Notes to the quarterly report - 31 December 2011

A. Selected Explanatory Notes to the Interim Financial Statements as required under FRS 134

[The figures have not been audited.]

A.1. Basis of Preparation

The interim financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since financial year ended 30 June 2011.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted for the annual financial statements for the financial year ended 30 June 2011 except for the changes in accounting policies and presentation resulting from the adoption of relevant FRSs, amendments to FRSs and IC Interpretations that are effective for the financial periods beginning on or after 1 January 2011 and 1 July 2011 respectively.

The adoption of the above FRS, amendments and interpretations are not expected to have any significant impact on the financial statements of the Group.

The Group has not applied the following relevant revised FRSs, new IC Interpretation and amendment to FRSs and IC Interpretations which have been issued as at 31 December 2011 but are yet effective:-

- Amendment to FRS 7	Disclosure on transfer of financial assets
- Amendments to FRS 112	Deferred tax on recovery of underlying assets
- Amendments to FRS 101	Presentation of items of other comprehensive income
- FRS 9	Financial instruments (2009)
- FRS 9	Financial instruments (2010)
- FRS 10	Consolidated financial statements
- FRS 11	Joint arrangements
- FRS 12	Disclosure of interest in other entities
- FRS 13	Fair value measurement
- Amendment to FRS 119	Employee benefits
- Amendments to FRS 127	Separate financial statements
- Amendments to FRS 128	Investments in associates and joint ventures

The initial adoption of the above new and revised/amended FRSs has no significant impact on the financial statements of the Group.

Convergence of FRSs with the International Financial Reporting Standards

On 19 November 2011, the MASB issued the new Malaysian Financial Reporting Standards ("MFRS") framework, consisting of accounting standards which are in line with the International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"). This MFRS framework applies to all non-private entities (except Transitioning Entities ("TE")) effective for annual periods beginning on or after 1 January 2012. TE may defer adoption of MFRS framework by one year. As certain subsidiaries of OIB Group are TE within the scope of IC Interpretation 15 "Agreements for Construction of Real Estate", the Group and the Company has decided to elect to continue with the existing FRS framework in its consolidated financial statements for annual period begining on or after 1 January 2012 and only comply with MFRSs for annual period beginning on or after 1 January 2013.

IC Interpretation 15 "Agreements for the Construction of Real Estate"

The MASB has on 19 November 2011 anounced that IC Interpretation 15 shall be withdrawn from the FRS framework for application for annual period beginning on and after 1 January 2012 in light of its decision for the TE as mentioned in foregoing paragraph above. IC Interpretation 15 will only be operative for the Group's financial period begining on or after 1 July 2013 when the Group first time adopts the MFRS Framework.

IC Interpretation 15 clarified tht property development activities are sale of goods, instead of construction contracts. Had the Group and the Company changed its accounting policy from recognising revenue from percentage of completion method to completion method, the estimated effect of IC Interpretation 15 on the revenue, profit after taxation, property development costs and deferred tax for the financial year to date is as follows:-

	31/12/2011 RM'000
Revenue	
As reported	55,367
Effects of IC 15	(29,232)
As restated	26,135
Profit after taxation	
As reported	9,785
Effects of IC 15	(5,873)
As restated	3,912
Property development cost	
As reported	123,844
Effects of IC 15	68,252
As restated	192,096
Deferred tax assets	
As reported	4,309
Effects of IC 15	4,113
As restated	8,422

A.2. **Seasonal or Cyclical Factors**

Seasonal or cyclical factors do not have any material impact on the Group's business operations.

A.3. **Unusual Items Due to Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity and net income, or cash flows for the financial period under review.

A.4. **Changes in Estimates**

There were no material changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

A.5. **Debt and Equity Securities**

There were no issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year to date.

A.6. **Dividend Paid**

The first and final ordinary dividend of 10% (10sen) gross per ordinary share, less 25% income tax (7.50 sen per share net), amounting to RM6.791million in respect of preceding financial year ended 30 June 2011, approved by the members at the Annual General Meeting of the Company held on 02 December 2011, had been paid on 22 December 2011.

Notes to the quarterly report - 31 December 2011

A.7. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward without any amendments from the previous annual financial statements.

A.8. Material Events Subsequent to the Interim Reporting Period

There were no material events that have arisen subsequent to the end of the interim reporting period, which have not been reflected in the interim financial statements.

A.9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial year to date.

A.10. Operating Segments

(a) Primary reporting format – business segments

	Property Development RM'000	Manufacturing RM'000	Investment Holding RM'000	Oil Palm Cultivation RM'000	Consolidated RM'000
Current period ended 31 December 2011					
Revenue					
Revenue from external customers	49,999	3,760	-	1,608	55,367
Inter-segment revenue	-	-	-	-	-
Total revenue	49,999	3,760	-	1,608	55,367
Profit / (Loss)					
Reportable segment profit / (loss)	11,732	(49)	326	1,034	13,043
Share of profits of an associate			5		5
Profit before taxation					13,048
Corresponding period ended 31 December 2010					
Revenue					
Revenue from external customers	32,590	7,090	-	1,656	41,336
Inter-segment revenue	-	-	-	-	-
Total revenue	32,590	7,090	-	1,656	41,336
Profit / (Loss)					
Reportable segment profit / (loss)	5,081	(4,104)	145	1,145	2,267
Share of profits of an associate			6		6
Profit before taxation					2,273

Notes to the quarterly report - 31 December 2011

A.11. Contingent Liabilities

There were no changes in contingent liabilities since the last annual reporting date as at 30 June 2011, except for the following: -

	01/07/2011 RM'000	Increase/ (Decrease) RM'000	31/12/2011 RM'000
Unsecured			
Corporate guarantee issued to financial institution for banking facilities granted to certain subsidiaries	905	(772)	133
Bankers' guarantee issued to third party in favour of subsidiaries	3,722	(1,115)	2,607
Secured			
Fixed deposits pledged to a financial institution for bank guarantee facility granted to certain subsidiaries	-	299	299
	4,627	(1,588)	3,039

A.12 Related Party Transactions

The Group's related party transaction in the current financial year to date are as follows:-

	31/12/2011 RM'000
Management fees and sales commission receivable from/(payable to):	
Enterprise in which a substantial interest is owned directly by a person connected with a Director of the Company	(44)
Enterprise in which a substantial interest is owned directly by a person connected with a Director of the Company	23
Purchase of goods from:	
Enterprise in which a substantial interest is owned directly by a person connected with a Director of the Company	(248)

Notes to the quarterly report - 31 December 2011

B. Additional Information required by the Bursa Malaysia Securities Listing Requirements in relation to the issuance of the Interim Financial Statements

[The figures have not been audited.]

B.1. Review of Performance of the Company and its Principal Subsidiaries

The Group's revenue rose by 95% and 34% compared with the results of the corresponding quarter and half-year respectively of the previous financial year. Consequently, the Group's profit before taxation registered 109.9times and 4.7times higher respectively for the same comparable reporting periods; principally attributable to better results by Property Division and lower loss registered by Manufacturing Division. A non-recurrent sale of land of RM7.928million, with gain of RM3.291million, was transacted in the reporting quarter. Without this non-recurrent item, the Group's revenue was actually 56% and 15% higher, while pre-tax profit increased by 69.3times and 3.3times respectively for the same comparable periods.

Property Division achieved 123% and 53% increase in progressive billings, while its profit before taxation rose by 280% and 131% respectively for the same comparable periods. Again, without the aforesaid non-recurrent gain, billings and profit before taxation for Property Division was actually 74% and 125% higher respectively; principally attributable to new launches of housing projects and improved margin. Although sales of Manufacturing Division dropped, operating loss was lower; mainly due to reduced incurring gross loss and overheads after impairment of assets in the preceding financial year.

Compared with corresponding quarter, revenue and profit before taxation from Oil Palm Cultivation activity registered increase of 6% and 4% respectively, mainly due to the increase in yield rate. However, compared with corresponding half year, revenue and profit before taxation contracted by 3% and 10% respectively as a result of lower harvesting and weaker CPO price.

B.2. Material Changes in the Quarterly Results as compared with the Preceding Quarter

Compared with the immediate preceding financial quarter, the Group achieved 136% and 121% increase in revenue and pre-tax profit respectively, mainly due to the favorable contribution from Property Division as mentioned in B1. Similarly, without the said non-recurrent gain, revenue and pre-tax profit of the Group in fact rose by 88% and 40% respectively. Meanwhile, sales of Manufacturing increased by 27% and operating loss was lower by 86%, mainly due to higher volume and reduced overheads as mentioned in B1. In spite of weaker CPO price for the current quarter under review, pre-tax profit of Oil Palm Cultivation activity increased by 37%, mainly attributed to higher yield rate.

B.3. Prospects for the Current Financial Year

The latest measures on tightening up household housing loan approval might have dampening impact on investors ' sentiments and activities in property industry. Nonetheless, with OIB Group operating in property segment for affordable houses, it is envisaged its results should not be materially affected. Meanwhile, the Group is still making every endeavour to resolve the affairs of its Manufacturing Division. Nevertheless, the Board is confident that the performance of its property development activities for the current financial year is expected to be satisfactory.

B.4. Variance of Actual Profit from Forecast Profit

Not applicable. The Group has not given any profit forecast nor profit guarantee in respect of any corporate proposals.

Notes to the quarterly report - 31 December 2011

B.5. Profit Before Taxation

	Current Year 2nd Quarter 31/12/2011 RM'000	Current Year To Date 31/12/2011 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Impairment of assets	-	3
Depreciation and amortisation	272	544
Loss on foreign exhange	10	60
- Rental income	(183)	(379)
Interest income	(697)	(974)
Provision for impairment of receivable written back	(211)	(485)
- Other income	(107)	(226)

Other income comprises mainly of scrap sales, compensation received, forfeited income and discount received. Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Bursa Listing Requirements are not applicable.

B.6. Taxation

	Current Year 2nd Quarter 31/12/2011 RM'000	Current Year To Date 31/12/2011 RM'000
Malaysian income tax based on the profit for the financial period	2,452	3,383
Transfer from deferred taxation	(184)	(120)
	2,268	3,263

There has been no significant variance between the effective and statutory tax rate noted for the current quarter and financial year to date.

B.7. Status of Corporate Proposals

There were no corporate proposals that have been announced but not completed as at 23 February 2012, the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial statements.

B.8. Group Borrowings and Debt Securities

The Group's borrowings as at the end of the reporting period are as follows:-

	31/12/2011 RM'000
Short-term unsecured bank overdrafts	38

Notes to the quarterly report - 31 December 2011

B.9. **Derivative Financial Instrument**

The Group did not have any derivative financial instruments as at the end of the reporting period.

B.10. **Gain and losses arising from Fair Value Changes of Financial Liabilities**

There were no gain and losses arising from fair value changes of financial liabilities for the current quarter and current financial year to date.

B.11. **Realised and Unrealised Earnings or Losses Disclosure**

The retained earnings are analysed as follows:-

	Current Year To date 31/12/2011 RM'000	Preceding Financial Year 30/06/2011 RM'000
Total retained earnings of the Company and its subsidiaries :		
- Realised	169,625	167,693
- Unrealised	1,795	1,880
	171,420	169,573
Total share of retained earnings from an associated company :		
- Realised	15	10
- Unrealised	-	-
	171,435	169,583
Less : Consolidation adjustments	(6,996)	(5,375)
Total group retained earnings as per consolidated financial statements	164,439	164,208

B.12. **Changes in Material Litigation**

There were no pending material litigation since the date of the last annual statement of financial position up to 23 February 2012, the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial statements, except for the following:-

The Penang High Court had on 20 December 2011 delivered its decision in respect of winding up petition filed by its subsidiaries namely Cahajaya Timber Sdn Bhd, Patriot Furniture Sdn Bhd and Guar Timber Industries Sdn Bhd ("the Petitioner"), and on the notice of motion to intervene in proceedings filed by the Goh Aik Lai & Goh Aik Lean ("the Proposed Interveners"). Upon the request of the Petitioner to withdraw the abovementioned petitions, the Court has ordered for the petitions to be struck off with a total cost of RM20,000.00 to be paid to the Proposed Interveners. The Court further ordered cost of RM600.00 to be paid to Director General of Insolvency Department.

Notes to the quarterly report - 31 December 2011

B.13. **Dividend**

(a) (i) The members had approved the payment of a first and final ordinary dividend of 10% per share, less 25% tax, in respect of financial year ended 30 June 2011 at the Annual General Meeting ("AGM") held on 2 December 2011;

(ii) The gross amount per share is 10 sen, less 25% income tax (7.50 sen per share net);

(iii) For the previous corresponding period, the gross amount per share of the first and final ordinary dividend paid was 10 sen, less 25% income tax (7.50 sen per share net);

(iv) The aforesaid approved dividend was paid on 22 December 2011; and

(v) In respect of deposited securities, entitlement to the aforesaid approved dividend was determined on the basis of the record of depositors as at 4p.m. on 13 December 2011.

(b) The Board of Directors does not recommend any payment of interim dividend in respect of current financial year ending 30 June 2012.

B.14. **Earnings Per Share ("EPS")**

	Current Year 2nd Quarter 31/12/2011 RM'000	Current Year To Date 31/12/2011 RM'000
(a) **Basic**		
Profit attributable to owners of the parent	4,341	7,022
Number of ordinary shares in issue at beginning of the period ('000)	90,545	90,545
Effect of shares issued pursuant to Company's ESOS ('000)	-	-
Weighted average number of ordinary shares outstanding ('000)	90,545	90,545
Basic EPS (sen)	4.79	7.76

Basic earnings per share is calculated by dividing profit for the financial period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period. ESOS expired on 23rd November 2011.

(b) **Diluted**

The Group has no dilution in its earnings per ordinary share in the quarter under review / financial year to date as there are no dilutive potential ordinary shares.

Notes to the quarterly report - 31 December 2011

B.15. **Audit report for the preceding annual financial statements**

The auditors' report for the financial year ended 30 June 2011 was qualified, where the auditors have expressed an "except for" opinion in the following manner:-

(a) **Basis for qualified opinion**

The Group has impaired plant, machinery and equipment by RM4,003,000 based on the estimated recoverable amount at 30 June 2011 as valued by the Directors of the Company. The auditors were unable to obtain sufficient appropriate audit evidence about the carrying amount of these plant, machinery and equipment.

The Group has written down the inventories by RM2,066,000 based on the estimated net realisable value at 30 June 2011 as valued by the Directors of the Company. The auditors were unable to obtain sufficient appropriate audit evidence about the carrying amount of these inventories.

(b) **Qualified Opinion**

In auditors' opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph; the financial statements have been properly drawn up in accordance with 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 2011 and of their financial performance and cash flows for the financial year then ended.

(c) The above qualified audit report is in respect of the financial statements of the following subsidiaries which were qualified on an "except for " basis as the auditors were unable to obtain sufficient appropriate evidence about the carrying amount of plant, machinery and equipment and inventories:-

- Cahajaya Timber Industries Sdn Bhd
- Patriot Furniture Sdn Bhd

The current status of the matters giving rise to the qualifications remains unchanged.

By order of the Board

Tai Yit Chan (MAICSA 7009143)
Tan Ai Ning (MAICSA 7015852)
[Joint Company Secretary]

29 February 2012