

# ORIENTAL INTEREST BERHAD [Company No. 272144-M]

## QUARTERLY REPORT

The Board of Directors is pleased to announce the interim financial statements on consolidated results for the first quarter of financial year ending 30 June 2017.

### Condensed consolidated statement of profit or loss and other comprehensive income for the financial period ended 30 September 2016

[The figures have not been audited.]

	Individual Quarter		Cumulative Quarter	
	Current Year 1st Quarter 30/09/2016 RM'000	Preceding Year Corresponding 1st Quarter 30/09/2015 RM'000	Current Year To Date 30/09/2016 RM'000	Preceding Year Corresponding Period 30/09/2015 RM'000
Revenue	57,961	67,129	57,961	67,129
Cost of sales	(36,591)	(46,236)	(36,591)	(46,236)
<b>Gross profit</b>	21,370	20,893	21,370	20,893
Other income	1,633	639	1,633	639
Selling and distribution expenses	(1,109)	(670)	(1,109)	(670)
Administrative expenses	(3,269)	(3,170)	(3,269)	(3,170)
Other expenses	(490)	(970)	(490)	(970)
<b>Results from operating activities</b>	18,135	16,722	18,135	16,722
Finance costs	(503)	(78)	(503)	(78)
Share of profit of equity-accounted associate	6	5	6	5
<b>Profit before tax</b>	17,638	16,649	17,638	16,649
Taxation	(4,471)	(4,156)	(4,471)	(4,156)
<b>Profit for the financial period/ Total comprehensive income</b>	13,167	12,493	13,167	12,493
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	9,296	9,749	9,296	9,749
Non-controlling interests	3,871	2,744	3,871	2,744
	13,167	12,493	13,167	12,493
<b>Basic and diluted earnings per ordinary share (sen)</b>	6.42	6.73	6.42	6.73

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the annual financial report for the financial year ended 30 June 2016.

**Condensed consolidated statement of financial position as at 30 September 2016**

[The figures have not been audited.]

	30/09/2016 RM'000	30/06/2016 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	70,704	70,840
Land held for property development	92,359	96,250
Investment properties	28,161	28,166
Biological assets	1,104	1,087
Investment in an associate	5,222	5,216
Deferred tax assets	4,883	4,968
	202,433	206,527
<b>Current assets</b>		
Property development costs	126,350	129,255
Inventories	27	66
Developed properties	9,668	6,429
Amounts due from customers on construction contracts	6,833	6,450
Trade and other receivables	100,164	102,635
Available-for-sale financial assets	493	493
Tax recoverable	1,623	764
Short term investments	49,652	36,644
Cash and bank balances	13,761	20,727
	308,571	303,463
<b>TOTAL ASSETS</b>	<b>511,004</b>	<b>509,990</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	144,872	144,872
Reserves	166,960	169,254
	311,832	314,126
<b>Non-controlling interests</b>	63,991	61,242
<b>Total equity</b>	<b>375,823</b>	<b>375,368</b>
<b>Non-current liabilities</b>		
Loans and borrowings	28,734	30,337
Deferred tax liabilities	572	578
	29,306	30,915
<b>Current liabilities</b>		
Loans and borrowings	55,464	52,913
Trade and other payables	47,291	47,835
Tax payable	3,120	2,959
	105,875	103,707
<b>Total liabilities</b>	<b>135,181</b>	<b>134,622</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>511,004</b>	<b>509,990</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>2.15</b>	<b>2.17</b>

The condensed consolidated statement of financial position should be read in conjunction with the annual financial report for the financial year ended 30 June 2016.

**Condensed consolidated statement of changes in equity  
for the financial period ended 30 September 2016**

[The figures have not been audited.]

	-----Attributable to owners of the Company-----							
	Non-distributable				Distributable		Non-controlling interest	Total equity
	Share capital	Share premium	Fair value reserves	Revaluation reserves	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 01 July 2015</b>	90,545	186	42	9,872	183,235	283,880	58,818	342,698
Realisation of revaluation reserves	-	-	-	(131)	131	-	-	-
Profit for the financial period	-	-	-	-	9,749	9,749	2,744	12,493
<b>Total comprehensive (expense)/income for the financial period</b>	-	-	-	(131)	9,880	9,749	2,744	12,493
<i>Transactions with owners:</i>								
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	974	974	(6,881)	(5,907)
Dividend paid								
- interim in respect of current financial period	-	-	-	-	(10,866)	(10,866)	-	(10,866)
<b>Total transactions with owners of the Company</b>	-	-	-	-	(9,892)	(9,892)	(6,881)	(16,773)
<b>At 30 September 2015</b>	90,545	186	42	9,741	183,223	283,737	54,681	338,418
<b>At 01 July 2016</b>	144,872	-	27	9,385	159,842	314,126	61,242	375,368
Realisation of revaluation reserves	-	-	-	(160)	160	-	-	-
Profit for the financial period	-	-	-	-	9,296	9,296	3,871	13,167
<b>Total comprehensive (expense)/income for the financial period</b>	-	-	-	(160)	9,456	9,296	3,871	13,167
<i>Transactions with owners:</i>								
Dividend paid								
- interim in respect of preceding financial period	-	-	-	-	(11,590)	(11,590)	-	(11,590)
- interim in respect of current financial period	-	-	-	-	-	-	(1,122)	(1,122)
<b>Total transactions with owners of the Company</b>	-	-	-	-	(11,590)	(11,590)	(1,122)	(12,712)
<b>At 30 September 2016</b>	144,872	-	27	9,225	157,708	311,832	63,991	375,823

The condensed consolidated statement of changes in equity should be read in conjunction with the annual financial report for the financial year ended 30 June 2016.

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**Condensed consolidated statement of cash flows  
for the financial period ended 30 September 2016**

[The figures have not been audited.]

	Period Ended	
	30/09/2016 RM'000	30/09/2015 RM'000
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	17,638	16,649
<i>Adjustments for:-</i>		
Depreciation and amortisation	474	322
Net interest income	(17)	(208)
Others non-cash items	(200)	(5)
Operating profit before changes in working capital	17,895	16,758
Net change in current assets	6,744	(22,555)
Net change in current liabilities	(544)	9,858
Cash generated from operating activities	24,095	4,061
Tax paid	(5,090)	(2,711)
<b>Net cash generated from operating activities</b>	19,005	1,350
<b>Cash flows from investing activities</b>		
Interest received	520	286
Proceeds from disposal of property, plant and equipment	77	-
Proceeds from disposal of available-for-sale financial assets	-	300
Additions to property, plant and equipment	(388)	(422)
Additions to land held for property development	(855)	(675)
Additions to biological assets	(30)	(22)
Additions to investment properties	(20)	(860)
<b>Net cash used in investing activities</b>	(696)	(1,393)
<b>Cash flows from financing activities</b>		
Acquisition of non-controlling interests in subsidiaries	-	(5,907)
Interest paid	(503)	(78)
Dividend paid to non-controlling interests	(1,122)	-
Dividend paid to Company's shareholders	(11,590)	(10,866)
Repayment of loans and borrowings	(1,552)	(14,703)
Drawdown of loans and borrowings	2,500	20,520
<b>Net cash used in financing activities</b>	(12,267)	(11,034)
<b>Net change in cash and cash equivalents during the financial period</b>	6,042	(11,077)
Cash and cash equivalents		
- at the beginning of the period	57,371	39,338
- at the end of the period	63,413	28,261
<b>Cash and cash equivalents included in the cash flows comprise the following:-</b>		
Short term investments	49,652	2,714
Cash and bank balances	13,761	25,778
	63,413	28,492
Short term deposits held as security for trade facilities	-	(231)
	63,413	28,261

The condensed consolidated statement of cash flows should be read in conjunction with the annual financial report for the financial year ended 30 June 2016.

**Notes to the quarterly report - 30 September 2016****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 2016. 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 2016.

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 2016 except for the changes in accounting policies and presentation resulting from the adoption of relevant FRSs and amendments to FRSs that are applicable and effective for the Group's financial year beginning on or after 1 July 2016 as follows:-

- Amendments to FRS 10, 12 & 128 Consolidated Financial Statements, Disclosures of Interests in Other Entities and Investment in Associates and Joint Ventures
- Amendment to FRS 101 Presentation of Financial Statements
- Amendment to FRS 116 Property, Plant and Equipment
- Annual improvements to FRSs 2012 - 2014 Cycle

The adoption of the above accounting standards, amendments and improvements to published standards and interpretations does not have any material impact on the financial statements of the Group.

The Group will continue to apply the Financial Reporting Standard framework until financial year ending 30 June 2018. There are no other FRS or interpretations to existing standards not yet effective that would be expected to have a material impact on the Group.

The Group falls within the scope definition of transitioning entities and has elected to continue to apply FRS during the financial year. The Group will adopt the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS") from financial year beginning on 1 July 2018. In adopting the new framework, the Group will be applying MFRS 1 "First-time adoption of MFRS".

**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 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**

An interim single-tier dividend of 8 sen per ordinary share amounting to RM11.590million, in respect of the current financial year ended 30 June 2016, that was declared by the Board of Directors on 25 July 2016, had been paid on 22 August 2016.

**Notes to the quarterly report - 30 September 2016**
**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 entity during the interim reporting period, other than as follows:-

The Company had, on 27 September 2016, acquired the entire shareholdings of Sungei Lalang Development Sdn Bhd ("SLD") from OIB Properties (K) Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company. Upon completion of the internal reorganisation, SLD became a direct wholly-owned subsidiary of the Company.

**A.10. Operating Segments**

	Property Development RM'000	General Construction RM'000	Oil Palm Cultivation RM'000	Investment Holding RM'000	Others RM'000	Consolidated RM'000
<b>Current period ended</b>						
30 September 2016						
<b>Revenue</b>						
Total revenue	48,983	36,069	212	4,725	746	90,735
Inter-segment revenue	-	(28,049)	-	(4,725)	-	(32,774)
Revenue from external customers	<u>48,983</u>	<u>8,020</u>	<u>212</u>	<u>-</u>	<u>746</u>	<u>57,961</u>
<b>Profit/(Loss)</b>						
Reportable segment profit/(loss)	16,827	495	(27)	410	(73)	17,632
Share of profit of an associate	-	-	-	6	-	6
Profit before tax						<u>17,638</u>
<b>Corresponding period ended</b>						
30 September 2015						
<b>Revenue</b>						
Total revenue	45,075	57,961	335	534	359	104,264
Inter-segment revenue	-	(36,601)	-	(534)	-	(37,135)
Revenue from external customers	<u>45,075</u>	<u>21,360</u>	<u>335</u>	<u>-</u>	<u>359</u>	<u>67,129</u>
<b>Profit/(Loss)</b>						
Reportable segment profit/(loss)	14,554	2,118	43	133	(204)	16,644
Share of profit of an associate	-	-	-	5	-	5
Profit before tax						<u>16,649</u>

**Notes to the quarterly report - 30 September 2016**
**A.11. Commitments**

There were no changes in commitments since the last annual reporting date as at 30 June 2016, except for the following:-

	01/07/2016 RM'000	Changes RM'000	30/09/2016 RM'000
<b>Unsecured</b>			
Bankers' guarantee issued to third parties in favour of subsidiaries	5,320	100	5,420
<b>Capital expenditure commitments</b>			
<b>Landowners' entitlement</b>			
Contracted but not provided for	<u>40,974</u>	<u>(2,056)</u>	<u>38,918</u>

**A.12 Related Party Transactions**

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

	30/09/2016 RM'000
<b>Sale/(Purchase) of goods and services to/(from):-</b>	
- Enterprises in which substantial interests are owned directly by persons connected with Directors of a subsidiary of the Company	(84)
- Enterprise in which substantial interests are owned directly by persons connected with Directors of a subsidiary of the Company	6
- Enterprises in which substantial interests are owned indirectly by Directors/major shareholders of the Company	(7,868)
- Enterprises in which substantial interests are owned indirectly by Directors/major shareholders of the Company	8,300
<b>Rental income/(expenses) from/(to):-</b>	
- Enterprise in which substantial interests are owned indirectly by Directors/major shareholders of the Company	24
- Enterprise in which substantial interests are owned indirectly by Directors/major shareholders of the Company	(29)

**Notes to the quarterly report - 30 September 2016****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**

Compared with the corresponding financial quarter, OIB Group registered a 6% rise in pre-tax profit, from RM16.649million to RM17.638million, despite a 14% decline in revenue, from RM67.129million to RM57.961million; mainly due to significant drop in revenue of General Construction, while Property Development continued with steady growth.

For the financial quarter under review, total progress billings from Property Development climbed 9%, from RM45.075million to RM48.983million, and its pre-tax profit grew by 16%; from RM14.554million to RM16.827million, principally due to more projects completed in the reporting financial quarter. Meanwhile, for the same comparable periods, total billings from General Construction reduced by 62%, from RM21.360million to RM8.020million, and its pre-tax profit fell by 77%, from RM2.118million to RM0.495million, mainly attributable to reduced contract works from external customers.

For Oil Palm Cultivation, although there was a reasonable increase in crude palm oil price compared with corresponding financial quarter, a much considerable slide in tonnage harvested had resulted in its revenue and pre-tax profit dropped by 37% and 163% respectively.

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

Revenue and pre-tax profit of the Group contracted by 3%, from RM59.500million, and 8%, from RM19.135million, respectively, compared with immediate preceding financial quarter; mainly due to lower billings from General Construction. Total billings of Property Development rose by 8%, from RM45.197million, whereas its pre-tax profit reduced by 7%; from RM18.117million, mainly due to lower average contribution margin. For General Construction, total billings and pre-tax profit dropped by 40%, from RM13.300million, and 49%, from RM0.975million, mainly due to decline in billings to external customers. Meanwhile, revenue and pre-tax profit of Oil Palm Cultivation reduced by 42% and 135% respectively, due to significantly lower tonnage harvested.

**B.3. Prospects for the Current Financial Year**

Recent months had seen considerable hike in prices of various necessity consumables, which was widely anticipated to have an overall inflationary effect to the domestic economy. Whereas, a few proposals were included in the recent Budget 2017 to promote and enhance home ownership affordability at mid-price range housing sector, which has always been the targeted market of OIB Group historically. The continued weakening of Ringgit Malaysia would have repercussion effect on cost structure across businesses.

With OIB Group positioned itself in the affordable housing sector of the industry, it should benefit from some of the proposals contained in the Budget 2017. Meanwhile, project costs are expected to rise amidst the general inflationary effect as well as the global and domestic economy uncertainty, but the original project contribution margin had sufficient room to absorb these adverse effects to see them through to completion. Therefore, with assurance from the management, the Board is confident that OIB Group would be able to remain profitable for the current financial year.



**Notes to the quarterly report - 30 September 2016**
**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.

**B.5. Profit before Taxation**

	Current Year 1st Quarter 30/09/2016 RM'000	Current Year To Date 30/09/2016 RM'000
Profit before taxation is arrived at after (charging)/crediting:-		
Depreciation and amortisation	(474)	(474)
Interest expense	(503)	(503)
Rental income	189	189
Interest income	520	520
Other income	924	924

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 1st Quarter 30/09/2016 RM'000	Current Year To Date 30/09/2016 RM'000
Malaysian income tax based on the profit for the financial period	4,392	4,392
Transfer to deferred taxation	79	79
	<u>4,471</u>	<u>4,471</u>

The effective tax rate of the Group for the financial periods are approximate to the statutory income tax rate.

**B.7. Status of Corporate Proposals**

There were no corporate proposals that have been announced but not completed as at 14 November 2016, the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial statements.

**Notes to the quarterly report - 30 September 2016**
**B.8. Group Borrowings and Debt Securities**

The Group's borrowings as at 30 September 2016 are as follows:-

		Secured RM'000	Unsecured RM'000	Total RM'000
Long Term: -	Term loans	28,734	-	28,734
Short Term: -	Current portion of term loans	6,464	-	6,464
	Unsecured revolving credit	-	49,000	49,000
		<u>35,198</u>	<u>49,000</u>	<u>84,198</u>

**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 30/09/2016 RM'000	Preceding Financial Year 30/06/2016 RM'000
Total retained earnings of the Company and its subsidiaries:-		
- Realised	268,759	259,703
- Unrealised	(401)	(228)
	<u>268,358</u>	<u>259,475</u>
Total share of retained earnings from an associated company:-		
- Realised	53	47
- Unrealised	-	-
	<u>268,411</u>	<u>259,522</u>
Less : Consolidation adjustments	(110,703)	(99,680)
Total group retained earnings as per consolidated financial statements	<u>157,708</u>	<u>159,842</u>

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

There were no pending material litigations as at 14 November 2016, the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial statements.

**Notes to the quarterly report - 30 September 2016**
**B.13. Dividend**

Other than the dividend paid as disclosed in Note A6 herein, the Board of Directors does not recommend any payment of dividend in respect of the current financial year ending 30 June 2017.

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

	Current Year 1st Quarter 30/09/2016 RM'000	Current Year To Date 30/09/2016 RM'000
<b>(a) Basic</b>		
Profit attributable to owners of the parent	<u>9,296</u>	<u>9,296</u>
Number of ordinary shares in issue at beginning of the period ('000)	<u>144,872</u>	<u>144,872</u>
Basic EPS (sen)	<u>6.42</u>	<u>6.42</u>

**(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.

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

There was no qualification on the report of the auditors on the annual financial statements of the Company for the immediate preceding financial year.

**By order of the Board**
**Tai Yit Chan (MAICSA 7009143)**
**Ong Tze-En (MAICSA 7026537)**

[Joint Company Secretaries]

21 November 2016