(7,044)	1,245	8,656	6,543
Non-controlling interest	4,739	2,144	652	609	1,437
Profit/(Loss) for the financial year	13,807	(4,900)	1,897	9,265	7,980

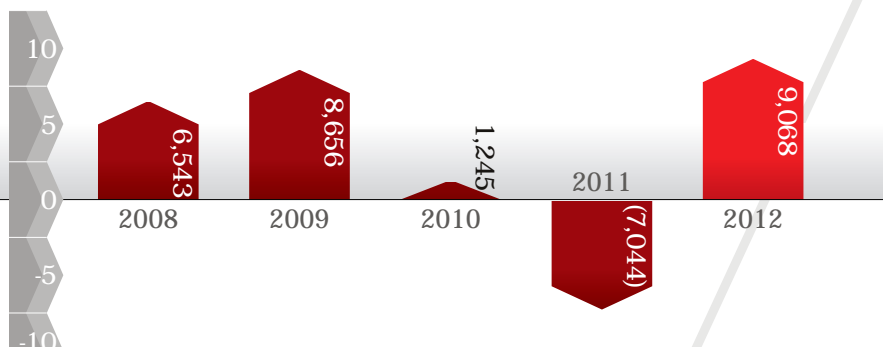
REVENUE  
(RM'000)



PROFIT/  
(LOSS) BEFORE  
TAXATION  
(RM'000)



PROFIT/(LOSS)  
ATTRIBUTABLE  
TO OWNERS  
OF THE PARENT  
(RM'000)





# Chairman's statement

It is my great pleasure to present to you, on behalf of the Board of Directors of Oriental Interest Berhad ("OIB"), the Nineteenth Annual Report of OIB Group in respect of the financial year ended 30 June 2012.

## FINANCIAL RESULTS

For the reporting financial year, the Group achieved revenue of RM104.320million, an increase of 10% compared with RM94.742million of the preceding financial year. Consequently, the Group has turnaround pre-tax loss of RM3.894million of preceding financial year into pre-tax profit of RM19.146million; principally attributable to better results achieved by Property Division and lower loss incurred by Manufacturing Division. During the reporting financial year, sale of land of RM7.928million, with resulting gain of RM3.265million, was recognised by Property Division; whereas for Manufacturing Division, impairment loss on property, plant and equipment of RM1.122million was reversed, while further impairment loss on inventories of RM0.104million was incurred, based on estimated recoverable amounts of independent valuation. Excluding the aforesaid non-recurrent items and the impairment loss on plant, machinery and equipment (RM4.003million) and inventories (RM2.066million) incurred by Manufacturing Division in the preceding financial year, the revenue and pre-tax profit of the Group for the year were in fact increased by 2% and more than 6 times respectively compared with those of the preceding financial year.

## Property Development

Property Division achieved 20% increase in progressive billings for the reporting financial year and consequently pre-tax profit rose by 90% compared with preceding financial year. Excluding the aforesaid non-recurrent gain from sale of land, revenue and pre-tax profit of Property Division for the reporting financial year increased by 10% and 58% respectively; principally due to launches of new development projects and improved margin.

## Manufacturing

For Manufacturing Division, comparing with preceding financial year, sales dropped by 40%, while pre-tax loss decreased by 91% mainly due to subsequent reversal of impairment loss on plant, machinery and equipment of RM1.122million that was previously charged to profit or loss in preceding financial year; as the estimated recoverable amount of the plant, machinery and equipment as at 30 June 2012 determined by the independent valuer is higher than its carrying amount. All subsidiary companies within Manufacturing Division were placed under member's voluntary winding up after the reporting financial year as detailed in Corporate Development below.



# Chairman's statement *(cont'd)*

## Oil Palm Cultivation

Revenue and profit before taxation from sales of fresh fruit bunches for the reporting financial year contracted by 17% and 26% respectively compared with previous financial year, mainly due to decrease in yield rate and weakened CPO price.

## Associated Company

The Group recognised share of results from associated company, Prestasi Raya Sdn Bhd in the reporting financial year was not significant as its contribution was mainly derived from its interest income, while its housing project is still at planning stage.

## Financial Position

During the reporting financial year, total equity of the Group increased from RM320.279million in 2011 to RM326.278million as at end of the financial year 2012, principally due to the higher profit contribution Property Division and containment of loss incurred by Manufacturing Division. Meanwhile, the liquidity standing of the Group between two balance sheet dates had increased from RM52.050million to RM59.804million, mainly attributed to improved net cash generated from operating activities.

## CORPORATE DEVELOPMENT

(a) On 4 August 2011, the following subsidiaries (referred to as "Cahajaya Group") had individually filed winding up petition at the Penang High Court:

- Cahajaya Timber Industries Sdn Bhd ("CTI")
- Patriot Furniture Sdn Bhd ("PF")
- Guar Timber Industries Sdn Bhd ("GTI")

The Cahajaya Group has been incurring losses and the Directors of the Company are of the view that there is no reasonable hope that the object of operating at a profit could be attained and that the application to Court to wind up these companies will be in the best interest of the Company. The winding up petition was fixed for case management on 12 September 2011 and hearing on 10 October 2011.

The Penang High Court had on 6 October 2011 vacated the hearing of the winding up petition fixed on 10 October 2011 pending disposal of an application by Cahajaya Group management to intervene in the proceeding. The application to intervene was heard on 9 November 2011 and the hearing date of the winding up petition was fixed at a later date after the disposal of the said application to intervene.

(b) Upon the request of the Cahajaya Group to withdraw the winding up petitions and on the notice of motion to intervene in proceedings filed by the Cahajaya Group management, the Penang High Court had decided on 15 December 2011 to fix the aforesaid matters to be heard in open court on 20 December 2011 to enable respective parties to make their submission on the conditions for withdrawal. On 20 December 2011, the Penang High Court delivered its decision ordering for the winding up petitions to be struck off.

### **CORPORATE DEVELOPMENT (cont'd)**

(c) On 11 July 2012, the Cahajaya Group was placed under member's voluntary winding up.

Mr Heng Ji Keng and Mr Michael Joseph Monteiro of Ferrier Hodgson MH Sdn Bhd were appointed as joint and several liquidators of CTI; whilst Mr Skelchy Anthony Joseph and Dato' Abu Hanifah Bin Noordin of PKF Covenant Sdn Bhd were appointed joint and several liquidators of PF and GTI.

The member's voluntary winding up of the Cahajaya Group was to rationalise and streamline the Group structure. Upon commencement of the member's voluntary winding up, the Cahajaya Group ceased its manufacturing operations.

### **DIVIDEND**

To reward the shareholders justly for their faithful confidence in and support to the Directors and management, the Board is pleased to recommend, subject to shareholders' approval at the forthcoming Annual General Meeting, a first and final dividend of 10% less 25% income tax in respect of the financial year ended 30 June 2012.

### **CORPORATE GOVERNANCE**

Placing utmost importance in a sound corporate governance framework, the Board managed its business and operational activities of the Group, through observing high degree of principles and practices adopted. With this fundamental concept in mind, the Board, with the assistance of its various board committees, practices a more transparent and accountable reporting system with the operational management team; which is conducive to more interaction and constructive suggestion and discussion. In so doing, this effort will continue to sustain the business growth of the Group and enhancing shareholders' value in the long term; and these endeavours were illustrated in more details in the Statement of Corporate Governance enclosed in this Annual Report.

### **CORPORATE SOCIAL RESPONSIBILITY ("CSR")**

It is committed effort of the Board in ensuring OIB Group continues playing its role as a responsible corporate citizen based fundamentally around the values of integrity and partnership. Although OIB Group does not formally establish a CSR framework, the Board is always on the lookout at the best possible ways to fulfill its CSR by aligning and embedding its core value with authenticity, transparency and relevance in order to be responsive to meet distinct needs of the workplace, markets and communities.

### **CSR Contributions in 2012**

- Contributing to local charitable organisation.
- Contributing to construction of public amenities.
- Participating in and supporting schemes and activities promoted by local government.
- Encouraging employees as to skills development and career advancement through various aids.
- Continuing improvement to working environment and welfare for staff.

# Chairman's statement *(cont'd)*

## PROSPECTS

Although outlook of property market in general are perceived to be sustainably good, anticipated increase in prices of certain essential construction materials would result in erosion of margin for the property development market as a whole, and in particular those involved in affordable housing segment. Caution on the global economy and uncertainty of forthcoming general election, which might have consequential effect on rules and policies of federal and local governments that related to property development activities, might continue to unsettle house-buyers' sentiment and venturing into capital expenditure and financial commitment for the period under review.

In view of the aforesaid and with Manufacturing Division placed under member's voluntary winding up, the Board and management can now focus on its core business of property development and would relook at its business strategy and pricing policy for future new projects to counter any potential erosion in profit margin. Overall, the Board remains positive that the performance of OIB Group for the current financial year is expected to be satisfactory.

## APPRECIATION

Lastly, my fellow Board members and I wish to express our sincere appreciation to the management and staff for their tireless effort and teamwork in executing their duties as well as their valuable loyalty to the Group. We also would like to thank our shareholders, customers, business trade partners and the regulatory authorities for their confidence in and support to us. As for my fellow Directors, I wish to extend my heartfelt gratitude to them for their determination and perseverance, exemplified through their professionalism in Board meetings.



**Dato' Wira Haji Thobrani Bin Haji Hanafi**

Executive Chairman

Date: 31 October 2012



# Corporate governance statement

The Board of Directors fully appreciates the importance of adopting high standards of corporate governance within the Group in order to safeguard stakeholders' interests as well as enhancing shareholders' value. The Board views corporate governance to be synonymous with four key concepts, namely transparency, accountability, integrity and corporate performance.

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 Part 1 and 2 of the Malaysian Code on Corporate Governance (the "Code") pursuant to Paragraph 15.25 of the Main Market Listing Requirement of Bursa Malaysia. 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 as set out 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 fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for Management and monitoring the achievement of these goals. The Board has a schedule of matters reserved to it for decision, the Board normally involved in deciding the overall strategy and direction of the Group, acquisition and divestment policy, approval of capital expenditure, consideration of significant financial matters and the review of financial and operating performance of the Group.

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

#### Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings and matters to be dealt with.

During the financial year ended 30 June 2012, the Board met six (6) 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.



# Corporate governance statement *(cont'd)*

## A. DIRECTORS (cont'd)

### Meetings (cont'd)

The details of board members' attendance at these meetings are as follows:

	Directors	Attendance
Executive	Dato' Wira Haji Thobrani Bin Haji Hanafi - Chairman	5/6
	Goh Aik Keong - Managing Director	6/6
	Hazman Bin Thobrani	6/6
	Khaw Eng Peng	6/6
Non-Independent Non-Executive	Goh Chooi Eam	6/6
Independent Non-Executive	Koay Chong Beng (resigned on 29 May 2012)	6/6
	Tuan Haji Ahmad Bin Abdul Rashid	6/6
	Aswandi Bin Mohamed Hashim (appointed on 29 May 2012)	N/A

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 meetings 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 the Audit Committee, the Nominating Committee, the Remuneration Committee in order to enhance business and operational efficiency as well as efficacy.

### Board Balance

On 29 May 2012, Encik Aswandi Bin Mohamed Hashim was appointed as Independent Non-Executive Director while Mr. Koay Chong Beng resigned as Independent Non-Executive Director of the Company. At the date of this statement, the Board consists of seven (7) members; comprising four (4) Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors. The Company is in compliance with the Main Market Listing Requirements of Bursa Malaysia which requires one third (1/3) of the board members to comprise of Independent Directors. A brief profile of each Director is presented in this Annual Report under Profile of Directors.

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, human resource legal, marketing and operations.

# Corporate governance statement *(cont'd)*

## A. DIRECTORS (cont'd)

### Board Balance (cont'd)

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 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's 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 has unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making; that Board procedures are followed and all the statutory and regulatory requirements are met. The Company Secretary ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained. 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.

# Corporate governance statement *(cont'd)*

## A. DIRECTORS (cont'd)

### Supply of Information (cont'd)

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

There is a formal procedure sanctioned by the Board, whether as a full board or in their individual capacity, to take independent professional advice, where necessary, in furtherance of their duties, at the Group's expense.

### Appointments to the Board

#### *Nominating Committee*

The Nominating Committee comprises:

Chairman : Tuan Haji Ahmad Bin Abdul Rashid, *Senior Independent Non-Executive Director*

Members : Goh Chooi Eam, *Non-Independent Non-Executive Director*

Aswandi Bin Mohamed Hashim, *Independent Non-Executive Director*

Following the resignation of Mr. Koay Chong Beng on 29 May 2012, Tuan Haji Ahmad Bin Abdul Rashid was redesignated as the Chairman of the Nominating Committee and accordingly Encik Aswandi Bin Mohamed Hashim was appointed as member of Nominating Committee on the same date. 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 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 a year in carrying out an annual review of the Board, its Committees and the contribution of individual Directors to the Company.

The Committee met twice during the financial year and the details of attendance are as follows:

Names	Committee position	Attendance
Tuan Haji Ahmad Bin Abdul Rashid (redesignated on 29 May 2012)	Chairman	1/1
Goh Chooi Eam	Member	2/2
Aswandi Bin Mohamed Hashim (appointed on 29 May 2012)	Member	N/A
Koay Chong Beng (resigned on 29 May 2012)	Chairman	2/2

# Corporate governance statement *(cont'd)*

## A. DIRECTORS (cont'd)

### *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 Bursa Malaysia Sdn Bhd within the time frame stipulated in the Listing Requirements. The Directors continue to undergo various courses, programs and briefings to keep them updated on latest regulatory changes and enhance their skills and knowledge, where relevant.

The following are the courses and training programs attended by the Directors for the financial year ended 30 June 2012:

Directors	Training Programmes Attended	Date
Dato' Wira Haji Thobrani Bin Haji Hanafi	Advocacy Session On Disclosure For CEOs & CFOs	20 March 2012
	Malaysian Code On Corporate Governance 2012	13 June 2012
Goh Aik Keong	Advocacy Session On Disclosure For CEOs & CFOs	20 March 2012
	Malaysian Code On Corporate Governance 2012	13 June 2012
Hazman Bin Thobrani	Organisational Management and Communication Management	12-15 July 2011
	Lawatan Teknikal Ke Akademi Binaan Malaysia	29 September 2011
	Malaysian Code On Corporate Governance 2012	13 June 2012
Khaw Eng Peng	Economic & Treasury Seminar 2012 By OCBC	08 March 2012
	Advocacy Session On Disclosure For CEOs & CFOs	20 March 2012
	CFOs Briefing - Managing Change & Reinvention	05 April 2012
	Preparing Your First MFRS Quarterly Report	20 April 2012
	Malaysian Code On Corporate Governance 2012	13 June 2012
Goh Chooi Eam	National Tax Conference 2011	19-20 July 2011
	Workshop On Maximising Tax Incentives	03 August 2011
	Highlights Of Newly Issued, Revised & Re-drafted Clarified Standards	22-23 September 2011
	Financial Reporting Standards Masterclass 2011	18-19 October 2011
	Seminar Percukaian Kebangsaan 2011	20 October 2011

# Corporate governance statement *(cont'd)*

## A. DIRECTORS (cont'd)

### *Directors' Training (cont'd)*

Directors	Training Programmes Attended	Date
Tuan Haji Ahmad Bin Abdul Rashid	Corporate Governance Blueprint & Malaysian Code of Corporate Governance 2012	18 June 2012
Aswandi Bin Mohamed Hashim	International Labour Organisation (ILO) East Asia Multidisciplinary Advisory Team at, Bangkok. Visited and presented a paper on "Industrial Disease which lead to frustration of Employment Contract"	15 June 2012

The Board encourages its Directors to attend talks, workshops, seminars and conferences to update and enhance their skills and to assist therein in discharging their responsibilities towards corporate governance, operational and regulatory issues.

### *Re-election*

The Articles of Association provide that an election of Directors shall take place each year and, at the Annual General Meeting ("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, personal profile and shareholding information of each Director standing for election are presented in this Annual Report under Profile of Directors and Analysis of Shareholdings respectively.

## B. DIRECTORS' REMUNERATION

### **Remuneration Committee**

The Remuneration Committee comprises the following:

Chairman : Goh Chooi Eam, *Non-Independent Non-Executive Director*

Members : Tuan Haji Ahmad Bin Abdul Rashid, *Senior Independent Non-Executive Director*  
Aswandi Bin Mohamed Hashim, *Independent Non-Executive Director*

En. Aswandi Bin Mohamed Hashim was appointed to fill the vacancy in the Remuneration Committee following the resignation of Mr. Koay Chong Beng on 29 May 2012 and accordingly, Mr. Goh Chooi Eam has been redesignated as the Chairman of the Remuneration Committee.

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.



# Corporate governance statement *(cont'd)*

## B. DIRECTORS' REMUNERATION (cont'd)

### Remuneration Committee (cont'd)

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 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 Remuneration Committee met once during the financial year and details of Committee's attendance are as follows:

Names	Committee position	Attendance
Goh Chooi Eam ( <i>redesignated on 29 May 2012</i> )	Chairman	1/1
Tuan Haji Ahmad Bin Abdul Rashid ( <i>redesignated on 29 May 2012</i> )	Member	1 / 1
Aswandi Bin Mohamed Hashim ( <i>appointed on 29 May 2012</i> )	Member	N/A
Koay Chong Beng ( <i>resigned on 29 May 2012</i> )	Member	1/1

### Directors' Remuneration

The Directors' remuneration is linked to experience, scope of responsibility, seniority, performance and industry information. Details of Directors' remuneration for the financial year ended 30 June 2012 are as follows:

Categories	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	100	90	190
Allowances	19	33	52
Salaries	1,461	0	1,461
Bonuses	119	0	119
Employees' Provident Fund	190	0	190
Estimated Value of Benefits-in-Kind	111	0	111
Total	2,000	123	2,123

### Directors' Remuneration in Bands of RM50,000

Remuneration bands	Executive Directors	Non-Executive Directors
RM50,000 and below	0	3
RM350,001 - RM400,000	2	0
RM450,001 - RM500,000	1	0
RM750,001 - RM800,000	1	0

# Corporate governance statement *(cont'd)*

## C. SHAREHOLDERS

The Company recognises 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. The Company has an Investor Relations Policy to enable the Board to communicate effectively with its shareholders, major investors and the general public.

In addition, the shareholders also can obtain up-to-date information on the Group's activities from the Company's website at [www.oibgroup.com](http://www.oibgroup.com).

## 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 announcements 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 the Malaysian Accounting Standard Board's 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.

# Corporate governance statement *(cont'd)*

## D. ACCOUNTABILITY AND AUDIT (cont'd)

### State of Internal Control

The Board acknowledges its responsibilities for the Group's systems of internal control covering not only financial controls but also operational and compliance controls as well as risk management.

The Statement on Internal Control furnished in this 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 under Audit Committee Report in this 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 in this Annual Report.

Details of the fees paid/payable in respect of the financial year under review to the external auditors are as set out below:

	Company (RM'000)	Group (RM'000)
Statutory financial audit	74	234
Review of various statements by Directors	4	4
Housing Development Authority audit	0	32
Total	78	270

### 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 the disclosure of details of the remuneration of each Director as the Board of Directors is of the view that disclosure of the remuneration bands of the Directors of the Company is sufficient to meet the objectives of the Group.

This statement is issued in accordance with a resolution of the Directors dated 31 October 2012.

# Audit committee report

## Membership

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

Chairman : Tuan Haji Ahmad Bin Abdul Rashid, *Senior Independent Non-Executive Director*

Members : Goh Chooi Eam, *Non-Independent Non-Executive Director*  
Aswandi Bin Mohamed Hashim, *Independent Non-Executive Director*

Following the resignation of Mr. Koay Chong Beng on 29 May 2012, Tuan Haji Ahmad Bin Abdul Rashid was re-designated as the Chairman of the Audit Committee and Encik Aswandi Bin Mohamed Hashim was appointed as a member of the Audit Committee on the same date.

## Meetings

During the financial year ended 30 June 2012, the Committee convened meetings, which were attended by all members. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

Names	Committee position	Attendance
Tuan Haji Ahmad Bin Abdul Rashid (re-designated on 29 May 2012)	Chairman	5/5
Goh Chooi Eam	Member	5/5
Aswandi Bin Mohamed Hashim (appointed on 29 May 2012)	Member	N/A
Koay Chong Beng (resigned on 29 May 2012)	Chairman	5/5

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 significant audit/accounting issues;
- Reviewed and approved the internal audit plan;
- 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 Malaysia Securities Berhad (“Bursa Securities”) and other relevant legal and regulatory requirements, before recommending them for the Board's approval;
- 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.

# Audit committee report *(cont'd)*

## Internal audit function (cont'd)

During the financial year ended 30 June 2012, the internal audit function carried out one (1) cycle of internal audit on internal control system of the Group's Property operations (Central region), and also conducted a subsequent follow-up of prior years review of the aforesaid operations. The opportunities for improvements 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 under the Statement on Internal Control in this the Annual Report.

## Terms of reference of the Audit Committee

### Objectives

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

- Review and assess the Group's processes relating to its risks and control environment;
- Review and assess the Group's quarterly and year end financial reporting; and
- Review and assess the internal and external audit processes.

### Composition

The AC shall be appointed by the Board from among its members who fulfill the following requirements:

- the AC must be composed of not fewer than three (3) members;
- all the members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors;
- the members of AC shall elect a Chairman from among their number who shall be an Independent Non-Executive Director;
- all members of the AC shall be financially literate and at least one member of the AC:-
  - must be a member of the Malaysian Institute of Accountants; or
  - if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience; and must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; and must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities");
- no Alternate Director shall be appointed as a member of the AC; and
- subject to any regulatory disqualification, members of the AC shall not be removed except by the Board. In the event of any vacancy in the AC, the Board shall within three (3) months fill the same so as to comply with all regulatory requirements. In any event the Board shall review the term of office and performance of the AC and each of its members at least once every three (3) years.

### Quorum and Committee's procedures

The Company Secretary shall be the Secretary of the AC.

The quorum for all meetings of the AC shall not be less than two (2) members, a majority of whom shall be Independent Non-Executive Directors. All meetings shall be chaired by the Chairman; if the Chairman is absent at any meeting, it shall be chaired by another Independent Non-Executive Director.

All resolutions of the AC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote.



# Audit committee report *(cont'd)*

## Quorum and Committee's procedures (cont'd)

Meetings shall be held not less than four (4) times a year.

The meeting shall normally be attended by the Executive in charge of Finance, Internal Audit and Corporate Governance.

The external auditors are normally invited to attend meetings as and when necessary.

Other Board Members and employees may attend meetings only upon the invitation of the AC.

However, at least twice a year, the AC shall meet with the external auditors without any executive Board member present. The external auditors may also request additional meeting if they consider it necessary.

The Secretary of the AC shall provide the necessary administrative and secretarial services for the effective functioning of the AC. The minutes shall be circulated to the AC members and to all other members of the Board.

A resolution in writing, signed by all the members of the AC, shall be as effectual as if it has been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more AC members.

The Secretary shall on the requisition of the members of the AC summon a meeting of the AC and, except in the case of an emergency, reasonable notice of every AC meeting shall be given in writing.

## Authority

The AC shall have authority to investigate any matter within its terms of reference.

The AC is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the AC, and it shall have full and unlimited access to any information pertaining to the Group.

The AC shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of Executive Directors and employees of the Company, whenever deemed necessary.

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

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

## Responsibilities and duties

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

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- Ensure that the internal audit function is independent of the activities it audits and the internal auditors shall report directly to the AC. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company.
- Review any appraisal or assessment of the performance of members of the internal audit function.

## Responsibilities and duties (cont'd)

- Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning.
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in control or procedures that are identified.
- Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- Review major audit findings and the management's response during the year with management, external auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- Review the appointment and performance of external auditors, the audit fee, any question of resignation or dismissal, any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment before making recommendations to the Board and recommend the nomination of a person or persons as external auditors.
- Review the Internal Audit Charter, budget and staffing of the internal audit functions.
- Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.
- Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcation, frauds and thefts and management's response.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:-
  - changes in or implementation of major accounting policy changes;
  - the going concern assumption;
  - significant adjustments arising out of audit and unusual events; and
  - compliance with accounting standards and other legal requirements.
- Review procedures in place to ensure that the Group complies with the Companies Act 1965, Main Market Listing Requirements of Bursa Securities and other legislative and reporting requirements.
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the activities or work performed in fulfilling the AC's primary responsibilities, including details of relevant training attended by each AC member.
- Review the annual enterprise risk profile of the Group (including risk registers) and evaluate the Risk Manager's risk assessments of the Group and his plans to mitigate business risks as identified from time to time.
- Verify the allocation of options / shares pursuant to Employee Share Scheme in compliance with the By-Law.
- Any other activities, as authorised by the Board.

The Chairman of the AC shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

# 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 15.26(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 subsidiaries. This process accords with the Internal Control Guidance.

## Enterprise risk management framework ("ERM")

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 has been carried out in September 2012 and is scheduled to be completed in February 2013. The scope of ERM update entails an update of the risk profile following the findings from ERM carried out in 2009 and the results of the internal audit performed up to financial year ended 30 June 2012. For Group's Property Development Division, the ERM update encompasses risk awareness and risk assessment sessions, business process interview and strategic discussion with Directors and Senior Management. For the other non-core segments i.e. investment holding and oil palm cultivation, the risk compilation was by way of desktop review of documents and interview with Senior Management of respective business segments. Based on the results thereof, an updated risk profile of the key business risks in the Group will be drawn up to enable Management to deploy action plans to manage the risks on an ongoing basis. A detailed risk register with specific action plan for top 10 principal risks faced by the Group will be developed and on an annual basis (i.e. for financial year ending 2013 and 2014), the consultant will follow up on the status of implementation of risk mitigation plans for top 5 principal risks of the Group and highlight to the Audit Committee the implementation gap, if any.

# Statement on internal control *(cont'd)*

## 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, 1 cycle of internal audit on the internal control system on the Group's Property Operation (Central region) was carried out with a subsequent follow-up of prior years review of the aforesaid operation. 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 also 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.

The cost incurred in maintaining the outsourced internal audit function for the financial year ended 30 June 2012 amounted to RM61,720.

## 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-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 2012 resulting from weaknesses in the 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 31 October 2012.

## Conclusion

Pursuant to paragraph 15.23 of the Listing Requirements of Bursa Malaysia, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the financial year ended 30 June 2012. Their review was performed in accordance with Recommended Practice Guide ('RPG') 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group. RPG 5 does not require the external auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.





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# Directors' report

for the financial year ended 30 June 2012

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 2012.

## 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, the manufacture of furniture and rubberwood related products, oil palm cultivation and investment holding. 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	13,807	1,648
Non-controlling interests	(4,739)	0
Profit attributable to owners of the parent	9,068	1,648

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 other than the reversal of impairment loss on property, plant and equipment as set out in Note 9(b) to the financial statements.

## 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 2011, as proposed in the Directors' report for that financial year, a first and final dividend of 10% less income tax, paid on 22 December 2011	6,791

The Directors now recommend the payment of a first and final dividend of 10 sen per share on 90,545,002 ordinary shares, less income tax, amounting to RM6,790,875 in respect of financial year ended 30 June 2012 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 ("ESOS")

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:

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

## Employee share option scheme ("ESOS") (cont'd)

- (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 had expired 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.
- (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 1 July 2011	Granted	Exercised	Expired	At 30 June 2012
8 January 2002	1.32	3,886,000	0	0	(3,886,000)	0
24 August 2002	1.36	34,000	0	0	(34,000)	0
14 January 2004	1.36	362,000	0	0	(362,000)	0
		4,282,000	0	0	(4,282,000)	0

During the financial year, there were 3,886,000 unissued ordinary shares under option at an exercise price of RM1.32 and 396,000 unissued ordinary shares under option at an exercise price of RM1.36. All shares under option granted under the ESOS expired on 23 November 2011.

# Directors' report (cont'd)

for the financial year ended 30 June 2012

## Directors

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

Dato' Wira Haji Thobrani Bin Haji Hanafi

Goh Aik Keong

Hazman Bin Thobrani

Khaw Eng Peng

Tuan Haji Ahmad Bin Abdul Rashid

Goh Chooi Eam

Aswandi Bin Mohamed Hashim

(appointed on 29 May 2012)

Koay Chong Beng

(resigned on 29 May 2012)

In accordance with Article 80 of the Articles of Association, Dato' Wira Haji Thobrani Bin Haji Hanafi and Goh Aik Keong will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 87 of the Articles of Association, Aswandi Bin Mohamed Hashim will retire at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

## Directors' interests

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

	Number of ordinary shares of RM1 each			
	1.7.2011	Addition	Disposal	30.6.2012
<b>Oriental Interest Berhad</b> (The Company)				
<b>Dato' Wira Haji Thobrani Bin Haji Hanafi</b>				
Direct	453	0	0	453
Indirect	13,463,000	0	0	13,463,000
Other @	364,000	0	0	364,000
<b>Goh Aik Keong</b>				
Direct	3,318,785	0	0	3,318,785
Indirect	5,142,731	0	0	5,142,731
<b>Hazman Bin Thobrani</b>				
Direct	20,000	0	0	20,000
<b>Khaw Eng Peng</b>				
Direct	95,002	0	0	95,002
<b>Tuan Haji Ahmad Bin Abdul Rashid</b>				
Indirect	60,000	0	0	60,000
<b>Goh Chooi Eam</b>				
Direct	203	0	0	203
Indirect	1,769,291	0	0	1,769,291

# Directors' report *(cont'd)*

for the financial year ended 30 June 2012

## Directors' interests (cont'd)

	Number of ordinary shares of RM1 each			
	1.7.2011	Addition	Disposal	30.6.2012
Brilliant Alliance Sdn Bhd (Subsidiary)				
Dato' Wira Haji Thobrani Bin Haji Hanafi				
Indirect	22,000	0	0	22,000
Goh Aik Keong				
Indirect	150,000	0	0	150,000
Goh Chooi Eam				
Direct	57,000	0	0	57,000
Yiked Alliance Sdn Bhd (Subsidiary)				
Dato' Wira Haji Thobrani Bin Haji Hanafi				
Direct	1*	0	0	1*
Khaw Eng Peng				
Direct	1*	0	0	1*

\* Held in trust for Brilliant Alliance Sdn Bhd

@ These are shares held in the name of the spouse and children and are regarded as interest of the Directors in accordance with Section 134(12)(c) of the Companies Act, 1965 with effect from 15 August 2007.

	Number of ordinary shares of RM1 each			
	1.7.2011	Addition	Disposal	30.6.2012
Aturan Cemerlang Sdn Bhd (Subsidiary)				
Dato' Wira Haji Thobrani Bin Haji Hanafi				
Indirect	207,900	0	0	207,900
Goh Aik Keong				
Indirect	903,700	0	0	903,700
Goh Chooi Eam				
Direct	174,650	0	0	174,650
Indirect	21,700	0	0	21,700
Yiked Brilliant Sdn Bhd (Subsidiary)				
Dato' Wira Haji Thobrani Bin Haji Hanafi				
Direct	1#	0	0	1#
Khaw Eng Peng				
Direct	1#	0	0	1#
Brilliant Delta (M) Sdn Bhd (Subsidiary)				
Goh Chooi Eam				
Indirect	697,000	0	0	697,000

# Held in trust for Aturan Cemerlang Sdn Bhd

## Directors' interests (cont'd)

	Number of options granted pursuant to ESOS			
	1.7.2011	Granted	Expired	30.6.2012
Oriental Interest Berhad (The Company)				
Dato' Wira Haji Thobrani Bin Haji Hanafi	450,000	0	(450,000)	0
Goh Aik Keong	350,000	0	(350,000)	0
Hazman Bin Thobrani	250,000	0	(250,000)	0
Khaw Eng Peng	250,000	0	(250,000)	0

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 8 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 32 to the financial statements.

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

## Significant events

- (a) On 4 August 2011, the Cahajaya Group (comprising Cahajaya Timber Industries Sdn Bhd("CTI"), Patriot Furniture Sdn Bhd("PF") and Guar Timber Industries Sdn Bhd("GTI")) individually filed winding up petitions at the Penang High Court.

The Cahajaya Group has been incurring losses and the Directors of the Company are of the view that there is no reasonable hope that the object of operating at a profit could be attained and that the application to Court to wind up these companies will be in the best interest of the Company. The winding up petition was fixed for case management on 12 September 2011 and hearing on 10 October 2011.

The Penang High Court had on 6 October 2011 vacated the hearing of the winding up petition fixed on 10 October 2011 pending disposal of an application by the Cahajaya Group management to intervene in the proceeding. The application to intervene was heard on 9 November 2011 and the hearing date of the winding up petition was fixed at a later date after the disposal of the said application to intervene.

- (b) Upon the request of the Cahajaya Group to withdraw the winding up petitions and on the notice of motion to intervene in proceedings filed by the Cahajaya Group management, the Penang High Court had decided on 15 December 2011 to fix the aforesaid matters to be heard in open court on 20 December 2011 to enable respective parties to make their submission on the conditions for withdrawal. On 20 December 2011, the Penang High Court delivered its decision ordering for the winding up petitions to be struck off.

## Subsequent events

On 11 July 2012, the Cahajaya Group was placed under member's voluntary winding up.

Mr Heng Ji Keng and Mr Michael Joseph Monteiro of Ferrier Hodgson MH Sdn Bhd were appointed as joint and several liquidators of CTI; whilst Mr Skelchy Anthony Joseph and Dato' Abu Hanifah Bin Noordin of PKF Covenant Sdn Bhd were appointed joint and several liquidators of PF and GTI.

The member's voluntary winding up of the Cahajaya Group was to rationalise and streamline the Group structure. Upon commencement of the member's voluntary winding up, the Cahajaya Group ceased its manufacturing operations.

## Other statutory information

Before the statements of comprehensive income and statements of financial position 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, except for subsequent events as disclosed in Note 35 to the financial statements.
- (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.





# Directors' report (cont'd)

for the financial year ended 30 June 2012

## Auditors

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

In accordance with a resolution of the Board of Directors dated 31 October 2012.



Dato' Wira Haji Thobrani Bin Haji Hanafi  
Executive Chairman



Goh Aik Keong  
Managing Director

# *Independent auditors' report*

*to the members of Oriental Interest Berhad*

## **Report on the financial statements**

We have audited the financial statements of Oriental Interest Berhad on pages 37 to 100, which comprise the statements of financial position as at 30 June 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in Notes 1 to 35.

### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2012 and of their financial performance and cash flows for the financial year then ended.

## **Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, 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.
- (b) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# *Independent auditors' report* (cont'd)

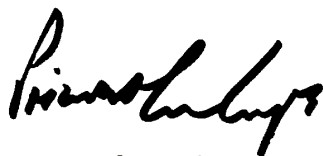
*to the members of Oriental Interest Berhad*

## **Other reporting responsibilities**

The supplementary information set out in Note 36 on page 101 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## **Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PricewaterhouseCoopers  
[No. AF: 1146]  
Chartered Accountants

Penang  
31 October 2012



Lim Teong Kean  
[2499/12/13(J)]  
Chartered Accountant

# Statements of comprehensive income

for the financial year ended 30 June 2012

	Note	Group 2012 RM'000	2011 RM'000	Company 2012 RM'000	2011 RM'000
Revenue	5	104,320	94,742	3,498	102
Cost of sales		(75,572)	(79,507)	0	0
Gross profit		28,748	15,235	3,498	102
Other operating income		5,144	3,149	148	374
Selling and distribution costs		(1,869)	(2,213)	0	0
Administrative expenses		(9,898)	(10,324)	(594)	(523)
Other operating expenses		(2,985)	(9,745)	(648)	(165)
Operating profit/(loss)		19,140	(3,898)	2,404	(212)
Finance cost	6	(3)	(4)	0	0
Share of profit of associate		9	8	0	0
Profit/(Loss) before taxation	9	19,146	(3,894)	2,404	(212)
Taxation	10	(5,339)	(1,006)	(756)	4
Net profit/(loss) and total comprehensive income/(loss) for the financial year		13,807	(4,900)	1,648	(208)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		9,068	(7,044)	1,648	(208)
Non-controlling interests		4,739	2,144	0	0
		13,807	(4,900)	1,648	(208)
Earnings/(Loss) per share attributable to owners of the parent (sen per share)					
- Basic	11	10.01	(7.78)		
- Diluted	11	10.01	(7.78)		

The accompanying notes form an integral part of the financial statements.

# Statements of financial position

as at 30 June 2012

	Note	Group 2012 RM'000	2011 RM'000	Company 2012 RM'000	2011 RM'000
<b>ASSETS</b>					
Non-current assets					
Property, plant and equipment	12	59,584	60,960	0	0
Land held for property development	13	38,234	16,507	0	0
Investment properties	14	3,677	4,001	0	0
Biological assets	15	794	668	0	0
Interest in subsidiaries	16	0	0	217,498	221,112
Investment in an associate	17	3,168	3,159	0	0
Deferred tax assets	18	3,817	4,189	0	0
		109,274	89,484	217,498	221,112
Current assets					
Property development costs	19	118,047	124,045	0	0
Inventories	20	12,914	5,918	0	0
Trade and other receivables	21	59,309	65,638	431	254
Current tax recoverable		3,290	4,109	185	84
Deposits with licensed banks	22	30,425	29,696	2,655	6,558
Cash and bank balances	23	29,490	22,354	2,257	177
		253,475	251,760	5,528	7,073
<b>TOTAL ASSETS</b>		<b>362,749</b>	<b>341,244</b>	<b>223,026</b>	<b>228,185</b>
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to owners of the parent					
Share capital	24	90,545	90,545	90,545	90,545
Share premium		186	186	186	186
Reserves	25	177,459	175,182	132,040	137,183
		268,190	265,913	222,771	227,914
Non-controlling interests		58,088	54,366	0	0
<b>Total equity</b>		<b>326,278</b>	<b>320,279</b>	<b>222,771</b>	<b>227,914</b>

The accompanying notes form an integral part of the financial statements.

# Statements of financial position *(cont'd)*

as at 30 June 2012

	Note	Group 2012 RM'000	2011 RM'000	Company 2012 RM'000	2011 RM'000
Non-current liabilities					
Deferred tax liabilities	18	260	558	0	0
Provision for property development	26	5,747	531	0	0
		6,007	1,089	0	0
Current liabilities					
Trade and other payables	27	26,246	19,606	255	271
Provision for property development	26	2,982	0	0	0
Current tax payable		1,125	270	0	0
Bank overdrafts	30	111	0	0	0
		30,464	19,876	255	271
Total liabilities		36,471	20,965	255	271
TOTAL EQUITY AND LIABILITIES		362,749	341,244	223,026	228,185

The accompanying notes form an integral part of the financial statements.



# Statements of changes in equity

for the financial year ended 30 June 2012

Group	Note	Attributable to owners of the parent							Non-controlling interests RM'000	Total equity RM'000
		Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable				
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000			
At 1 July 2011		90,545	90,545	186	10,974	164,208	265,913	54,366	320,279	
Total comprehensive income for the financial year		0	0	0	0	9,068	9,068	4,739	13,807	
Transaction with owners:										
Dividend - financial year ended 30 June 2011	28	0	0	0	0	(6,791)	(6,791)	(1,017)	(7,808)	
At 30 June 2012		90,545	90,545	186	10,974	166,485	268,190	58,088	326,278	

The accompanying notes form an integral part of the financial statements.

# Statements of changes in equity *(cont'd)*

for the financial year ended 30 June 2012

Group	Note	Attributable to owners of the parent							Non-controlling interests RM'000	Total equity RM'000
		Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable				
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000			
At 1 July 2010		90,545	90,545	186	10,974	178,043	279,748	52,230	331,978	
Total comprehensive loss for the financial year		0	0	0	0	(7,044)	(7,044)	2,144	(4,900)	
Transaction with owners:										
Dividend - financial year ended 30 June 2010	28	0	0	0	0	(6,791)	(6,791)	(8)	(6,799)	
At 30 June 2011		90,545	90,545	186	10,974	164,208	265,913	54,366	320,279	

The accompanying notes form an integral part of the financial statements.

# Statements of changes in equity *(cont'd)*

for the financial year ended 30 June 2012

Company	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
		Number of shares '000	Nominal value RM'000			
At 1 July 2011		90,545	90,545	186	137,183	227,914
Total comprehensive income for the financial year		0	0	0	1,648	1,648
Transaction with owners:						
Dividend - financial year ended 30 June 2011	28	0	0	0	(6,791)	(6,791)
At 30 June 2012		90,545	90,545	186	132,040	222,771
At 1 July 2010		90,545	90,545	186	144,182	234,913
Total comprehensive loss for the financial year		0	0	0	(208)	(208)
Transaction with owners:						
Dividend - financial year ended 30 June 2010	28	0	0	0	(6,791)	(6,791)
At 30 June 2011		90,545	90,545	186	137,183	227,914

The accompanying notes form an integral part of the financial statements.

# Statements of cash flows

for the financial year ended 30 June 2012

	Note	Group 2012 RM'000	2011 RM'000	Company 2012 RM'000	2011 RM'000
<b>OPERATING CASH FLOWS</b>					
Cash flows generated from/(used in) operations	29	17,948	323	(1,217)	(604)
Taxation paid		(3,800)	(3,116)	(857)	(43)
Tax refunds		209	61	0	0
Net operating cash flows		14,357	(2,732)	(2,074)	(647)
<b>INVESTING CASH FLOWS</b>					
Interest received		1,649	1,408	148	367
Dividends received		0	0	3,425	6,237
Additions to property, plant and equipment		(202)	(1,751)	0	0
Additions to biological assets		(158)	(43)	0	0
Additions to land held for property development		(76)	(10,518)	0	0
Additions to investment property		(5)	0	0	0
Advances to subsidiaries		0	0	(17,961)	(36,334)
Repayments of advances from subsidiaries		0	0	21,430	22,384
Net investing cash flows		1,208	(10,904)	7,042	(7,346)
<b>FINANCING CASH FLOWS</b>					
Interest paid		(3)	(4)	0	0
Dividend paid to non-controlling interests		(1,017)	(8)	0	0
Dividend paid		(6,791)	(6,791)	(6,791)	(6,791)
Withdrawal deposits with licensed banks pledged as security		21	0	0	0
Deposits with licensed banks pledged as security		(808)	(11)	(555)	0
Net financing cash flows		(8,598)	(6,814)	(7,346)	(6,791)
Net change in cash and cash equivalents during the financial year		6,967	(20,450)	(2,378)	(14,784)
Cash and cash equivalents at the beginning of the financial year		51,612	72,062	6,735	21,519
Cash and cash equivalents at the end of the financial year	30	58,579	51,612	4,357	6,735

The accompanying notes form an integral part of the financial statements.

# Notes to the financial statements

for the financial year ended 30 June 2012

## 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:**

Lot 6.05, Level 6, KPMG Tower  
8 First Avenue Bandar Utama  
47800 Petaling Jaya  
Selangor

**Principal place of business:**

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 31 October 2012.

## 2 Summary of significant accounting policies

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, in this summary of significant policies, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. Critical accounting estimates used that are significant to the financial statements and areas involving a higher degree of judgment or complexity, are disclosed in Note 3 to the financial statements.

## 2 Summary of significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

- (a) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable and effective for the Group and Company's financial year beginning on or after 1 July 2011 are as follows:

- Amendments to FRS 1 "First-time adoption of financial reporting standards"
- Amendments to FRS 2 "Share-based payment - Group cash-settled share-based payment transactions"
- Amendments to FRS 7 "Financial instruments: Disclosures - improving disclosures about financial instruments"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"
- Improvements to FRSs (2010)

The adoption of the above accounting standards, amendments and improvements to published standards and interpretations have resulted in changes of certain accounting policies and classification adopted by the Group and Company as well as presentation of financial statements as follows:-

#### Amendments to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments"

Prior to 1 January 2011, information about financial instruments was disclosed in accordance with the requirements of FRS 7 "Financial Instruments: Disclosures". Amendments to FRS 7 require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy was introduced. Each class of financial instrument is to be classified in accordance to this hierarchy which reflects the inputs used in making the fair value measurement. It also reinforces the existing principles for disclosures on liquidity.

The new requirement on the three-level fair value hierarchy has been applied prospectively in accordance with the transitional provisions of the FRS 7 Amendments. The adoption of this amendment did not have any financial impact to the Group and the Company.

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective

In the next financial year, the Group and Company will continue to apply the Financial Reporting Standards framework. There are no FRSs or interpretations to existing standards not yet effective that would be expected to have a material impact on the Group and Company.

The Group and Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS") from financial year beginning on 1 July 2014. In adopting the new framework, the Group and Company will be applying MFRS 1 "First-time adoption of MFRS".



## 2 Summary of significant accounting policies (cont'd)

### 2.2 Economic entities in the Group

#### (a) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at the end of financial reporting period. Subsidiaries are those entities which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss. The results of all subsidiaries are consolidated using the acquisition method of accounting except for the consolidation of certain subsidiaries (as disclosed in Note 16) prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time. The Group has taken advantage of the transitional provision provided by MASB 21, FRS 3 and FRS 3 (revised) to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these standards.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

## **2 Summary of significant accounting policies (cont'd)**

### **2.2 Economic entities in the Group (cont'd)**

#### **(a) Subsidiaries (cont'd)**

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Changes in the Group's ownership interest in a subsidiary company which does not result in a loss of control are treated as transactions between equity holders and are reported in equity. If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as non-distributable merger reserve. Any resulting debit difference is adjusted against suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

#### **(b) Transactions with non-controlling interests**

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of minority interests are also recognised in equity.

## 2 Summary of significant accounting policies (cont'd)

### 2.2 Economic entities in the Group (cont'd)

#### (c) Associates

Associates are those entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in an associate includes goodwill identified on acquisition, net of any accumulated impairment loss. See accounting policy Note 2.6 on impairment of non-financial assets.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in profit or loss.

For incremental interest in an associate, the date of acquisition is purchase date at each stage and goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified.

### 2.3 Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost. Certain land and buildings are stated at revalued amounts, based on valuations by external independent valuers or as assessed by Directors. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other assets are stated at their carrying amounts, which are cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to other comprehensive income.

## 2 Summary of significant accounting policies (cont'd)

### 2.3 Property, plant and equipment and depreciation (cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life and leasehold land is depreciated in equal installments over the periods of the respective leases that range from 38 to 86 years. Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives. The annual depreciation rates are as follows:

	%
Buildings	2
Estate infrastructure	5
Factory buildings	2 - 10
Plantation equipment	10
Furniture and fittings	10 - 20
Office equipment	10 - 50
Electrical installation	10
Plant and machinery	5 - 20
Motor vehicles	10 - 20
Site equipment	10 - 20
Office renovations	10

Depreciation on capital work in progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. The Group carries out assessment on residual values and useful lives of assets on an annual basis. There was no adjustment arising from the assessment performed in the financial year.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.6 on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Borrowing costs are capitalised in accordance with accounting policy Note 2.15. All other borrowing costs are charged to profit or loss.

The freehold land, building and factory building 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 amount of these revalued land and buildings on the basis of their previous revaluation subject to the continuing application of the current depreciation policy.

## **2 Summary of significant accounting policies (cont'd)**

### **2.3 Property, plant and equipment and depreciation (cont'd)**

The leasehold land were last revalued by the Directors during the financial year ended 30 June 1994 based on the open market value basis and approved by the Securities Commission. The Directors have adopted the transitional provision of FRS 117 Leases as allowed for by the Malaysian Accounting Standards Board to retain the unamortised revalued amount as the surrogate amount of leasehold land.

### **2.4 Investment properties**

Investment properties, comprising principally land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment property is measured initially at its cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Freehold land is not depreciated as it has an infinite life. Other categories of investment properties are depreciated on the straight line basis to allocate the cost to their residual values over their estimated useful lives. The annual depreciation rate for buildings is 2%.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in profit or loss.

Depreciation on capital work in progress commences when the assets are ready for their intended use.

### **2.5 Investments**

In the Company's separate financial statements, investments in subsidiaries and in an associate are carried at cost use accumulated impairment losses.

On disposal of investments in subsidiaries and associate, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### **2.6 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). For goodwill, it is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



## **2 Summary of significant accounting policies (cont'd)**

### **2.6 Impairment of non-financial assets (cont'd)**

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

### **2.7 Biological assets**

Biological assets comprise new planting expenditure (incurred from land clearing to the point of harvesting) and replanting expenditure (incurred in replanting old planted areas) for oil palm cultivation. Such expenditure is capitalised and are amortised on the straight-line basis over the estimated economic useful lives of rootstocks of 20 years, or over the period of the lease, whichever is shorter, commencing from the year of maturity of the crop.

### **2.8 Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost is determined principally on the weighted average basis. Cost of raw materials and consumables comprises all costs of purchases and other costs in bringing the inventories to their present locations and conditions. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

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

The cost of developed properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

### **2.9 Construction contracts**

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Construction contracts are recognised when incurred. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by using the stage 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 contract work.

When the outcome of the construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **2 Summary of significant accounting policies (cont'd)**

### **2.9 Construction contracts (cont'd)**

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on construction contracts under receivables, deposits and prepayments (within current assets). Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on construction contracts under payables (within current liabilities).

### **2.10 Property development activities**

#### **(a) Land held for property development**

Land held for property development consist of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.6 on impairment of non-financial assets.

Land held for property development including its related expenditure is transferred to property development costs (within current assets) when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle of 2 to 4 years.

Borrowing costs are capitalised in accordance with Note 2.15.

#### **(b) Property development costs**

Property development costs comprise costs associated with the acquisition of land including landowners' entitlement (where applicable) and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses in respect of development units sold 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 a development activity cannot be reliably estimated, 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 unit sold are recognised as an expense when incurred.

Irrespective 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.

## **2 Summary of significant accounting policies (cont'd)**

### **2.10 Property development activities (cont'd)**

#### **(b) Property development costs (cont'd)**

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

Borrowing costs are capitalised in accordance with Note 2.15.

### **2.11 Advances to subsidiary companies**

Advances to certain subsidiary companies as determined by the Directors are non trade in nature, unsecured, interest free and do not have a fixed term of repayments are treated as a long term source of capital to the subsidiaries. The initial value of the advances is accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

### **2.12 Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less, and bank overdrafts. Fixed deposits held on lien for bank guarantee facilities are not treated as part of the component of cash and cash equivalents as they are not readily available for use by the Group.

### **2.13 Share capital**

Ordinary shares with discretionary dividends are classified as equity. Distributions to holders of a financial instrument classified as an equity instrument is charged directly to equity.

### **2.14 Dividends**

Dividends on ordinary shares are recognised as a liability in the period in which they are declared. Dividends proposed after reporting date but before the financial statements are authorised for issue are not recognised as a liability at reporting date.

### **2.15 Borrowing costs**

Borrowing costs incurred to finance property development activities are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of interest on borrowing costs will cease when development projects are ready for sale or ready for its intended use.

## **2 Summary of significant accounting policies (cont'd)**

### **2.16 Income tax**

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amount in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets including tax benefits from reinvestment allowance are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is recognised on temporary differences on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

### **2.17 Employee benefits**

#### **(a) Short term employee benefits**

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### **(b) Defined contribution plans**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Subsidiaries incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan. The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **(c) Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these 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 which is without realistic possibility of withdrawal or which provides termination benefits as a result of an offer made in order to encourage voluntary redundancy.

## **2 Summary of significant accounting policies (cont'd)**

### **2.18 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### **2.19 Contingent liabilities and contingent assets**

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### **2.20 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue earned by the Group and Company are recognised on the following basis:

- 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 profit or loss.

## 2 Summary of significant accounting policies (cont'd)

### 2.20 Revenue recognition (cont'd)

- Revenue from sale of land and developed properties are recognised upon transfer of significant risks and rewards of ownership to the purchasers.
- Dividend income is recognised when the right to receive the dividend is established.
- Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.
- 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.
- Rental income is recognised on the accrual basis.

### 2.21 Foreign currencies

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company and all its subsidiaries.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The principal closing rate used in the translation of the currency amounts is as follow:

Foreign currency	2012 RM	2011 RM
1 US Dollar	3.1895	3.0205



## 2 Summary of significant accounting policies (cont'd)

### 2.22 Financial instruments

#### (a) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

#### Financial asset

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

Financial assets are recognised in the statements of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group and Company's loans and receivables comprise trade and other receivables, amounts due from related companies and cash and cash equivalents in the statements of financial position.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

#### (iii) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Financial assets categorised as held-to-maturity are subsequently measured at amortised cost using the effective interest method.

## 2 Summary of significant accounting policies (cont'd)

### 2.22 Financial instruments (cont'd)

#### (a) Description (cont'd)

##### Financial asset (cont'd)

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting date.

Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment loss and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Investment in unquoted equity instruments which are classified as available-for-sale and whose fair value cannot be reliably measured are measured at cost. These investments are assessed for impairment at each reporting date.

##### Financial liability

A financial liability is any liability that is contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial liabilities are recognised initially, they are measured at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Group classifies its financial liabilities as "other financial liabilities". The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

##### (i) Other financial liabilities

Other financial liabilities of the Group are trade and other payables and bank overdrafts in the statements of financial position.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the other financial liabilities are derecognised, and through the amortisation process.

Other financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

##### (ii) Financial Guarantee Contracts

The Company has issued corporate guarantee to banks for facilities granted to its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to repay when due in accordance with the terms of their facilities.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

## 2 Summary of significant accounting policies (cont'd)

### 2.22 Financial instruments (cont'd)

#### (a) Description (cont'd)

##### Financial liability (cont'd)

#### (ii) Financial Guarantee Contracts (cont'd)

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to bank in the Company's statement of financial position.

#### (b) Impairment of financial assets

The Group assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

##### Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtors;
- A breach of contract, such as default or delinquency in interest or principal payments; or
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

## 2 Summary of significant accounting policies (cont'd)

### 2.22 Financial instruments (cont'd)

#### (b) Impairment of financial assets (cont'd)

##### Assets classified as available-for-sale

For debt securities, the Group uses the criteria of impairment loss applicable for “assets carried at amortised cost” above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses recognised in profit or loss for an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

#### (c) Financial instruments recognised on the statements of financial position

The particular recognition method adopted for financial instruments recognised on the statements of financial position is disclosed in the individual accounting policy statements associated with each item.

#### (d) Fair value estimation for disclosure purposes

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for each type of the financial liabilities of the Group.

The face values for financial assets (less any estimated credit adjustments) and financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

### 2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Group. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

### 2.24 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

#### Accounting by lessee

##### (i) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

## 2 Summary of significant accounting policies (cont'd)

### 2.24 Leases (cont'd)

#### Accounting by lessee (cont'd)

##### (i) Finance leases (cont'd)

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

##### (ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below.

### (a) Property development

The Group recognises property development revenue based on stage of completion method. The stage of completion is measured by reference to the completion of a physical proportion of work-to-date.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs. In making the judgement, the Group relies on past experience and the work of specialists. The carrying amount of the Group's property development projects is shown in Note 19.

### (b) (i) Inventories write down of Property Development Division

Inventories are stated at lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less cost to completion and selling expenses. The carrying amount of the Group's inventories for Property Development Division (i.e. developed properties) at 30 June 2012 is shown in Note 20 to the financial statements.

### 3 Critical accounting estimates and judgements (cont'd)

(b) (ii) Inventories write down of Manufacturing Division/Cahajaya Group\*

The Group has reviewed the inventories of Manufacturing Division/Cahajaya Group as at 30 June 2012 to be stated at lower of cost and net realisable value. Net realisable value is determined by the Directors based on forced sale value determined by an independent valuer and recent transacted sales as disclosed in Note 20 to the financial statements.

\* Manufacturing Division/Cahajaya Group refers to Cahajaya Timber Industries Sdn Bhd and two of its wholly-owned subsidiaries, i.e. Patriot Furniture Sdn Bhd and Guar Timber Industries Sdn Bhd.

(c) (i) Impairment of property, plant and equipment and investments of Property Development Division

The Group reviews assets that are subject to amortisation/depreciation for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverable amounts are determined based on the present value of the estimated future cash flows of the assets. In arriving at the recoverable amounts, management exercises judgement in estimating the future cash flows and the discount rate.

(ii) Impairment of plant, machinery and equipment of Manufacturing Division/Cahajaya Group

The Group made a reversal of impairment loss on plant, machinery and equipment of Manufacturing Division/Cahajaya Group as at 30 June 2012 valued by the Directors based on forced sale value as determined by an independent valuer as disclosed in Note 12(b) to the financial statements.

The Group had impaired plant, machinery and equipment of Manufacturing Division/Cahajaya Group as at 30 June 2011 based on best estimates and judgements of the Directors as disclosed in Note 12(c) to the financial statements.

(d) Income taxes

The Group is subject to Malaysia income taxes. Judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(e) Impairment of investments in subsidiaries

The Company assesses whether investments in subsidiaries are impaired whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, i.e. the carrying amount of the assets is more than the recoverable amount. Recoverable amount is the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from the asset discounted at an appropriate discount rate. Significant judgement is required in estimating the cash flows and the discount rate used. While there are impairments recognised on plants, machinery and equipment and inventories of Cahajaya Group, the Directors of the Company have assessed the Company's investment in Cahajaya Group and believe that no impairment is required to write down the Company's investment in Cahajaya Group as the recoverable amounts of the assets of these subsidiaries are expected to exceed their respective carrying amounts.



## 4 Financial risk management objectives and policies

### 4.1 Financial risk factors

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 foreign currency exchange, interest rate, price, credit, liquidity and cash flows 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's exposure to the risk of changes in interest rates is mainly arising from floating rate terms and deposits with banks and financial institutions.

The Group controls and monitors closely its cash flows to ensure that the interest rates are always maintained at favourable rates.

##### (b) Price risk

The Group's principal exposure to price 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 by the 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 ventures with landowners at strategic locations.

Developed properties will be written down when there is indication of adverse changes in their fair values. Reversals are taken to profit or loss immediately to the extent of the amounts previously written down when the adverse conditions which led to the write down 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 reporting date, there was no significant concentration of credit risk.

##### (d) Liquidity and cash flows 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 (cont'd)

### 4.1 Financial risk factors (cont'd)

#### Property Development Division (cont'd)

##### (d) Liquidity and cash flows risk (cont'd)

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RM'000	Between 1 year and 2 years RM'000	Between 2 years and 3 years RM'000	Between 3 years and 4 years RM'000
<b>The Group</b>				
At 30 June 2012				
Trade and other payables*	23,483	918	1,417	428
At 30 June 2011				
Trade and other payables*	17,290	712	774	830
<b>The Company</b>				
At 30 June 2012				
Trade and other payables	255	0	0	0
Financial guarantee contracts	133	0	0	0
At 30 June 2011				
Trade and other payables	271	0	0	0
Financial guarantee contracts	905	0	0	0

\* Included in trade and other payables are subcontractors' retention sums which are expected to be settled within the Group's normal operating cycle of 2 to 4 years.

#### Manufacturing Division

##### (a) Foreign currency exchange risk

The Group has exposure to foreign currency as the majority of the manufacturing division's sales are in United States Dollars. The exposure to foreign risk is monitored on an ongoing basis to minimise the Group's risk expense to an acceptable level. The Group endeavours to maintain natural hedge, whenever possible, by using the currency for import payment.

##### (b) Interest rate risk

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

##### (c) Price risk

The Group seeks to manage price 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 a mix of overseas 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.

## **4 Financial risk management objectives and policies (cont'd)**

### **4.1 Financial risk factors (cont'd)**

#### **Manufacturing Division (cont'd)**

##### **(d) 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 although a large portion of sales is concentrated to a particular customer.

##### **(e) Liquidity and cash flows risk**

Prudent liquidity and cash flows 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 flows 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.

#### **Oil palm division**

##### **(a) Price risk**

The Group is exposed to commodity price fluctuations on crude palm oil prices arising from unpredictable factors such as weather, change of global demand, global production and prices. To mitigate some of these risks, the Group always keeps abreast with the latest development on global supply and demand for the oils market and takes proactive measures to maximise production and operational efficiencies.

##### **(b) Credit risk**

The Group's normal credit term of trade receivables is 7 days and based on the Group's historical experiences, collection of outstanding receivables normally fall within the credit period. For trade receivables, the Group adopts a policy of dealing with customers of appropriate credit history and the receivables balances are monitored on an ongoing basis that the Group's bad debts is not significant. As such, the Group believes that although a large portion of sales is concentrated to a particular customer, there is no significant risk inherent in the Group's receivables.

##### **(c) Liquidity and cash flow risk**

The Group maintains sufficient cash and cash equivalents by closely monitoring its cash flows to meet its working capital requirements. The Group adopts prudent liquidity risk management policies in maintaining credit facilities and aims at maintaining flexibility in funding by keeping adequate banking facilities with different licensed banks.

### **4.2 Capital risk management**

The Group's objectives when managing capital is to ensure that an optimal capital structure is maintained to sustain future development of business and to provide fair returns for shareholders and benefits for other stakeholders.

In order to maintain an optimal capital structure, the Group may, from time to time, adjust the dividend payout to owners of the parent, return capital to owners of the parent, issue new shares, redeem debts or sell assets to reduce debts, where necessary. The Group's approach on managing capital is based on directives approved by the Board of Directors.

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 5 Revenue

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Property development revenue based on stage of completion	81,388	75,095	0	0
Sales of developed properties	3,139	1,876	0	0
Sales of vacant land	8,576	893	0	0
Sales of goods at invoiced value	7,370	12,261	0	0
Sales of fresh fruit bunches of oil palm	3,847	4,617	0	0
Dividend income	0	0	3,425	25
Management fees	0	0	73	77
	104,320	94,742	3,498	102

## 6 Finance cost

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense	3	4	0	0

## 7 Employee benefits cost

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages, salaries and bonuses	7,758	8,562	0	0
Contributions to defined contribution retirement plan	847	840	0	0
Other employee benefits	513	455	0	0
	9,118	9,857	0	0

## 8 Directors' remuneration

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

Non-executive Directors

Tuan Haji Ahmad Bin Abdul Rashid

Goh Chooi Eam

Aswandi Bin Mohamed Hashim

Koay Chong Beng

*(appointed on 29 May 2012)*

*(resigned on 29 May 2012)*

Executive Directors

Dato' Wira Haji Thobrani Bin Haji Hanafi

Goh Aik Keong

Hazman Bin Thobrani

Khaw Eng Peng

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 8 Directors' remuneration (cont'd)

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-executive Directors:				
- Fees receivable	90	120	90	120
- Allowances	33	35	33	35
Executive Directors:				
- Fees receivable	100	100	100	100
- Salaries and bonuses	1,937	1,740	0	0
- Contributions to defined contribution retirement plan	224	209	0	0
- Allowances	19	19	19	19
	2,403	2,223	242	274
Estimated monetary value of benefits otherwise than in cash	134	111	0	0
	2,537	2,334	242	274

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 as follows:

Grant date	Expiry date	Exercise price RM/share	At beginning of the financial year/ At date of appointment '000	Number of share options on shares of RM1 each			At end of the financial year '000
				Granted '000	Exercised '000	Expired '000	
Financial year ended 30 June 2012							
8 January 2002	23 November 2011	1.32	1,300	0	0	(1,300)	0
Financial year ended 30 June 2011							
8 January 2002	23 November 2011	1.32	1,300	0	0	0	1,300

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 9 Profit/(loss) before taxation

(a) The following amounts have been charged in arriving at the profit/(loss) before taxation:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Amortisation of biological assets	32	23	0	0
Advertisement expenses	1,224	1,037	0	0
Allowance for impairment of receivables	182	759	0	0
Auditors' remuneration:				
- statutory audit (current year)	192	194	32	32
- statutory audit (prior year)	42	15	42	0
- other services	36	38	4	4
Consultant costs	1,158	737	0	0
Cost of vacant land sold	4,232	228	0	0
Cost of developed properties sold	2,045	1,716	0	0
Changes in inventories of finished goods and work in progress	195	2,022	0	0
Development contribution and processing fees	913	448	0	0
Depreciation				
- property, plant and equipment	2,628	2,651	0	0
- investment properties	82	85	0	0
Employee benefits cost	9,118	9,857	0	0
Expenditure for oil palm operations	842	931	0	0
Freight charges	446	794	0	0
General maintenance of completed projects	432	1,043	0	0
Hire of plant and machinery	606	1,001	0	0
Impairment loss of property, plant and equipment	0	4,003	0	0
Property, plant and equipment written off	2	1	0	0
Inventories written down to net realisable value	104	2,066	0	0
Inventories written off	0	267	0	0
Realised loss on foreign exchange	62	185	0	0
Raw materials and consumables used	22,530	26,213	0	0
Rental expenses of land and buildings	192	199	0	0
Sub-contract costs	24,678	23,955	0	0
Utilities	1,068	1,313	0	0
Upkeep, repairs and maintenance of assets	406	786	0	0

Direct operating expenses from investment properties that generated rental income of the Group during the financial year amounted to RM130,000 (2011: RM219,000).

Property development costs of the Group recognised as an expense during the financial year amounted to RM59,339,000 (2011: RM56,414,000).



# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 9 Profit/(loss) before taxation (cont'd)

(b) The following amounts have been credited in arriving at the profit/(loss) before taxation:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental income	638	610	0	0
Interest income	1,700	1,442	148	374
Gross dividends income from subsidiaries (unquoted)	0	0	3,425	25
Allowance for impairment of receivables written back	884	300	0	0
Reversal of impairment loss on property, plant and equipment	1,122	0	0	0

## 10 Taxation

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
In respect of current financial year:				
- Malaysian income tax	5,175	2,021	800	11
- Deferred taxation	47	(560)	0	0
In respect of prior financial year:				
- Malaysian income tax	90	(461)	(44)	(15)
- Deferred taxation	27	6	0	0
	5,339	1,006	756	(4)
Current tax:				
Current financial year	5,175	2,021	800	11
Under/(Over) accrual in prior financial year	90	(461)	(44)	(15)
Deferred tax:				
Origination and reversal of temporary differences	47	(560)	0	0
Under accrual in prior financial year	27	6	0	0
	5,339	1,006	756	(4)

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 10 Taxation (Cont'd)

The reconciliation of income tax expense applicable to profit/(loss) before taxation at the Malaysian income tax rate to taxation charge at the average effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2012 %	2011 %	2012 %	2011 %
Numerical reconciliation between the average effective tax rate and the Malaysian income tax rate				
Malaysian income tax rate	25.0	(25.0)	25.0	(25.0)
Tax effects of:				
- Expenses that are not tax deductible	3.3	58.1	8.3	30.5
- Income not subject to tax	(1.5)	0.0	0.0	0.0
- Expenses eligible for double deduction	(0.6)	(5.0)	0.0	0.0
- Temporary differences not recognised	4.3	50.3	0.0	0.0
- Group relief on utilisation of tax losses	(1.2)	(33.9)	0.0	0.0
- Recognition of previously unrecognised tax losses	(0.0)	(8.6)	0.0	0.0
- Others	(2.0)	1.5	0.0	(0.3)
Average effective tax rate for the financial year	27.3	37.4	33.3	5.2
Under/(over) accrual of Malaysian income tax in respect of prior financial year	0.5	(11.8)	0.0	(7.2)
Under accrual of deferred taxation in respect of prior financial year	0.1	0.2	0.0	0.0
	27.9	25.8	33.3	(2.0)

The Group has, subject to confirmation by the Inland Revenue Board, the following carry forward tax balances:

	Group	
	2012 RM'000	2011 RM'000
Tax losses carried forward	6,154	15,823
Unutilised capital allowances	304	10,046
Unutilised reinvestment allowances	0	1,646

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 11 Earnings/(Loss) per share

### Group

#### (a) Basic earnings/(loss) per share

Basic earnings/(loss) per share of the Group is calculated by dividing the net profit/(loss) attributable to owners of the parent for the financial year by the weighted average number of ordinary shares in issue during the financial year:

	2012	2011
Net profit/(loss) attributable to owners of the parent (RM'000)	9,068	(7,044)
Weighted average number of ordinary shares in issue ('000)	90,545	90,545
Basic earnings/(loss) per share (sen)	10.01	(7.78)

#### (b) Diluted earnings/(loss) per share

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

For the share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares during the financial year) 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/(loss) attributable to owners of the parent for the share options calculations.

	2012	2011
Net profit/(loss) attributable to owners of the parent (RM'000)	9,068	(7,044)
Weighted average number of ordinary shares in issue ('000)	90,545	90,545
Adjustment for share options ('000)	0*	0*
	90,545	90,545
Diluted earnings/(loss) per share (sen)	10.01	(7.78)

\* No "unpurchased" shares to be added to the ordinary shares outstanding as the average share price of the Company for the financial year ended 30 June 2012 has been below the share options' exercise price.

# Notes to the financial statements (cont'd)

for the financial year ended 30 June 2012

## 12 Property, plant and equipment

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

Group

2012	Land and buildings, at cost/valuation RM'000	Estate infrastructure at cost RM'000	Plantation equipment, 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 RM'000	Total RM'000
Net book value										
At 1 July 2011	55,865	551	4	414	1,500	2,503	8	74	41	60,960
Additions	0	4	3	71	0	107	15	0	2	202
Write off	0	0	0	(2)	0	0	0	0	0	(2)
Depreciation	(463)	(45)	(2)	(224)	(1,545)	(400)	(4)	(15)	0	(2,698)
Reversal of Impairment loss	0	0	0	358	764	0	0	0	0	1,122
At 30 June 2012	55,402	510	5	617	719	2,210	19	59	43	59,584
At 30 June 2012										
Cost/Valuation	62,888	822	99	3,649	25,633	6,083	77	188	43	99,482
Accumulated depreciation	(5,148)	(312)	(94)	(3,032)	(20,831)	(3,855)	(58)	(129)	0	(33,459)
Accumulated impairment loss	(2,338)	0	0	0	(4,083)	(18)	0	0	0	(6,439)
Net book value	55,402	510	5	617	719	2,210	19	59	43	59,584

The land and buildings of the Group comprise:

2012	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Leasehold land, at cost RM'000	Freehold oil palm plantation land, at cost RM'000	Buildings, at cost RM'000	Building, at valuation RM'000	Factory buildings, at cost RM'000	Factory building, at valuation RM'000	Total RM'000
Net book value									
At 1 July 2011	1,324	13,310	14,294	20,351	3,001	0	534	3,051	55,865
Additions	0	0	0	0	0	0	0	0	0
Depreciation	0	0	(242)	0	(118)	0	(23)	(80)	(463)
At 30 June 2012	1,324	13,310	14,052	20,351	2,883	0	511	2,971	55,402
At 30 June 2012									
Cost/Valuation	1,324	13,310	18,492	20,351	4,050	0	861	4,500	62,888
Accumulated depreciation	0	0	(2,102)	0	(1,167)	0	(350)	(1,529)	(5,148)
Accumulated impairment loss	0	0	(2,338)	0	0	0	0	0	(2,338)
Net book value	1,324	13,310	14,052	20,351	2,883	0	511	2,971	55,402

# Notes to the financial statements (cont'd)

for the financial year ended 30 June 2012

## 12 Property, plant and equipment (cont'd)

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

Group

2011	Land and buildings, at cost/valuation RM'000	Estate infrastructure at cost RM'000	Plantation equipment, 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 RM'000	Total RM'000
Net book value										
At 1 July 2010	55,309	0	7	789	7,147	2,282	5	43	115	65,697
Additions	797	0	1	227	62	591	1	28	44	1,751
Transfer from investment property	216	0	0	0	0	0	0	0	0	216
Reclassification	0	588	0	(5)	(488)	0	5	18	(118)	0
Disposals	0	0	0	0	0	0	0	0	0	0
Write off	0	0	0	(1)	0	0	0	0	0	(1)
Depreciation	(457)	(37)	(4)	(238)	(1,594)	(352)	(3)	(15)	0	(2,700)
Impairment loss	0	0	0	(358)	(3,627)	(18)	0	0	0	(4,003)
At 30 June 2011	55,865	551	4	414	1,500	2,503	8	74	41	60,960
At 30 June 2011										
Cost/Valuation	62,888	818	96	3,725	25,634	5,976	62	188	41	99,428
Accumulated depreciation	(4,685)	(267)	(92)	(2,953)	(19,286)	(3,455)	(54)	(114)	0	(30,906)
Accumulated impairment loss	(2,338)	0	0	(358)	(4,848)	(18)	0	0	0	(7,562)
Net book value	55,865	551	4	414	1,500	2,503	8	74	41	60,960

The land and buildings of the Group comprise:

2011	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Leasehold land, at cost RM'000	Freehold oil palm plantation land, at cost RM'000	Buildings, at cost RM'000	Building, at valuation RM'000	Factory buildings, at cost RM'000	Factory building, at valuation RM'000	Total RM'000
Net book value									
At 1 July 2010	1,324	13,310	13,732	20,351	2,902	0	559	3,131	55,309
Additions	0	0	797	0	0	0	0	0	797
Transfer from investment property	0	0	0	0	216	0	0	0	216
Depreciation	0	0	(235)	0	(117)	0	(25)	(80)	(457)
At 30 June 2011	1,324	13,310	14,294	20,351	3,001	0	534	3,051	55,865
At 30 June 2011									
Cost/Valuation	1,324	13,310	18,492	20,351	4,050	0	861	4,500	62,888
Accumulated depreciation	0	0	(1,860)	0	(1,049)	0	(327)	(1,449)	(4,685)
Accumulated impairment loss	0	0	(2,338)	0	0	0	0	0	(2,338)
Net book value	1,324	13,310	14,294	20,351	3,001	0	534	3,051	55,865

## 12 Property, plant and equipment (cont'd)

### Group

- (a) Certain freehold land, building and factory building were revalued by the Directors during the financial year ended 30 June 1995 based on the open market value basis and approved by the Securities Commission. The leasehold land were last revalued by the Directors during the financial year ended 30 June 1994 based on the open market value basis and approved by the Securities Commission.

The net book value of freehold 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 RM2,768,000 (2011: RM2,932,000).

- (b) During the financial year ended 30 June 2012, the Cahajaya Group reversed its impairment loss on "Plant and machinery" and "Furniture, fittings, office equipment and electrical installation" amounting to RM1,122,000 to profit or loss as their estimated recoverable amounts as at 30 June 2012 are higher than their carrying amounts. The estimated recoverable amounts are arrived at by the Directors at RM993,000 based on the valuation determined by an independent valuer using the forced sale basis.
- (c) During the previous financial year, the Cahajaya Group charged an impairment loss on its "Plant and machinery", "Furniture, fittings, office equipment and electrical installation" and "Motor vehicles" (hereinafter referred to as "plant, machinery and equipment") amounting to RM4,003,000 due to the circumstances as described below.

The subsidiaries of the Cahajaya Group individually filed winding up petitions at the Penang High Court on 4 August 2011. However, the hearing of the winding up was pending the disposal of an application by the Cahajaya Group management to intervene the winding up to be heard on 9 November 2011.

In reviewing the Cahajaya Group's plant, machinery and equipment for impairment, the Directors of the Company appointed an independent valuer in order to determine the recoverable amount of the plant, machinery and equipment. However the independent valuer was denied access by Cahajaya Group management. As advised by the lawyers, the Directors of the Company decided not to further pursue the independent valuation pending the resolution of on going legal disputes with Cahajaya Group management. Consequently the Directors of the Company estimated the recoverable amount of the plant, machinery and equipment as at 30 June 2011 at approximately RM1,651,000 based on the market value for comparable assets within the same industry of the Cahajaya Group as best estimates and this resulted in the recognition of an impairment loss of RM4,003,000.



# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 13 Land held for property development

### Group

At 1 July 2011/2010

Freehold land, at cost

Leasehold land, at cost

Related costs

Add: Movements in land

- additions

- transfer from/(to) property development costs

- freehold land (Note 19)

- disposal of land

Add: Movements in related costs

- additions

- transfer from/(to) property development costs (Note 19)

At 30 June 2012/2011

### Group

At 30 June

Freehold land, at cost

Leasehold land, at cost

Related costs

	2012 RM'000	2011 RM'000
At 1 July 2011/2010		
Freehold land, at cost	13,990	4,872
Leasehold land, at cost	700	700
Related costs	1,817	2,572
	16,507	8,144
Add: Movements in land		
- additions	0	10,453
- transfer from/(to) property development costs		
- freehold land (Note 19)	9,710	(1,335)
- disposal of land	(9)	0
	9,701	9,118
Add: Movements in related costs		
- additions	76	65
- transfer from/(to) property development costs (Note 19)	11,950	(820)
	12,026	(755)
At 30 June 2012/2011	38,234	16,507

	2012 RM'000	2011 RM'000
At 30 June		
Freehold land, at cost	23,691	13,990
Leasehold land, at cost	700	700
Related costs	13,843	1,817
	38,234	16,507

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

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 14 Investment properties

Group

	2012 RM'000	2011 RM'000
Net book value		
At 1 July 2011/2010	4,001	3,409
Additions	5	0
Transfer (to)/from property development costs	(247)	893
Transfer to property, plant and equipment	0	(216)
Depreciation	(82)	(85)
At 30 June 2012/2011	3,677	4,001
At 30 June		
Cost	4,897	5,139
Accumulated depreciation	(1,220)	(1,138)
Net book value	3,677	4,001

The fair value of the investment properties is estimated at RM6,307,000 (2011: RM6,549,000) based on valuation by the Directors based on current market price. The Group uses assumptions that are mainly based on market conditions existing at each reporting date.

Included in investment properties is a work in progress amounting to RM652,000 (2011: RM893,000) of which depreciation will only commence when this asset is ready for its intended use.

## 15 Biological assets

Group

	2012 RM'000	2011 RM'000
Net book value		
At 1 July 2011/2010	668	648
Additions	158	43
Amortisation	(32)	(23)
At 30 June 2012/2011	794	668
At 30 June		
Cost	1,037	879
Accumulated amortisation	(243)	(211)
Net book value	794	668

Amortisation of biological assets will only commence upon maturity.

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 16 Interest in subsidiaries

The subsidiaries which are all incorporated in Malaysia are:

Name of company	Effective interest in equity Held by the Company		Held through subsidiary		Principal activities
	2012 %	2011 %	2012 %	2011 %	
Brilliant Development Sdn Bhd <sup>#</sup>	100	100	0	0	Property development and oil palm cultivation
Semua Jadi Sdn Bhd <sup>#</sup>	100	100	0	0	Property development and general construction
Pesaka Saujana Development Sdn Bhd <sup>#</sup>	100	100	0	0	Property development
OIB Foods & Beverages Sdn Bhd	100	100	0	0	Investment holding
Brilliant Alliance Sdn Bhd	70	70	0	0	Investment holding
Brilliant Delta (M) Sdn Bhd	51	51	0	0	Property development and oil palm cultivation
Aturan Cemerlang Sdn Bhd	51	51	0	0	Investment holding
Sungei Lalang Development Sdn Bhd	0	0	100	100	Property development
Pesaka Saujana (M) Sdn Bhd	0	0	100	100	Property development and oil palm cultivation
Maxilux Properties Sdn Bhd	0	0	100	100	Property development
Teguh Padu Development Sdn Bhd	0	0	100	100	Property development
OIB Recipe Sdn Bhd	0	0	100	100	Dormant
OIB Confectionery Sdn Bhd	0	0	100	100	Dormant
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
<u>Cahajaya Group</u>					
Cahajaya Timber Industries Sdn Bhd <sup>#</sup> (In member's voluntary winding up)	100	100	0	0	Manufacture of kiln dried rubberwood, sawn timber, solid doors and moulded wood products. See Note 16(c).
Patriot Furniture Sdn Bhd <sup>#</sup> (In member's voluntary winding up)	0	0	100	100	Manufacture and sales of wooden furniture, wooden furniture parts, and parquet. See Note 16(c).
Guar Timber Industries Sdn Bhd <sup>#</sup> (In member's voluntary winding up)	0	0	100	100	Dormant. See Note 16(c).

<sup>#</sup> These subsidiaries are consolidated using the merger method of accounting.

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 16 Interest in subsidiaries (cont'd)

(a)

	Company	
	2012 RM'000	2011 RM'000
Unquoted shares, at cost	106,566	106,566
Impairment losses	(2,652)	(2,652)
	103,914	103,914
Amounts due from subsidiaries		
Semua Jadi Sdn Bhd	44,775	41,978
Pesaka Saujana (M) Sdn Bhd	18,198	25,000
Maxilux Properties Sdn Bhd	2,054	4,953
Teguh Padu Development Sdn Bhd	22,209	21,509
Sungei Lalang Development Sdn Bhd	15,528	12,577
OIB Foods & Beverages Sdn Bhd	9	6
OIB Confectionery Sdn Bhd	9	6
OIB Recipe Sdn Bhd	9	6
Pesaka Saujana Development Sdn Bhd	10,793	11,163
	113,584	117,198
Interest in subsidiaries	217,498	221,112

Related company balances are all denominated in Ringgit Malaysia.

The amounts due from subsidiaries are classified as non-current as the Company recognises these amounts as a long term source of capital to the subsidiary companies.

- (b) The auditors' reports on the financial statements of Cahajaya Timber Industries Sdn Bhd and Patriot Furniture Sdn Bhd for the previous financial year were qualified on an "except for" basis as the auditors were unable to obtain sufficient appropriate evidence on the carrying amounts of the following items:
- (i) plant, machinery and equipment (Note 12(c)); and
  - (ii) inventories (Note 20(b)).
- (c) On 11 July 2012, the Cahajaya Group commenced member's voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965, as set out in Note 35 on subsequent events. The results, statements of financial position and cash flows of the Cahajaya Group are set out below:

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 16 Interest in subsidiaries (cont'd)

(c) (i) The results of the Cahajaya Group operations are as follows:

	2012 RM'000	2011 RM'000
Revenue	7,370	12,261
Cost of sales	(8,515)	(19,851)
Gross loss	(1,145)	(7,590)
Other operating income (including reversal of impairment loss on property, plant and equipment of RM1,122,000)	1,347	179
Selling and distribution costs	(553)	(1,090)
Administrative expenses	(1,068)	(1,674)
Other operating expenses	(165)	(6,766)
Finance costs	0	0
Loss before taxation	(1,584)	(16,941)
Taxation	(188)	362
Loss for the financial year	(1,772)	(16,579)

(ii) The financial position of the Cahajaya Group operations is as follows:

	2012 RM'000	2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,137	9,911
Current assets		
Inventories	1,785	2,083
Trade and other receivables	172	1,219
Tax recoverable	18	246
Deposits with a licensed bank	240	0
Cash and cash equivalents	740	365
	2,955	3,913
TOTAL ASSETS	12,092	13,824
EQUITY AND LIABILITIES		
Equity attributable to owner of Cahajaya Group		
Share capital	5,155	5,155
Share premium	50	50
Reserves	4,971	6,743
Total equity	10,176	11,948

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 16 Interest in subsidiaries (cont'd)

(c) (ii) The financial position of the Cahajaya Group operations is as follows: (cont'd)

	2012 RM'000	2011 RM'000
Current liabilities		
Trade and other payables	1,514	1,619
Amounts due to ultimate holding company	360	215
Current tax payable	42	42
Total liabilities	1,916	1,876
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,092</b>	<b>13,824</b>

(iii) Cash flows generated from the Cahajaya Group operations:

	2012 RM'000	2011 RM'000
Net operating cash flows	466	(2,602)
Net investing cash flows	4	(18)
Net financing cash flows	(95)	(5,997)
Net cash generated from the Cahajaya Group operations	375	(8,617)

## 17 Investment in an associate

Group

	2012 RM'000	2011 RM'000
Unquoted shares, at cost	3,149	3,149
Share of post acquisition profits	19	10
	<b>3,168</b>	<b>3,159</b>

The Group's share of assets and liabilities of associate is as follows:

	2012 RM'000	2011 RM'000
Revenue	0	0
Profit before taxation	9	8
Non-current assets	2,716	2,239
Current assets	454	922
Current liabilities	(2)	(2)
Non-current liabilities	0	0
Net assets	<b>3,168</b>	<b>3,159</b>



# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 17 Investment in an associate (cont'd)

The associated company is:

Name of company	Country of incorporation	Financial year-end	Interest in equity		Principal activity
			2012 %	2011 %	
Held by Brilliant Delta (M) Sdn Bhd:					
Prestasi Raya Sdn Bhd	Malaysia	30 June	44	44	Property development

## 18 Deferred taxation

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 statements of financial position:

	Group 2012 RM'000      2011 RM'000	
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	2,015	3,670
- Deferred tax asset to be recovered within 12 months	1,802	519
	<u>3,817</u>	<u>4,189</u>
Deferred tax liabilities		
- Deferred tax liability to be settled after more than 12 months	(259)	(441)
- Deferred tax liability to be settled within 12 months	(1)	(117)
	<u>(260)</u>	<u>(558)</u>
Deferred tax assets (net)	<u>3,557</u>	<u>3,631</u>
Movements in deferred taxation:		
At the beginning of the financial year	3,631	3,077
Credited/(charged) to profit or loss (Note 10):		
- Unutilised capital allowances	76	0
- Unrealised profits and interest	(405)	27
- Tax losses	298	251
- Provisions	(99)	6
- Property development costs	126	0
- Property, plant and equipment	(70)	270
	<u>(74)</u>	<u>554</u>
At the end of the financial year	<u>3,557</u>	<u>3,631</u>

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 18 Deferred taxation (cont'd)

	Group	
	2012 RM'000	2011 RM'000
Subject to income tax:		
Deferred tax assets:		
- Unrealised profits and interest	1,589	1,994
- Tax losses	1,235	937
- Provisions	255	354
- Property development costs	1,030	904
- Unutilised capital allowances	76	0
	4,185	4,189
Offsetting	(368)	0
	3,817	4,189
Deferred tax liabilities:		
- Property, plant and equipment	(560)	(490)
- Property development costs	(68)	(68)
	(628)	(558)
Offsetting	368	0
	(260)	(558)

The amounts of tax losses carried forward, unutilised capital allowances and utilised reinvestment allowance for which no deferred tax asset is recognised in the statements of financial position are as follows:

	Group	
	2012 RM'000	2011 RM'000
Tax losses carried forward	1,214	10,845
Unutilised capital allowances	0	10,046
Unutilised reinvestment allowance	0	1,646
	1,214	22,537
Deferred tax assets not recognised at 25% (2011: 25%)	304	5,634

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 19 Property development costs

Group

	2012 RM'000	2011 RM'000
At 1 July 2011/2010		
Freehold land - at cost	36,255	36,329
Leasehold land - at cost	10	10
Development costs	174,750	148,541
	211,015	184,880
Add/(less): Movements in land		
- Additions	0	607
- Transfer of freehold land to investment property	0	(299)
- Transfer of freehold land (to)/from land held for property development (Note 13)	(9,710)	1,335
- Disposals of freehold land	(1,270)	(195)
	(10,980)	1,448
Add/(less): Movements in development costs		
- Additions	88,318	66,403
- Transfer of development costs from/(to) investment property	247	(594)
- Transfer of development cost (to)/from land held for property development (Note 13)	(11,950)	820
- Disposals of development costs	(2,953)	(33)
	73,662	66,596
Less: Accumulated costs charged to profit or loss		
- Prior financial years	(86,970)	(69,996)
- Current financial year	(59,339)	(56,414)
	(146,309)	(126,410)
Transfer to developed properties	(9,341)	(2,469)
At 30 June 2012/2011	118,047	124,045

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 19 Property development costs (cont'd)

Group

	2012 RM'000	2011 RM'000
At 30 June 2012/2011		
Freehold land - at cost	25,275	37,777
Leasehold land - at cost	10	10
Less: Land costs in respect of completed projects	(2,105)	(1,457)
Less: Land costs in respect of transfers to developed properties	(220)	(65)
	22,960	36,265
Development costs	248,412	215,137
Less: Development costs in respect of completed projects	(65,164)	(37,983)
Less: Development costs in respect of transfers to developed properties	(9,121)	(2,404)
	174,127	174,750
Accumulated costs charged to profit or loss	(146,309)	(126,410)
Add: Accumulated costs charged to profit or loss in respect of completed projects	67,269	39,440
	(79,040)	(86,970)
	<u>118,047</u>	<u>124,045</u>

Included in property development costs, are cost of landowners' entitlement amounting to RM16,340,049 (2011: RM18,534,005) arising from agreements entered into between the subsidiaries 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:

	2012 RM'000	2011 RM'000
Depreciation	70	49
Hire of equipment	721	469

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

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 20 Inventories

Group

At cost:

- Developed properties
- Consumables
- Plantation supplies

At net realisable value:

- Developed properties
- Inventories of Cahajaya Group:
  - Raw materials
  - Work in progress
  - Finished goods

	2012 RM'000	2011 RM'000
	10,843	3,547
	0	0
	26	28
	10,869	3,575
	260	260
	63	70
	1,537	1,956
	185	57
	2,045	2,343
	12,914	5,918

- (a) The Cahajaya Group wrote down its inventories to net realisable value amounting to approximately RM104,000 for the financial year ended 30 June 2012 based on the recoverable amounts of RM1,785,000 estimated by the Directors on the bases stated below:
- Raw materials and work in progress - based on forced sale value as determined by an independent valuer.
  - Finished goods - based on recent transacted sales.

Based on the sensitivity analysis, if the wood price per metric ton for the inventories had been 10% higher/lower, with all other variables held constant, the estimated recoverable amount of the inventories would have been RM160,000 higher/lower.

- (b) During the previous financial year, the Cahajaya Group wrote down its inventories by RM2,066,000 due to the circumstances as described below.

The subsidiaries of the Cahajaya Group individually filed winding up petitions at the Penang High Court on 4 August 2011. However, the hearing of the winding up was pending the disposal of an application by the Cahajaya Group management to intervene the winding up to be heard on 9 November 2011.

In order to determine the net realisable value of the inventories, the Directors of the Company appointed an independent valuer to carry out the valuation exercise. However the independent valuer was denied access by Cahajaya Group management. As advised by the lawyers, the Directors of the Company decided not to further pursue the independent valuation pending the resolution of on going legal disputes with Cahajaya Group management. Consequently, the Directors of the Company estimated the net realisable value of the inventories at approximately RM2,083,000 as at 30 June 2011 based on past transacted sales of certain inventories during the financial year as best estimates and this resulted in the recognition of a write down of RM2,066,000.

## 21 Trade and other receivables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade receivables				
Less: allowance for impairment	20,178 (558)	23,777 (1,050)	0 0	0 0
	19,620	22,727	0	0
Other receivables	2,051	2,493	19	7
Less: allowance for impairment	(121)	(331)	0	0
	1,930	2,162	19	7
Advances to landowners	29,169	26,122	0	0
Accrued billings in respect of property development	7,030	13,490	0	0
Amounts due from subsidiaries	0	0	390	245
Deposits	1,377	1,014	22	2
Advances to subcontractors	181	0	0	0
Prepayments	2	123	0	0
	59,309	65,638	431	254

The normal credit terms of trade receivables range from 14 days to 60 days (2011: 14 days to 60 days).

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
- Ringgit Malaysia	59,307	64,340	431	254
- US Dollar	0	1,175	0	0
	59,307	65,515	431	254

The maximum exposure to credit risk at 30 June 2012 and 2011 is the carrying value of each class of receivables mentioned above.

Advances to landowners arise when payments are made to the landowners before their entitlement crystallises in relation to the agreement entered into between the Company and the landowners to develop properties on land belonging to the landowners. The agreements state that the Company will bear all the property development cost incurred and in return the Company will be entitled to the profits from the sales of properties developed, but subject a certain portion of the sales proceeds accruing to the landowners as their entitlement in accordance with the agreement entered into between the Company and the landowners. Advances to landowners are transferred to property development costs when development activities have commenced.

### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired represent substantially amounts due from customers with good collection track record with the Group. Management will continuously monitor closely the trade receivables which are past due.



# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 21 Trade and other receivables (cont'd)

### Receivables that are past due but not impaired

The ageing analysis of the Group and Company's trade receivables which are past due but not impaired is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Number of days past due:				
1 to 30 days	2,538	4,711	0	0
31 to 90 days	3,815	4,171	0	0
More than 90 days	4,769	7,709	0	0
	<u>11,122</u>	<u>16,591</u>	<u>0</u>	<u>0</u>

Trade receivables that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default and are monitored on an on-going basis.

As at 30 June 2012 and 2011, none of the other receivables was past due but not impaired.

### Receivables that are impaired

As at 30 June 2012, trade receivables for the Group of RM558,000 (2011: RM1,050,000) and other receivables for the Group of RM121,000 (2011: RM331,000) were impaired.

Movements of the allowance for impairment of trade and other receivables are as follow:

	Group	
	2012 RM'000	2011 RM'000
<u>Trade receivables</u>		
At 1 July 2011/2010	1,050	757
Impairment loss charged to profit or loss	182	593
Allowance for impairment of receivables written back	(674)	(300)
At 30 June	<u>558</u>	<u>1,050</u>
<u>Other receivables</u>		
At 1 July 2011/2010	331	165
Impairment loss charged to profit or loss	0	166
Allowance for impairment of receivables written back	(210)	0
At 30 June	<u>121</u>	<u>331</u>
	Company	
	2012 RM'000	2011 RM'000
<u>Amounts due from subsidiaries</u>		
Cahajaya Timber Industries Sdn Bhd	360	215
Brilliant Development Sdn Bhd	30	30
	<u>390</u>	<u>245</u>

The amount due from subsidiaries represent advances which are interest free, unsecured and repayable on demand. They are creditworthy debtors with good payment records with the Company.

## 22 Deposits with licensed banks

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed deposits with licensed banks	29,200	29,258	2,100	6,558
Fixed deposits held as security for banking facilities	1,225	438	555	0
	30,425	29,696	2,655	6,558

Fixed deposits with licensed banks are denominated in Ringgit Malaysia.

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

	Group		Company	
	2012 %	2011 %	2012 %	2011 %
Fixed deposits with licensed banks	2.50 - 3.15	2.20 - 3.15	2.50 - 3.15	2.00 - 3.15
Fixed deposits held as security for banking facilities	3.25 - 3.30	3.15	3.25 - 3.30	N/A

Fixed deposits held as security amounting to RM1,225,000 (2011: RM438,000) were pledged to banks as security for bankers' guarantee facilities granted.

Fixed deposits with licensed banks of the Group and of the Company have weighted average maturity periods range from 13 to 90 days (2011: 12 to 7 days).

## 23 Cash and bank balances

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances held under Housing Development Accounts pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966	16,128	6,925	0	0
Cash at bank and in hand	13,362	15,429	2,257	177
	29,490	22,354	2,257	177

The interest rates per annum during the financial year and the effective interest rates per annum as at the end of the financial year for the Group are as follows:

Group	2012 %	2011 %
Interest rates during the financial year:		
Cash at bank held under Housing Development Accounts	2.00 - 2.05	1.25 - 2.05
Effective interest rates as at the end of the financial year:		
Cash at bank held under Housing Development Accounts	2.00	2.05 - 2.10

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

## 23 Cash and bank balances

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
- Ringgit Malaysia	29,088	22,074	2,257	177
- US Dollar	401	279	0	0
- Thai Baht	1	1	0	0
	<u>29,490</u>	<u>22,354</u>	<u>2,257</u>	<u>177</u>

Bank balances are deposits held at call with banks.

## 24 Share capital

Group and Company

	2012 RM'000	2011 RM'000
Authorised:		
Ordinary shares of RM1 each	200,000	200,000
Issued and fully paid:		
Ordinary shares of RM1 each	<u>90,545</u>	<u>90,545</u>

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:

- Eligible persons are full time employees of the Group (including Executive Directors) who have been confirmed and served at least one full year (three full years for foreign employees) prior to the date of offer, being the date when an offer is made by the Option Committee in writing to the eligible employees. The eligibility for participation in the ESOS shall be at the absolute discretion of the Option Committee.
- The total number of ordinary shares to be offered shall not exceed 10% of the issued and paid-up ordinary share capital of the Company at any point of time during the duration of the ESOS.
- Not more than 50% of the shares available under the ESOS should be allocated in aggregate, to Directors and senior management of the Group.
- 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.
- 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.
- The ESOS shall be in force for a duration of ten years commencing from 24 November 2001 and had expired on 23 November 2011.

## 24 Share capital (cont'd)

### Employee share option scheme (cont'd)

- (g) The number of ordinary shares relating to the option or option price or the terms and method of exercise of the option, as far as the option remaining unexercised, shall be adjusted in the event of any alteration in the capital structure of the Company during the option period.
- (h) The consideration is payable in full upon exercising of option and the option does not grant any right to participate in any share issue of any other company.
- (i) The Option Committee may at any time and from time to time by resolution of the Board modify and/or vary all or any of the provisions of the ESOS provided any such modification/variation shall be in compliance with the guidelines of the Securities Commission, as amended from time to time, or shall not be to the advantage of the grantees without prior approval of the shareholders of the Company in a general meeting.
- (j) The basis on which the options may be exercised by virtue of By-Law 11(a) of the ESOS is as follows:
- | No. of years from date of offer | Percentage (%) of shares comprised in option |
|---------------------------------|--|
| (i) First year                  | 40%  |
| (ii) Second year                | 30%  |
| (iii) Third year onwards        | 30%  |
- (k) The option holders of the ESOS shall not be eligible 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 1 July	Granted	Exercised	Expired/ Terminated	At 30 June
2012						
8 January 2002	1.32	3,886,000	0	0	(3,886,000)	0
24 August 2002	1.36	34,000	0	0	(34,000)	0
14 January 2004	1.36	362,000	0	0	(362,000)	0
Total		4,282,000	0	0	(4,282,000)	0
2011						
8 January 2002	1.32	4,014,000	0	0	(128,000)	3,886,000
24 August 2002	1.36	34,000	0	0	0	34,000
14 January 2004	1.36	378,000	0	0	(16,000)	362,000
Total		4,426,000	0	0	(144,000)	4,282,000

At 30 June 2011, there were 3,886,000 unissued ordinary shares under option at an exercise price of RM1.32 and 396,000 unissued ordinary shares under option at an exercise price of RM1.36. All shares options granted under the ESOS had expired on 23 November 2011.

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 25 Reserves

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revaluation reserves	10,974	10,974	0	0
Retained earnings	166,485	164,208	132,040	137,183
	<u>177,459</u>	<u>175,182</u>	<u>132,040</u>	<u>137,183</u>

### Company

Under the single-tier tax system which came into effect from the Year of Assessment 2008, companies are not required to have tax credits, under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of the shareholders.

Companies with Section 108 tax credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 tax credits are exhausted or up to 31 December 2013, whichever is earlier unless they opt to disregard the Section 108 tax credits to pay single-tier dividends under the transitional provisions of the Finance Act, 2007.

The Company has not made this election. The Company has, subject to confirmation by the Inland Revenue Board, sufficient tax exempt account balance and tax credit under Section 108 of Income Tax Act 1967 to frank all of the retained earnings of the Company as franked dividend.

## 26 Provision for property development

### Group

#### Provision for property development

- non-current

- current

	2012 RM'000	2011 RM'000
- non-current	5,747	531
- current	2,982	0
	<u>8,729</u>	<u>531</u>

#### Movements in provision for property development:

At 1 July 2011/2010

Provisions made during the year

Utilised

At 30 June 2012/2011

	2012 RM'000	2011 RM'000
At 1 July 2011/2010	531	531
Provisions made during the year	11,315	0
Utilised	(3,117)	0
At 30 June 2012/2011	<u>8,729</u>	<u>531</u>

As at 30 June 2012, the provision for property development is in respect of unavoidable costs that the Group has to incur to develop affordable housing on involuntary basis. These costs are not expected to be recoverable from the sales of affordable housing and are allocated to the relevant housing projects. Included in current is an amount of RM288,000 in respect of commitments made on enhancements to infrastructure facilities to township development.

As at 30 June 2011, the provision for property development is in respect of commitments made on enhancements to infrastructure facilities to township development.

## 27 Trade and other payables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade payables	20,144	14,319	0	0
Sales tax payable	1,011	1,011	0	0
Other payables	3,081	2,689	15	0
Accrued liabilities	2,010	1,587	240	271
	26,246	19,606	255	271

The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
- Ringgit Malaysia	26,154	19,456	255	271
- Thai Baht	80	41	0	0
- US Dollar	12	109	0	0
	26,246	19,606	255	271

Credit terms of trade payables granted to the Group vary from 7 to 60 days (2011: 7 to 60 days).

Included in trade payables are landowners' entitlement in respect of development projects as described in Note 19 to the financial statements amounting to RM9,116,000 (2011: RM3,985,000). 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 RM4,981,000 (2011: RM4,393,000).

## 28 Dividend

	2012		2011	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Proposed/paid:				
First and final dividend in respect of the financial year	10	6,791	10	6,791

At the forthcoming Annual General Meeting, a first and final gross dividend in respect of the financial year ended 30 June 2012 of 10 sen per share, less income tax, 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 2013.



# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 29 Cash flows generated/(used in) from operations

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit/(loss) for the financial year before taxation	19,146	(3,894)	2,404	(212)
Adjustments for:				
Depreciation of property, plant and equipment	2,628	2,651	0	0
Amortisation of biological assets	32	23	0	0
Depreciation of investment properties	82	85	0	0
Dividend income	0	0	(3,425)	(25)
Interest income	(1,700)	(1,442)	(148)	(374)
Property, plant and equipment written off	2	1	0	0
Allowance for impairment of receivables	182	759	0	0
Allowance for impairment of receivables written back	(884)	(300)	0	0
Inventories written down to net realisable value	104	2,066	0	0
Inventories written off	0	267	0	0
(Reversal of)/Impairment loss of property, plant and equipment	(1,122)	4,003	0	0
Interest expense	3	4	0	0
Share of profit of associate	(9)	(8)	0	0
	(682)	8,109	(3,573)	(399)
	18,464	4,215	(1,169)	(611)
Changes in working capital:				
Property development costs	(12,596)	(2,187)	0	0
Inventories	(7,099)	2,816	0	0
Receivables	12,538	(6,431)	(32)	0
Payables	6,641	1,910	(16)	7
	(516)	(3,892)	(48)	7
Cash flows generated from/ (used in) operations	17,948	323	(1,217)	(604)

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 30 Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed banks (Note 22)	30,425	29,696	2,655	6,558
Cash and bank balances (Note 23)	29,490	22,354	2,257	177
Fixed deposits held as security for banking facilities (Note 22)	(1,225)	(438)	(555)	0
Bank overdrafts (unsecured)	(111)	0	0	0
	<u>58,579</u>	<u>51,612</u>	<u>4,357</u>	<u>6,735</u>

The interest rates per annum during the financial year and the effective interest rates per annum as at the end of the financial year for the bank overdrafts of the Group are as follows:

	Group	
	2012 %	2011 %
Interest rates during the financial year:		
Bank overdrafts	7.60	6.25 - 7.50
Effective interest rates as at the end of the financial year:		
Bank overdrafts	<u>7.60</u>	<u>N/A</u>

Bank overdrafts are covered by corporate guarantees given by the Company and are denominated in Ringgit Malaysia.

## 31 Commitments

	Company	
	2012 RM'000	2011 RM'000
Corporate guarantees issued to banks for banking facilities granted to certain subsidiaries (unsecured)		
- Limit	3,250	6,650
- Utilised as at 30 June	<u>133</u>	<u>905</u>

The corporate guarantees issued to the banks have not been recognised as the amounts are not material and the likelihood of the subsidiaries defaulting is remote.

	Company	
	2012 RM'000	2011 RM'000
Bankers' guarantees issued to third party in favour of subsidiaries (unsecured)	<u>2,588</u>	<u>3,722</u>

	Group	
	2012 RM'000	2011 RM'000
Property development expenditure contracted for at the end of the reporting period but not yet incurred is as follows:		
- Landowners' entitlement	<u>41,088</u>	<u>10,767</u>

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 32 Related party disclosures

- (a) In addition to related parties disclosures mentioned elsewhere in the financial statements, other related parties having significant transactions with the Group are as follows:

<u>Name of company</u>	<u>Relationship</u>
Teong Choon Enterprise (M) Sdn Bhd	Enterprise in which a substantial interest is owned directly by a person connected with Mr. Goh Chooi Eam, who is a non-independent non-executive Director of the Company.
Hijaujaya Estate Sdn Bhd	Enterprise in which a substantial interest is owned directly by a person connected with Mr. Goh Chooi Eam, who is a non-independent non-executive Director of the Company.
Ladang Sin Hock Sdn Bhd	Enterprise in which a substantial interest is owned directly by a person connected with Mr. Goh Chooi Eam, who is a non-independent non-executive Director of the Company.

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

	Group	
	2012 RM'000	2011 RM'000
Purchases of fertilizer and chemical products from Teong Choon Enterprise (M) Sdn Bhd	561	315
Services rendered payable to Hijaujaya Estate Sdn Bhd	57	41
Services rendered payable to Ladang Sin Hock Sdn Bhd	47	61

The above transactions were carried out on terms and rates as agreed between the Group and the related parties.

	Company	
	2012 RM'000	2011 RM'000
Gross dividend income from:		
- Brilliant Development Sdn Bhd	1,994	7
- Brilliant Delta (M) Sdn Bhd	1,413	0
- Semua Jadi Sdn Bhd	18	18

### 32 Related party disclosures (cont'd)

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

	Company	
	2012 RM'000	2011 RM'000
Management fees receivable from:		
- Brilliant Development Sdn Bhd	30	30
- Cahajaya Timber Industries Sdn Bhd	10	15
- Semua Jadi Sdn Bhd	33	32
Advances to:		
- Brilliant Development Sdn Bhd	0	150
- Cahajaya Timber Industries Sdn Bhd	150	200
- Maxilux Properties Sdn Bhd	400	900
- Pesaka Saujana (M) Sdn Bhd	1,900	2,500
- Pesaka Saujana Development Sdn Bhd	30	10,466
- Semua Jadi Sdn Bhd	14,475	14,551
- Sungei Lalang Development Sdn Bhd	2,950	7,200
- Teguh Padu Development Sdn Bhd	700	250
Repayment of advances from:		
- Brilliant Development Sdn Bhd	0	4,484
- Cahajaya Timber Industries Sdn Bhd	3,300	0
- Maxilux Properties Sdn Bhd	8,725	1,150
- Pesaka Saujana (M) Sdn Bhd	400	7,200
- Pesaka Saujana Development Sdn Bhd	11,709	0
- Semua Jadi Sdn Bhd	0	9,550
Dividend received from:		
- Brilliant Development Sdn Bhd	1,994	7
- Brilliant Delta (M) Sdn Bhd	1,413	0
- Cahajaya Timber Industries Sdn Bhd	0	6,212
- Semua Jadi Sdn Bhd	18	18

Subsidiaries 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.

The above transactions were based on terms and rates as agreed between the Company and the related companies.

# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 32 Related party disclosures (cont'd)

### (c) Significant related party balances

Significant related party balances as at financial year end are as follows:

	Nature	Company 2012 RM'000	2011 RM'000
Amounts due from subsidiaries:			
- Semua Jadi Sdn Bhd	Advances	44,775	41,978
- Brilliant Development Sdn Bhd	Advances	30	30
- Pesaka Saujana (M) Sdn Bhd	Advances	18,198	25,000
- Teguh Padu Development Sdn Bhd	Advances	22,209	21,509
- Sungei Lalang Development Sdn Bhd	Advances	15,528	12,577
- Pesaka Saujana Development Sdn Bhd	Advances	10,793	11,163
- Maxilux Properties Sdn Bhd	Advances	2,054	4,953
- Cahajaya Timber Industries Sdn Bhd	Advances	360	215

Amounts due from subsidiaries are unsecured, interest free and are repayable on demand.

### (d) Key management compensation during the financial year

The compensation for Directors and other members of key management during the financial year is analysed as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Salaries and bonuses	2,453	2,653	241	274
Defined contribution plan	286	311	0	0
Other employee benefits	135	160	0	0
	2,874	3,124	241	274

### 33 Group segmental information

The Group is organised into four main business segments:

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

Inter-segment revenue comprises mainly of dividend income and management fees for management services provided to subsidiaries.

2012	Property development RM'000	Manufacturing RM'000	Investment holding RM'000	Oil Palm RM'000	Group RM'000
Revenue					
Total segment revenue	93,103	7,370	8,226	3,847	112,546
Inter-segment revenue	0	0	(8,226)	0	(8,226)
Revenue from external customers	93,103	7,370	0	3,847	104,320
Profit/(loss)					
Reportable segment profit/(loss)	18,438	(1,584)	(188)	2,471	19,137
Share of results of an associate	0	0	9	0	9
Profit before taxation					19,146
Net assets					
Total segment assets	302,078	12,092	236,815	31,513	582,498
Inter-segment assets	(4,753)	0	(218,164)	0	(222,917)
Associate	0	0	3,168	0	3,168
Total assets per statement of financial position					362,749
Total segment liabilities	157,380	1,916	284	0	159,580
Inter-segment liabilities	(122,722)	(360)	(27)	0	(123,109)
Total liabilities per statement of financial position					36,471
Other information					
Capital expenditure	283	0	0	158	441
Interest revenue	1,256	3	441	0	1,700
Interest expenses	3	0	0	0	3
Tax expense	3,700	188	833	618	5,339
Reversal of impairment loss on property, plant and equipment	0	1,122	0	0	1,122
Depreciation and amortisation	882	1,898	0	32	2,812



# Notes to the financial statements *(cont'd)*

for the financial year ended 30 June 2012

## 33 Group segmental information (cont'd)

2011	Property development RM'000	Manufacturing RM'000	Investment holding RM'000	Oil Palm RM'000	Group RM'000
Revenue					
Total segment revenue	77,864	12,261	605	4,617	95,347
Inter-segment revenue	0	0	(605)	0	(605)
Revenue from external customers	77,864	12,261	0	4,617	94,742
Profit/(loss)					
Reportable segment profit/(loss)	9,690	(16,941)	30	3,319	(3,902)
Share of results of an associate	0	0	8	0	8
Loss before taxation					(3,894)
Net assets					
Total segment assets	295,150	13,824	238,427	21,291	568,692
Inter-segment assets	(5,861)	0	(224,746)	0	(230,607)
Associate	0	0	3,159	0	3,159
Total assets per statement of financial position					341,244
Total segment liabilities	147,007	1,876	300	0	149,183
Inter-segment liabilities	(127,985)	(215)	(18)	0	(128,218)
Total liabilities per statement of financial position					20,965
Other information					
Capital expenditure	12,187	81	0	44	12,312
Interest revenue	676	63	703	0	1,442
Interest expenses	4	0	0	0	4
Tax expense/(income)	455	(362)	83	830	1,006
Impairment loss on property, plant and equipment	0	4,003	0	0	4,003
Write down of inventories to net realisable value	0	2,066	0	0	2,066
Inventories written off	0	267	0	0	267
Depreciation and amortisation	812	1,973	0	23	2,808

Capital expenditure comprises additions to property, plant and equipment, biological assets and land held for property development and investment properties.

### 34 Significant events

- (a) On 4 August 2011, the Cahajaya Group individually filed winding up petitions at the Penang High Court.

The Cahajaya Group has been incurring losses and the Directors of the Company are of the view that there is no reasonable hope that the object of operating at a profit could be attained and that the application to Court to wind up these companies will be in the best interest of the Company. The winding up petition was fixed for case management on 12 September 2011 and hearing on 10 October 2011.

The Penang High Court had on 6 October 2011 vacated the hearing of the winding up petition fixed on 10 October 2011 pending disposal of an application by the Cahajaya Group management to intervene in the proceeding. The application to intervene was heard on 9 November 2011 and the hearing date of the winding up petition was fixed at a later date after the disposal of the said application to intervene.

- (b) Upon the request of the Cahajaya Group to withdraw the winding up petitions and on the notice of motion to intervene in proceedings filed by the Cahajaya Group management, the Penang High Court had decided on 15 December 2011 to fix the aforesaid matters to be heard in open court on 20 December 2011 to enable respective parties to make their submission on the conditions for withdrawal. On 20 December 2011, the Penang High Court delivered its decision ordering for the winding up petitions to be struck off.

### 35 Subsequent events

On 11 July 2012, the Cahajaya Group was placed under member's voluntary winding up.

Mr Heng Ji Keng and Mr Michael Joseph Monteiro of Ferrier Hodgson MH Sdn Bhd were appointed as joint and several liquidators of CTI; whilst Mr Skelchy Anthony Joseph and Dato' Abu Hanifah Bin Noordin of PKF Covenant Sdn Bhd were appointed joint and several liquidators of PF and GTI.

The member's voluntary winding up of the Cahajaya Group was to rationalise and streamline the Group structure. Upon commencement of the member's voluntary winding up, the Cahajaya Group ceased its manufacturing operations.

### 36 Supplementary information disclosed pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of parent and its subsidiaries:				
- realised	167,199	167,693	132,040	137,183
- unrealised	3,454	1,880	0	0
Total share of retained earnings of associate:				
- realised	19	10	0	0
- unrealised	0	0	0	0
Less: consolidation adjustments	(4,187)	(5,375)	0	0
Total retained earnings	166,485	164,208	132,040	137,183

The disclosure of realised and unrealised earnings above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

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

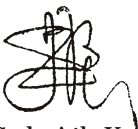
We, Dato' Wira Haji Thobrani Bin Haji Hanafi and Goh Aik Keong, being two of the Directors of Oriental Interest Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 37 to 101 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The information set out in Note 36 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 31 October 2012.



Dato' Wira Haji Thobrani Bin Haji Hanafi  
Executive Chairman



Goh Aik Keong  
Managing Director

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

I, Khaw Eng Peng, being the Director primarily responsible for the financial management of Oriental Interest Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 101 are, in my opinion, 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.



Khaw Eng Peng  
Executive Director

Subscribed and solemnly declared in Penang on 31 October 2012.

Before me



Commissioner for Oaths

# Analysis of shareholdings

as at 8 October 2012

Authorised share capital	: RM200,000,000/-
Issued and fully paid-up share capital	: RM90,545,002/-
Voting rights	: On a show of hands - 1 vote for every shareholder
	: On a poll - 1 vote for every one ordinary share held

## Thirty Largest Shareholders as at 8 October 2012

No.	Name	Number of Shares	% of Shares
1	Thobrani Holdings Sdn Bhd	13,263,000	14.65
2	AK Goh Holdings Sdn Bhd	5,142,731	5.68
3	Goh Aik Lai Holdings Sdn Bhd	4,295,600	4.74
4	K.T. Ooi Holdings Sdn Bhd	3,300,749	3.65
5	Tow Hing Wa Holdings Sdn Bhd	2,509,182	2.77
6	Yeap Peng Hean Holdings Sdn Bhd	2,335,182	2.58
7	Goh Aik Keong	2,300,800	2.54
8	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for British and Malayan Trustees Limited (Yeoman 3-Rights)	2,160,300	2.39
9	Daedalin Sdn Bhd	1,959,232	2.16
10	Ong Cheng Guan	1,827,100	2.02
11	Goh Cheng Guan Holdings Sdn Bhd	1,769,291	1.95
12	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	1,693,494	1.87
13	Teong Choon Enterprise (Malaysia) Sdn Bhd	1,681,000	1.86
14	Chai Tin Kok Holdings Sdn Bhd	1,592,077	1.76
15	Goh Aik Lean Holdings Sdn Bhd	1,562,000	1.73
16	Lim Hai Hong @ Lim Hai Hak	1,490,000	1.65
17	Chan Siau Chien	1,354,600	1.50
18	Chua Ting San Holdings Sdn Bhd	1,279,096	1.41
19	Perfect Scores Sdn Bhd	1,047,000	1.16
20	Teoh Aik Xiang	1,000,000	1.10
21	Teoh Aik Wei	1,000,000	1.10
22	Teoh Aik Chin	1,000,000	1.10
23	How Siew Mee	1,000,000	1.10
24	Goh Aik Lean	1,000,000	1.10
25	Goh Aik Keong	997,585	1.10
26	Yeoh Swee Seong Sdn Bhd	906,000	1.00
27	Yeoh Kooi Chuan Holdings Sdn Bhd	827,585	0.91
28	Teoh Aik Hwang	800,000	0.88
29	Wai Lok Holding Sdn Bhd	764,000	0.84
30	Teoh Aik Jim	697,741	0.77
	Total	62,555,345	69.07

# Analysis of shareholdings (cont'd)

as at 30 September 2012

## Distribution of Shareholders as at 8 October 2012

Size of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	9	0.40	332	0.00
100 - 1,000	932	41.68	897,478	0.99
1,001 - 10,000	930	41.59	3,822,958	4.22
10,001 - 100,000	286	12.79	9,689,965	10.70
100,001 - 4,527,249	77	3.45	57,728,538	63.76
4,527,250 and above	2	0.09	18,405,731	20.33
<b>Total</b>	<b>2,236</b>	<b>100.00</b>	<b>90,545,002</b>	<b>100.00</b>

## Directors' Shareholdings as per register as at 8 October 2012

Name	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Dato' Wira Haji Thobrani Bin Haji Hanafi	453	0.00	13,827,000 ^^	15.27
Goh Aik Keong	3,318,785	3.67	5,142,731	5.68
Hazman Bin Thobrani	20,000	0.02	-	-
Khaw Eng Peng	95,002	0.10	-	-
Goh Chooi Eam	203	0.00	1,769,291	1.95
Tuan Haji Ahmad Bin Abdul Rashid	-	-	60,000 @	0.07
Aswandi Bin Mohamed Hashim	-	-	-	-

The deemed interests of Dato' Wira Haji Thobrani Bin Haji Hanafi, Mr Goh Aik Keong and Mr Goh Chooi Eam in the related corporations are disclosed under Directors' Report in this Annual Report.

^^ Including 364,000 shares held in the name of spouse and children and are treated as interest of the Director in accordance with Section 134(12)(c) of the Companies Act, 1965.

@ Deemed interested pursuant to Section 6A of the Companies Act, 1965.

## Substantial Shareholders as per register as at 8 October 2012

Name	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Dato' Wira Haji Thobrani Bin Haji Hanafi	453	0.00	13,463,000	14.87
Datin Sharifah Mahiran Binti Syed Kechil	282,000	0.31	13,463,000	14.87
Thobrani Holdings Sdn Bhd	13,463,000	14.87	-	-
Goh Aik Keong	3,318,785	3.67	5,142,731	5.68
AK Goh Holdings Sdn Bhd	5,142,731	5.68	-	-

# Properties of the Group

as at 30 June 2012

Address/Location	Description/Year of Acquisition or Revaluation	Approximate Land/Floor Area	Tenure/Age of Building (years)	Net Book Value (RM'000)
<b>Property, plant and equipment</b>				
<b>Sungai Petani</b>				
1 & 2 Jalan Bank Sungai Petani Kedah Darul Aman	3/6 Storey Office land & Building/ 1993	8,418 sq.ft.	Freehold/16	1,512
7 & 8 Jalan Bank Sungai Petani Kedah Darul Aman	Commercial Land for Office Building	0.11 acres	Freehold	802
Lot 96 & 97 & Plot 73A Bakar Arang Industrial Estate Sungai Petani Kedah Darul Aman	Industrial Land & Factory and Office Building/ 1993	10.25 acres	99 years lease expiring in 2088/24	5,470
Plot 75 Bakar Arang Industrial Estate Sungai Petani Kedah Darul Aman	Industrial Land & Factory and Office Building/ 2007	4.00 acres	99 years lease expiring in 2083/6	2,523
Mukim Teloi Kiri District of Kuala Muda Kedah Darul Aman	Agriculture Land for Oil Palm Cultivation	244.15 acres	Freehold	3,759
<b>Kulim</b>				
343 Jalan Tunku Mohd Asaad Kulim Kedah Darul Aman	Sales Office (Bungalow)/ 1996	62,483 sq.ft.	Freehold/55	1,053
Mukim Sidam Kanan, District of Kulim, Kedah Darul Aman.	Agriculture Land for Oil Palm Cultivation	582.11 acres	Freehold	28,599
<b>Kuala Lumpur/Selangor/ Negeri Sembilan</b>				
61 Jalan Kampung Pandan Taman Maluri Kuala Lumpur	4 Storey Office Building/ 1993	7,040 sq.ft.	99 years lease expiring in 2076/22	529
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 2092/16	123
Mukim Setul Seremban Negeri Sembilan Darul Khusus	Agriculture Land for Oil Palm Cultivation	173.81 acres	99 years lease expiring in 2081	10,250



# Properties of the Group *(cont'd)*

as at 30 June 2012

Address/Location	Description/Year of Acquisition or Revaluation	Approximate Land/Floor Area	Tenure/Age of Building (years)	Net Book Value (RM'000)
<b>Property, plant and equipment (cont'd)</b>				
<b>Kuala Lumpur/Selangor/ (cont'd)</b>				
<b>Negeri Sembilan</b>				
Mukim Ampang Kuala Lumpur Wilayah Persekutuan KL	Development Land Approved for Housing	0.24 acres	99 years lease expiring in 2091	782
<b>Investment properties</b>				
<b>Sungai Petani</b>				
1 & 2 Jalan Bank Sungai Petani Kedah Darul Aman	3/6 Storey Office Building/ 1993	8,418 sq.ft.	Freehold/16	622
7 & 8 Jalan Bank Sungai Petani Kedah Darul Aman	3 Storey Office Building/ 2004	12,861 sq.ft.	Freehold/9	544
<b>Kulim</b>				
32 - 42 Lorong Semarak 2 Taman Semarak Kulim Kedah Darul Aman	3 Storey Shophouses/ 1996	49,059 sq.ft.	Freehold/17	1,469
Mukim Sidam Kanan, District of Kulim, Kedah Darul Aman.	1½ Storey Detached Supermarket In progress	73,761 sq.ft.	Freehold	652
<b>Selangor</b>				
No. 1 Jalan Dahlia 2/7 Taman Dahlia Bandar Baru Salak Tinggi Selangor Darul Ehsan	Double Storey Terrace/ 2007	3,175 sq.ft.	Freehold/6	157
No. 20 Jalan Seroja 6 Taman Seroja Bandar Baru Salak Tinggi Selangor Darul Ehsan	Double Storey Shop/ 2009	3,080 sq.ft.	99 years lease expiring 2094/3	233

# Properties of the Group *(cont'd)*

as at 30 June 2012

Address/Location	Description/Year of Acquisition or Revaluation	Approximate Land/Floor Area	Tenure/Age of Building (years)	Net Book Value (RM'000)
<b>Land held for property development</b>				
<b>Sungai Petani</b>				
Mukim Sungai Pasir District of Kuala Muda Kedah Darul Aman	Development Land Approved for Housing	39.69 acres	Freehold	13,526
<b>Kulim</b>				
Bandar Kulim District of Kulim Kedah Darul Aman	Development Land Approved for Housing	21.13 acres	Freehold	6,926
Bandar Kulim District of Kulim Kedah Darul Aman	Vacant Land for Future Development	10.21 acres	Freehold	339
Bandar Kulim District of Kulim Kedah Darul Aman	Agriculture Land for Future Development	0.38 acres	Freehold	14
Mukim Sidam Kanan, District of Kulim, Kedah Darul Aman.	Development Land Approved for Housing	32.14 acres	Freehold	2,954
<b>Prai</b>				
Mukim 15 Seberang Prai Selatan Penang	First Grade Land for Future Development	20.88 acres	Freehold	10,473
<b>Sepang</b>				
Mukim Dengkil District of Sepang Selangor Darul Ehsan	Development Land Approved for Housing	21.48 acres	Freehold	2,045
Mukim Sepang District of Sepang Selangor Darul Ehsan	Development Land Approved for Housing	2.22 acres	Freehold	508
Mukim Dengkil District of Sepang Selangor Darul Ehsan	Development Land Approved for Housing	2.75 acres	99 years lease expiring between 2094 - 2096	1,405

# Development land under joint venture agreement

as at 30 June 2012

Address/Location	Approximate Land/Floor Area	Tenure/Age of Building (years)	Advances to Landowners (RM'000)
Kulim			
Mukim Keladi, District of Kulim Kedah Darul Aman	1.74 acres	Freehold	70
Sepang/Gombak/Melaka			
Mukim Labu District of Sepang Selangor Darul Ehsan	9.25 acres	Freehold	2,750
Mukim Setapak District of Gombak Selangor Darul Ehsan	19.17 acres	99 years lease expiring in 2094	5,930
Mukim Bukit Katil District of Melaka Tengah Melaka	11.41 acres	99 years lease expiring between 2105 - 2110	895
Mukim Dengkil District of Sepang Selangor Darul Ehsan	6.02 acres	99 years lease expiring in 2093	1,197
Mukim Dengkil District of Sepang Selangor Darul Ehsan	25.32 acres	99 years lease expiring in 2106	7,730
Mukim Dengkil District of Sepang Selangor Darul Ehsan	38.40 acres	Freehold	10,597

# Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of ORIENTAL INTEREST BERHAD will be held at Serindit Room, Hotel Equatorial, No. 1 Jalan Bukit Jambul, 11900 Penang on Wednesday, 5 December 2012 at 10.00 a.m. for the following purposes:

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2012 together with the Reports of the Directors and Auditors thereon.
2. To declare a first and final dividend of 10% per share less 25% tax for the year ended 30 June 2012. Ordinary Resolution 1
3. To re-elect the following Directors retiring pursuant to Article 80 of the Articles of Association of the Company:
  - 3.1 Dato' Wira Haji Thobrani Bin Haji Hanafi Ordinary Resolution 2
  - 3.2 Mr Goh Aik Keong Ordinary Resolution 3
4. To re-elect Encik Aswandi Bin Mohamed Hashim who was appointed during the year, retiring pursuant to Article 87 of the Articles of Association of the Company. Ordinary Resolution 4
5. To approve the payment of Directors' fees for the financial year ended 30 June 2012. Ordinary Resolution 5
6. To re-appoint Messrs PricewaterhouseCoopers and to authorise the Directors to fix their remuneration. Ordinary Resolution 6

### AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions with or without modifications:

7. AUTHORITY TO ALLOT AND ISSUE SHARES BY DIRECTORS PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 Ordinary Resolution 7  
"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to allot and issue shares in the Company, at any time, at such price, upon such terms and conditions, for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company at the time of issue and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."

# Notice of annual general meeting *(cont'd)*

## 8. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR PROVISION OF FINANCIAL ASSISTANCE BETWEEN THE COMPANY AND ITS SUBSIDIARY COMPANIES Ordinary Resolution 8

"THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities ("Main LR") and paragraph 3.4 of the Practice Note 12, a general mandate of the Shareholders be and is hereby granted for the Company to provide financial assistance to its subsidiary companies as stated in Section 2.3 of the Circular to Shareholders dated 12 November 2012, which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders; and that the approval shall continue to be in force until

- a. the conclusion of the next AGM of the Company at which time the said authority will lapse, unless the authority is renewed at the meeting; or
- b. the expiration of the period within which the next AGM of the Company 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 ordinary resolution passed by the shareholders in a general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be empowered to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution."

## 9. AUTHORITY TO CONTINUE IN OFFICE AS SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR Ordinary Resolution 9

"THAT authority be and is hereby given to Tuan Haji Ahmad Bin Abdul Rashid who has served as an Senior Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Senior Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code of Corporate Governance 2012."

## 10. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY Special Resolution

"THAT the deletions, alterations, modifications and additions to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 12 November 2012 be and are hereby approved."

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

# Notice of annual general meeting *(cont'd)*

## NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a First and Final Dividend of 10% per share less 25% tax for the financial year ended 30 June 2012, if approved at the Nineteenth Annual General Meeting, will be paid on 21 December 2012 to Depositors whose names appear in the Record of Depositors of the Company at the close of business on 10 December 2012.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 10 December 2012 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to Rules of the Bursa Malaysia Securities Berhad.

## BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)  
TAN AI NING (MAICSA 7015852)  
Company Secretaries  
Selangor Darul Ehsan  
12 November 2012

## Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 23 November 2012 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
7. Agenda 1 is meant for discussion only as Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders of the Company and therefore, Agenda 1 is not put forward for voting.

# Notice of annual general meeting *(cont'd)*

## Explanatory Note on Special Business

### Ordinary Resolution 7

#### Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 7, if passed, will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being, for such purposes as the Directors consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting.

This is a renewal of the mandate obtained from its shareholders at the last Annual General Meeting held on 2 December 2011 and will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares for purpose of funding future investment, working capital and/or acquisitions.

The Company had not issued any new shares pursuant to Section 132D of the Companies Act, 1965 under the general mandate which was approved at the Eighteenth Annual General Meeting of the Company.

### Ordinary Resolution 8

#### Proposed Renewal of Shareholders' Mandate for Provision of Financial Assistance between the Company and its Subsidiary Companies

The proposed Ordinary Resolution 8 if passed, will empower the Company to provide financial assistance amounting up to RM7,000,000 each to its subsidiaries, Yiked Alliance Sdn Bhd and Yiked Brilliant Sdn Bhd, the details of which are set out in the Circular to Shareholders dated 12 November 2012.

### Ordinary Resolution 9

#### Authority to Continue in Office as Senior Independent Non-Executive Director

The Board of Directors had via the Nomination Committee conducted an annual performance evaluation and assessment of Tuan Haji Ahmad Bin Abdul Rashid, who has served as Senior Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and recommended him to continue to act as Senior Independent Non-Executive Director of the Company based on the following justifications:-

- a. he has fulfilled the criteria under the definition on Independent Director as stated in the Main Listing Requirement and therefore is able to bring independent and objective judgement to the Board;
- b. his legal experience will enable him to provide the Board with a diverse set of experience, expertise, skills and competence;
- c. he has been with the Company for eleven (11) years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations or discussions at the Audit Committee and Board meetings;
- d. he has contributed sufficient time and efforts and attended all the Audit Committee and Board Meetings for informed and balanced decision making; and
- e. he has exercised his due care during his tenure as Senior Independent Non-Executive Director of the Company and carried out professional duty in the interest of the Company and shareholders.

### Special Resolution

#### Proposed Amendments to the Articles of Association of the Company

The proposed Special Resolution if passed, will streamline the Company's Articles of Association in line with the latest Main Market Listing Requirements of Bursa Securities, prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout, details of which as set out in the Circular to shareholders dated 12 November 2012.

### Statement Accompanying Notice of Annual General Meeting

#### (Pursuant to Paragraph 8.27(2) of the Main LR)

1. No individual is seeking election as a Director at the forthcoming Nineteenth AGM of the Company.



# Statement accompanying

additional compliance 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 granted and exercised in respect of the financial year.

## American Depositary Receipt (ADR) or Global Depositary 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 incurred by the Company and the Group to external auditors for the financial year amounted to RM3,500 and RM32,500 respectively.

## 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 to loans entered into by the Company or its subsidiary companies involving interests of Directors and major shareholders of the Company.

## Employee Share Option Scheme ("ESOS")

There is one (1) ESOS Scheme i.e. ESOS 2001 - 2011 which was in existence during the financial year ended 30 June 2012 and it has since lapsed on 23 November 2011.

The details of the ESOS scheme is as follows:

	Since commencement of the ESOS Scheme FYE 2002 '000	From FYE 2003 to 2012 '000	As at 30 June 2012 '000
Total number of options granted	7,674	886	-
Total number of options exercised	(185)	(355)	-
Total number of options lapsed	-	(4,282)	-
Total number of options terminated	(295)	(3,443)	-
Total number of options outstanding	7,194	-	-

# Statement accompanying *(cont'd)*

*additional compliance information*

## Employee Share Option Scheme ("ESOS") (cont'd)

Granted to the Directors and Chief Executive

	Since commencement of the ESOS Scheme FYE 2002 '000	From FYE ended 2003 to 2012 '000	As at 30 June 2012 '000
Total number of options granted	2,850	-	-
Options re-classified due to promotion	-	750	-
Total number of options exercised	(130)	-	-
Total number of options lapsed	-	(2,350)	-
Total number of options terminated	-	(1,120)	-
Total number of options outstanding	2,720	-	-

Pursuant to the Company's ESOS By-laws, not more than 50% of the options available under the scheme would be allocated, in aggregate, to Directors and Senior Management. Since the commencement of the ESOS scheme, 37% of the options granted under the scheme have been granted to Directors and Senior Management.

# PROXY FORM

ORIENTAL INTEREST BERHAD (272144-M)  
(Incorporated In Malaysia)

No. of Ordinary Shares Held

CDS Account No.

I/We \_\_\_\_\_ (Full Name in Capital Letters)

of \_\_\_\_\_ (Full Address)

being a member(s) of ORIENTAL INTEREST BERHAD hereby appoint \_\_\_\_\_ (Full Name in Capital Letters)

of \_\_\_\_\_ (Full Address)

or failing him/her, \*the CHAIRMAN OF THE MEETING as my/our proxy(ies), to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Serindit Room, Hotel Equatorial, No. 1 Jalan Bukit Jambul, 11900 Penang on Wednesday, 5 December 2012 at 10.00 a.m. and at any adjournment thereof.

\* Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.

My/our proxy is to vote as indicated below:

Ordinary Business			
RESOLUTIONS		FOR	AGAINST
1. Declaration of first and final dividend of 10% per share less 25% tax for the year ended 30 June 2012	Ordinary Resolution 1		
2. Re-election of Dato' Wira Haji Thobrani Bin Haji Hanafi as Director	Ordinary Resolution 2		
3. Re-election of Goh Aik Keong as Director	Ordinary Resolution 3		
4. Re-election of Encik Aswandi Bin Mohamed Hashim as Director	Ordinary Resolution 4		
5. Approval of Directors' Fees	Ordinary Resolution 5		
6. Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company	Ordinary Resolution 6		
Special Business			
RESOLUTIONS		FOR	AGAINST
7. Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares	Ordinary Resolution 7		
8. Proposed Renewal of Shareholders' Mandate for the Provision of Financial Assistance	Ordinary Resolution 8		
9. Authority to Continue in Office as Senior Independent Non-Executive Director	Ordinary Resolution 9		
10. Proposed Amendments to the Articles of Association of the Company	Special Resolution		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

Signature/Common Seal

Number of shares held: \_\_\_\_\_

Date: \_\_\_\_\_

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 23 November 2012 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
7. Agenda 1 is meant for discussion only as Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders of the Company and therefore, Agenda 1 is not put forward for voting.

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Affix  
Stamp

ORIENTAL INTEREST BERHAD  
(272144-M)

Lot 6.05, Level 6, KPMG Tower  
8 First Avenue Bandar Utama  
47800 Petaling Jaya  
Selangor

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fold this flap for sealing