

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 third quarter of financial year ending 30 June 2017.

Condensed consolidated statement of profit or loss and other comprehensive income for the financial period ended 31 March 2017

[The figures have not been audited.]

	Individual Quarter		Cumulative Quarter	
	Current Year 3rd Quarter 31/03/2017 RM'000	Preceding Year Corresponding 3rd Quarter 31/03/2016 RM'000	Current Year To Date 31/03/2017 RM'000	Preceding Year Corresponding Period 31/03/2016 RM'000
Revenue	57,277	54,011	153,887	173,619
Cost of sales	(40,692)	(33,846)	(99,158)	(112,763)
Gross profit	16,585	20,165	54,729	60,856
Other income	843	3,047	3,459	4,071
Selling and distribution expenses	(1,231)	(1,222)	(3,821)	(2,664)
Administrative expenses	(6,694)	(4,330)	(13,403)	(10,903)
Other expenses	(2,871)	(823)	(4,240)	(2,497)
Results from operating activities	6,632	16,837	36,724	48,863
Finance costs	(619)	(231)	(1,565)	(359)
Share of profit of equity-accounted associate	7	7	19	17
Profit before tax	6,020	16,613	35,178	48,521
Taxation	(1,586)	(4,240)	(8,671)	(11,852)
Profit for the financial period	4,434	12,373	26,507	36,669
Other comprehensive income				
Realisation of fair value upon disposal of available-for-sale financial assets	-	(15)	-	(15)
Profit for the financial period/ Total comprehensive income	4,434	12,358	26,507	36,654
Profit attributable to:				
Owners of the Company	2,982	10,193	19,117	29,039
Non-controlling interests	1,452	2,180	7,390	7,630
	4,434	12,373	26,507	36,669
Total comprehensive income attributable to:				
Owners of the Company	2,982	10,178	19,117	29,024
Non-controlling interests	1,452	2,180	7,390	7,630
	4,434	12,358	26,507	36,654
Basic and diluted earnings per ordinary share (sen)	2.06	7.04	13.20	20.04

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 31 March 2017

[The figures have not been audited.]

	31/03/2017 RM'000	30/06/2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	70,222	70,840
Land held for property development	94,163	96,250
Investment properties	26,541	28,166
Biological assets	1,157	1,087
Investment in an associate	5,235	5,216
Deferred tax assets	5,354	4,968
	202,672	206,527
Current assets		
Property development costs	119,925	129,255
Inventories	12	66
Developed properties	18,759	6,429
Amounts due from customers on construction contracts	3,464	6,450
Trade and other receivables	105,638	102,635
Available-for-sale financial assets	273	493
Tax recoverable	3,542	764
Short term investments	48,442	36,644
Cash and bank balances	15,565	20,727
	315,620	303,463
TOTAL ASSETS	518,292	509,990
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	144,872	144,872
Reserves	176,781	169,254
	321,653	314,126
Non-controlling interests	67,710	61,242
Total equity	389,363	375,368
Non-current liabilities		
Loans and borrowings	25,527	30,337
Deferred tax liabilities	566	578
	26,093	30,915
Current liabilities		
Loans and borrowings	56,463	52,913
Trade and other payables	44,749	47,835
Tax payable	1,624	2,959
	102,836	103,707
Total liabilities	128,929	134,622
TOTAL EQUITY AND LIABILITIES	518,292	509,990
Net assets per share attributable to owners of the Company (RM)	2.22	2.17

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 31 March 2017**

[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	
At 01 July 2015	90,545	186	42	9,872	183,235	283,880	58,818	342,698
Other comprehensive expense:								
- Reclassification of fair value upon disposal of available-for-sale financial assets	-	-	(15)	-	-	(15)	-	(15)
Realisation of revaluation reserves	-	-	-	(237)	237	-	-	-
Profit for the financial period	-	-	-	-	29,039	29,039	7,630	36,669
Total comprehensive (expense)/income for the financial period	-	-	(15)	(237)	29,276	29,024	7,630	36,654
Transactions with owners:								
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	974	974	(6,881)	(5,907)
Issuance of ordinary shares - bonus issue	54,326	(186)	-	-	(54,140)	-	-	-
Dividend paid								
- interim in respect of preceding financial period	-	-	-	-	(10,866)	(10,866)	-	(10,866)
- interim in respect of current financial period	-	-	-	-	-	-	(2,188)	(2,188)
Total transactions with owners of the Company	54,326	(186)	-	-	(64,032)	(9,892)	(9,069)	(18,961)
At 31 March 2016	144,871	-	27	9,635	148,479	303,012	57,379	360,391
At 01 July 2016	144,872	-	27	9,385	159,842	314,126	61,242	375,368
Realisation of revaluation reserves	-	-	-	(346)	346	-	-	-
Profit for the financial period	-	-	-	-	19,117	19,117	7,390	26,507
Total comprehensive (expense)/income for the financial period	-	-	-	(346)	19,463	19,117	7,390	26,507
Transactions with owners:								
Issuance of ordinary shares by subsidiaries	-	-	-	-	-	-	200	200
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)
Total transactions with owners of the Company	-	-	-	-	(11,590)	(11,590)	(922)	(12,512)
At 31 March 2017	144,872	-	27	9,039	167,715	321,653	67,710	389,363

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 31 March 2017**

[The figures have not been audited.]

	Period Ended	
	31/03/2017	31/03/2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	35,178	48,521
<i>Adjustments for:-</i>		
Depreciation and amortisation	1,570	1,325
Net interest income	(86)	(344)
Investment properties	1,751	-
Other non-cash items	(111)	(2,096)
Operating profit before changes in working capital	38,302	47,406
Net change in current assets	2,800	(31,466)
Net change in current liabilities	(3,086)	(643)
Cash generated from operating activities	38,016	15,297
Tax paid	(13,182)	(8,850)
Net cash generated from operating activities	24,834	6,447
Cash flows from investing activities		
Interest received	1,651	703
Proceeds from disposal of property, plant and equipment	409	2,550
Proceeds from disposal of available-for-sale financial assets	220	400
Additions to property, plant and equipment	(1,099)	(2,645)
Additions to land held for property development	(3,907)	(21,345)
Additions to biological assets	(103)	(79)
Additions to investment properties	(32)	(6,162)
Net cash used in investing activities	(2,861)	(26,578)
Cash flows from financing activities		
Acquisition of non-controlling interests in subsidiaries	-	(5,907)
Interest paid	(1,565)	(359)
Dividend paid to non-controlling interests	(1,122)	(2,188)
Dividend paid to Company's shareholders	(11,590)	(10,866)
Deposits with licensed banks pledged as security	-	(8)
Repayment of loans and borrowings	(4,760)	(24,427)
Drawdown of loans and borrowings	3,500	66,020
Proceeds from issuance of ordinary shares by a subsidiary	200	-
Net cash (used in)/generated from financing activities	(15,337)	22,265
Net change in cash and cash equivalents during the financial period	6,636	2,134
Cash and cash equivalents		
- at the beginning of the period	57,371	39,338
- at the end of the period	64,007	41,472
Cash and cash equivalents included in the cash flows comprise the following:-		
Short term investments	48,442	25,386
Cash and bank balances	15,565	16,325
	64,007	41,711
Short term deposits held as security for trade facilities	-	(239)
	64,007	41,472

The condensed consolidated of 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 - 31 March 2017**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 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

An interim single-tier dividend of 8 sen per ordinary share in respect of the financial year ended 30 June 2016 was declared on 25 July 2016. The dividend, which amounted to RM11.590million, was paid on 22 August 2016.

Notes to the quarterly report - 31 March 2017**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, other than as follows:-

- (a) The Company had, on 25 April 2017, acquired 266,000 ordinary shares in OIB Properties (SW) Sdn Bhd (“SW”) from a minority shareholder for a total cash consideration of RM1,064,000.00. Following the aforesaid acquisition, the Company’s equity interest in SW increased to 52.36% from 51.20%.
- (b) The Company had, on 5 May 2017, acquired 0.25% equity stake in Aturan Cemerlang Sdn Bhd (“AC”) represented by 30,890 ordinary shares from a minority shareholder for a total cash consideration of RM80,314.00. Following the aforesaid acquisition, the Company now holds 73.39% equity interest in AC.

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:-

- (a) 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.
- (b) The Company had, on 11 November 2016, incorporated a 80% owned subsidiary of the Company called Myra Gardens Sdn Bhd (“MYRA”). MYRA is capitalised at RM10.00 comprising 10 ordinary shares and its principal activity is property development.

Notes to the quarterly report - 31 March 2017
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
Current period ended						
31 March 2017						
Revenue						
Total revenue	125,437	95,148	1,103	18,924	2,337	242,949
Inter-segment revenue	-	(70,138)	-	(18,924)	-	(89,062)
Revenue from external customers	<u>125,437</u>	<u>25,010</u>	<u>1,103</u>	<u>-</u>	<u>2,337</u>	<u>153,887</u>
Profit/(Loss)						
Reportable segment profit/(loss)	33,062	1,096	315	726	(40)	35,159
Share of profit of an associate	-	-	-	19	-	19
Profit before tax						<u>35,178</u>
Corresponding period ended						
31 March 2016						
Revenue						
Total revenue	133,107	132,067	945	17,897	1,560	285,576
Inter-segment revenue	-	(94,060)	-	(17,897)	-	(111,957)
Revenue from external customers	<u>133,107</u>	<u>38,007</u>	<u>945</u>	<u>-</u>	<u>1,560</u>	<u>173,619</u>
Profit/(Loss)						
Reportable segment profit/(loss)	44,942	3,185	249	671	(543)	48,504
Share of profit of an associate	-	-	-	17	-	17
Profit before tax						<u>48,521</u>

Notes to the quarterly report - 31 March 2017
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	31/03/2017 RM'000
Unsecured			
Bankers' guarantee issued to third parties in favour of subsidiaries	5,320	96	5,416
Capital expenditure commitments			
Landowners' entitlement			
Contracted but not provided for	<u>40,974</u>	<u>1,120</u>	<u>42,094</u>

A.12 Related Party Transactions

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

	31/03/2017 RM'000
Sale/(Purchase) of goods and services to/(from):-	
- Enterprises in which substantial interests are owned directly by persons connected with Directors of a subsidiary of the Company	(254)
- Enterprise in which substantial interests are owned directly by persons connected with Directors of a subsidiary of the Company	18
- Enterprises in which substantial interests are owned indirectly by Directors/major shareholders of the Company	(23,975)
- Enterprises in which substantial interests are owned indirectly by Directors/major shareholders of the Company	25,654
Rental income/(expenses) from/(to):-	
- Enterprise in which substantial interests are owned indirectly by Directors/major shareholders of the Company	72
- Enterprise in which substantial interests are owned indirectly by Directors/major shareholders of the Company	(90)

Notes to the quarterly report - 31 March 2017**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 reported revenue of RM57.277million and pre-tax profit of RM6.020million for the reporting financial quarter; reflecting a marginal 6% increase in revenue but a 64% drop in pre-tax profit compared with preceding year corresponding quarter. Consequently, 9-month period-to-date revenue and pre-tax profit of the Group dropped by 11% and 28% respectively to RM153.887million and RM35.178million.

Comparing with the preceding year corresponding quarter, revenue from Property Division merely decreased by 1% but pre-tax profit shrank by 67%, principally due to lower average contribution margin for housing projects during the reporting quarter. As a result, its 9-month period-to-date revenue and pre-tax profit contracted by 6% and 26% respectively compared with preceding year corresponding period.

Meanwhile, total billings of General Construction Division increased by 39% to RM11.761million and pre-tax profit fell by 53% to RM0.217million compared with the preceding year corresponding quarter. Total billings and pre-tax profit shrank by 34% and 66% respectively compared with preceding year corresponding period mainly attributable to reduced contract works from external customers.

On the other hand, revenue and pre-tax profit from Oil Palm Cultivation increased by 89% and 232% respectively compared with preceding year corresponding quarter due to better harvest and increase in price of crude palm oil. Consequently, 9-month period-to-date revenue and pre-tax profit of Oil Palm Cultivation increased by 17% and 27% respectively.

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

Comparing with immediate preceding quarter, the Group reported a 48% jump in revenue but pre-tax profit shrank by 48%. Property Division registered 37% increase in progress billings but its pre-tax profit dropped by 51%, mainly due to lower profit margin from its on-going development. Pre-tax profit of General Construction dropped by 43% although its billings increased by 125%, mainly due to payment of discretionary bonus during the reporting quarter. The Oil Palm Cultivation Division reported upside in its performance where an increase in tonnage harvested had contributed to a 124% spike in revenue and improved price of crude palm oil contributed further to a 55 times increase in pre-tax profit compared with preceding quarter.

B.3. Prospects for the Current Financial Year

The outlook for the property industry remains challenging in the short to medium term as banking sector maintains tight control over mortgage financing which continued to have an adverse effect on property sector overall. Nonetheless, the Group is cautiously positive of its prospects as continued promotion and enhancement of opportunities for home ownership affordability for mid-priced ranged housing under the purview of the 1Malaysia Civil Servants Housing (PPA1M) is well received by end purchasers.

Meanwhile, continued weakening of Ringgit Malaysia as well as uncertainty in the global and domestic economy are expected to result in increase in general inflation that would contribute to rising project costs. The Group should be able to withstand the impact as its original contribution margin from projects is able to absorb these adverse effects to see the projects through to completion. Notwithstanding the challenges, the Board is cautiously optimistic that the results of operations of OIB Group will be profitable in the current financial year.

Notes to the quarterly report - 31 March 2017
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 3rd Quarter 31/03/2017 RM'000	Current Year To Date 31/03/2017 RM'000
Profit before taxation is arrived at after (charging)/crediting:-		
Depreciation and amortisation	(590)	(1,570)
Interest expense	(619)	(1,565)
Adjustment for investment properties	-	(1,751)
Rental income	197	574
Interest income	546	1,651
Other income	100	1,234

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 3rd Quarter 31/03/2017 RM'000	Current Year To Date 31/03/2017 RM'000
Malaysian income tax based on the profit for the financial period	1,821	9,108
Transfer from deferred taxation	(196)	(398)
Taxation overprovided in respect of prior financial period	(39)	(39)
	<u>1,586</u>	<u>8,671</u>

The effective tax rate is approximate to the statutory tax rate for the financial period to date; whereas the effective tax rate for the current quarter is higher than the statutory income tax rate, mainly due to non-allowable tax expenses.

B.7. Status of Corporate Proposals

There were no corporate proposals that have been announced but not completed as at 5 May 2017, 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 - 31 March 2017
B.8. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2017 are as follows:-

		Secured RM'000	Unsecured RM'000	Total RM'000
Long Term: -	Term loans	25,527	-	25,527
Short Term: -	Current portion of term loans	6,463	-	6,463
	Unsecured revolving credit	-	50,000	50,000
		<u>31,990</u>	<u>50,000</u>	<u>81,990</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 31/03/2017 RM'000	Preceding Financial Year 30/06/2016 RM'000
Total retained earnings of the Company and its subsidiaries:-		
- Realised	283,984	259,703
- Unrealised	(430)	(228)
	<u>283,554</u>	<u>259,475</u>
Total share of retained earnings from an associated company:-		
- Realised	66	47
- Unrealised	-	-
	<u>283,620</u>	<u>259,522</u>
Less : Consolidation adjustments	(115,905)	(99,680)
Total group retained earnings as per consolidated financial statements	<u>167,715</u>	<u>159,842</u>

B.12. Changes in Material Litigation

There were no pending material litigations as at 5 May 2017, 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 - 31 March 2017
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 3rd Quarter 31/03/2017 RM'000	Current Year To Date 31/03/2017 RM'000
(a) Basic		
Profit attributable to owners of the parent	<u>2,982</u>	<u>19,117</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>2.06</u>	<u>13.20</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]

12 May 2017