

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and the Audited Financial Statements for the Group and also the Company for the financial year ended 31 December 2008.

BACKGROUND

NPC RESOURCES BERHAD is principally an investment holding company while its subsidiaries are involved in investment holding, provision of management services, operation of oil palm plantations and palm oil mills, trading of fresh fruit bunches ("FFB"), provision of transportation services, property letting, fish rearing and operation of hotel. The Company was listed on the Main Board of the Kuala Lumpur Stock Exchange on 7 May 2002.

The Group currently operates approximately 8,774 hectares of plantation land and two palm oil processing mills which have a combined production capacity of 120 tonnes of FFB per hour, all of which are located in the state of Sabah. The palm oil processing mills owned by the Group are located at Kilometre 87, Sandakan-Lahad Datu Highway, Segaliud Lokan in the district of Kinabatangan ("SROPP mill") and at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill").

INDUSTRY TREND AND DEVELOPMENT

The Malaysian palm oil industry recorded a satisfactory performance in 2008. Crude palm oil (CPO) production recovered sharply by 12.1%, while palm oil stocks remained high close to 2.0 million tonnes at the end of the year. Export earnings of oil palm products rose to a record RM 65.2 billion. The local daily average traded CPO price declined by 66% within a span of eight months from a high of RM 4,179.00 in early March 2008 to a low of RM 1,403.00 in late November 2008.

The total oil palm planted area in the country increased by 4.3% to 4.48 million hectares in 2008. The expansion in planted area occurred mainly in Sabah and Sarawak with a combined growth of 7% compared to 2% in Peninsular Malaysia. Sabah remained the largest oil palm planted state, accounting for 1.33 million hectares or 30% of the total planted area in the country.

The production of CPO reached a record 17.73 million tonnes in 2008, an increase of 1.91 million tonnes or 12.1% from last year attributed mainly by the recovery in fresh fruit bunches (FFB) yields from the biological stress last year. The national average FFB yield increased by 6% to 20.18 tonnes/hectare as against 19.03 tonnes/hectare achieved in 2007, which is a record high since 1994. In addition, the expansion in matured areas by 151,534 hectares coupled with the improvement in the national average oil extraction rate (OER) to 20.21% also contributed to the higher CPO production. The average oil yield per hectare also posted a 6.5% year-on-year increase to 4.08 tonnes/hectare, the highest yield since 1987.

The average CPO price increased by 9.8% or RM247.00 to RM2,777.50 in 2008 against RM2,530.50 the previous year. However, the palm oil industry experienced extreme price fluctuations during the year with the highest monthly average CPO price recorded in March 2008 at RM3,695.00 and the lowest attained in November at RM1,520.50. CPO prices firmed during the first half of the year trading above RM3,500/tonne level supported by higher crude oil prices,

demand for biodiesel, tight global vegetable oils situation and higher vegetable oils prices. However, during the second-half of the year, bearish sentiments prevailed in the market influenced by the sharp decline in crude oil prices as well as other vegetable oils, high palm oil stocks, global financial crisis and fears of global recession. This resulted in the monthly average CPO price falling below the RM 2,000/tonne level since October 2008.

The average price of palm kernel (PK) in 2008 increased by 12.7% or RM185.50 to RM1,647.00 from RM1,461.50 the previous year because of the higher CPKO prices in the domestic market. The average price of CPKO rose by 22.4% or RM629.50 to RM3,437.00 from RM2,807.50 the previous year as a result of firmer lauric oil prices in the world market. In the case of FFB, its average price at 1% OER rose by 15.7% to RM30.16 from RM26.07 the previous year in tandem with the higher CPO and PK prices. Based on the national OER, the average price of FFB in 2008 is equivalent to RM595/tonne as against RM505/tonne the previous year.

The year 2009 is expected to be a challenging one for the industry in view of the high prevailing palm oil stocks, set-back in prices and concerns of a global recession. The Malaysian Government has taken various measures to stabilize palm oil prices at remunerative levels. Among the measures are the Oil Palm Replanting Incentive Scheme to accelerate replanting and reduce CPO production in the near term, the implementation of the 5% biodiesel mandate in the transport and industrial sector starting with government vehicles in February 2009 and increasing exports under the CPO export duty free scheme. In view of the prevailing CPO prices, the average price in 2009 is expected to soften compared to last year.

(Source: Overview of the Malaysian Oil Palm Industry 2008 by the MPOB)

GROUP PERFORMANCE

For the financial year ended 2008, the average CPO price realised by the Group was RM2,855 per tonne representing an 18% increase as compared to RM2,416 per tonne realised in 2007 and the average palm kernel (PK) price realised was RM1,579 per tonne, representing a 17% increase as compared to RM1,354 per tonne realised in 2007. The Group achieved total CPO production of 117,387 tonnes and PK production of 27,233 tonnes for the financial year ended 2008 as compared to the CPO production of 107,676 tonnes and PK production of 25,706 tonnes in 2007. The total FFB processed by the Group for 2008 was 564,291 tonnes as compared to 513,318 tonnes in previous financial year. The higher CPO and PK production and higher average CPO and PK price realised contributed to a higher Group turnover of RM401,755,051 for 2008 as compared to RM313,738,560 for 2007.

The CPO and PK extraction rates of the Group for 2008 were 20.80% and 4.83% as compared to 20.98% and 5.01% respectively for 2007. The increase in CPO and PK average price realised and the increase in FFB production from the Group's plantations contributed to higher profit after tax of RM43,045,776 recorded for 2008 as compared to RM35,910,702 recorded for 2007.

SIGNIFICANT EVENTS

- (a) On 21 August 2008, the Company had announced to Bursa Malaysia that it had proposed to implement the following:
 - (i) a share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each held in the Company into five (5) ordinary shares of RM0.20 each ("Proposed Share Split");



- (ii) establishment of an employees' share option scheme of up to fifteen percent (15%) of the issued and paid-up share capital of the Company ("Proposed ESOS") after the completion of the Proposed Share Split; and
- (iii) amendments to the Memorandum of Association of the Company required for the implementation of the Proposed Share Split ("Proposed Amendments").
(Collectively referred to as the "Proposals").

On 18 November 2008, the Company had announced to Bursa Malaysia that, after taking into consideration of the recent weak equity market sentiments, the Proposals are deferred until such time when the equity market condition has improved.

- (b) On 24 September 2008, a wholly-owned subsidiary, Permata Alam Sdn. Bhd. entered into a Conditional Sale and Purchase Agreement with Mr Ir. Ikhsanudin and Mr Budiman ("the Vendors") in relation to the proposed acquisition of 500 fully paid up shares of IDR250,000 each in PT Enggang Alam Sawita ("EAS") at a total purchase price of USD4,788,030. The total purchase price shall be satisfied in six (6) progress payments upon fulfillment of the conditions as stipulated in the Conditional Sale and Purchase Agreement. The intended principal business activity of EAS is operation of oil palm plantation. EAS possesses Location Permit and Plantation Business Permit for oil palm cultivation with a total land area of approximately 12,277 hectares located at Kalimantan Timur, Indonesia.

The total progress payments paid to the Vendors as at todate is USD1,338,093, which represents 27.95% of the total purchase price.

DIVIDENDS

- (a) For the financial year ended 31 December 2007, an interim single tier dividend of 3.0 sen per share amounting to RM3,600,000 which was approved by the Board on 27 November 2007 was paid on 8 January 2008.
- (b) The final single tier dividend of 3.0 sen per share amounting to RM3,600,000 for the financial year ended 31 December 2007 which was approved by the shareholders at the Annual General Meeting on 27 June 2008 was paid on 13 August 2008.
- (c) An interim single tier dividend of 6.0 sen per share amounting to RM7,200,000 for the financial year ended 31 December 2008 which was approved by the Board on 27 August 2008 was paid on 10 October 2008.
- (d) At the forthcoming Annual General Meeting, a final single tier dividend of 3.0 per share in respect of the financial year ended 31 December 2008 amounting to RM3,600,000 will be proposed for shareholders' approval.

CORPORATE SOCIAL RESPONSIBILITY PRACTICES

The Group adopts the following practices as part of its environmental conservation efforts:-

- (a) zero burning in land development and re-development activities;
- (b) soil and water conservation methods tailored to the topography and drainage characteristics of the land;
- (c) recycling of empty fruit bunches ("EFB") back to the plantations;
- (d) self-sufficiency in energy inputs in our palm oil mills; and
- (e) where practical, buffaloes are used for infield FFB evacuation thus reducing the consumption of non-renewable fuel.

GROUP PROSPECTS

The future prospects of the Group are expected to be reasonably good mainly due to the following reasons:-

- (a) 91.54% of the Group's current 7,602 hectares of planted oil palms are matured (have been planted for four (4) years or more). Its oil palm plantations are relatively young with approximately 40.95% of the trees planted aged between four (4) to less than twelve (12) years old, whilst the remaining 8.46% are immature (planted for less than four (4) years). The oil palms normally reach their peak in terms of yield and oil extraction rate at the age of between seven (7) to fifteen (15) years old. It is expected that in view of the progressive maturity of the plantations, it will pave the way for higher growth when most of the trees reach maturity;
- (b) the continuing efforts by the management to improve the operating efficiency of its plantations and palm oil processing mills through enhancement of yield and extraction productivity with the implementation of effective human resource management, close supervision of its oil palm plantations and effective cost control policy. These measures are aimed to sustain high profitability beyond 2008;
- (c) for the hotel segment, the ongoing renovation and upgrading of hotel facilities and attractive promotion package offers by the Group's Palace Hotel are expected to increase the hotel's patronage and occupancy rate;

- (d) for the fishery segment, the possession of technical know-how of fish fry breeding and rearing and the ongoing upgrading of fish fry breeding facilities by the subsidiary, Better Prospects Sdn. Bhd., provides the opportunity and competitive edge for the Group's fishery segment to expand its fish breeding and rearing capacities without dependence on external supply of fish fry;
- (e) the Proposed Acquisition of EAS presents an opportunity to the Group to expand its oil palm plantation activities in Indonesia.

ACKNOWLEDGEMENT

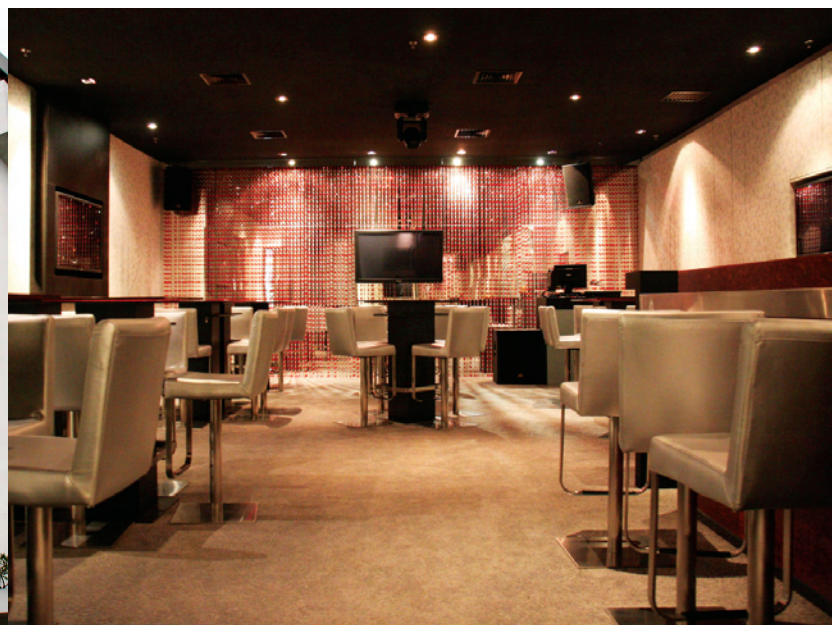
On behalf of the Board of Directors, I would like to express our sincere gratitude to the management and valued employees of the Group who have continued with their commitment, dedication and co-operation during the year.

I would also like to express our sincere appreciation for the long-standing support, co-operation and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities.

Lastly, to the shareholders of the Company, we thank you for your faith in us and for your continuous support to the Group.

Thank you.

Loo Ngin Kong
Executive Chairman



A. BOARD OF DIRECTORS**Board responsibilities**

The Board and Management are committed to ensuring good corporate governance are observed throughout the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability as well as corporate performance.

The Board of Directors plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the goals. A Strategic Plan has been adopted as one of the key policies in ensuring that the Group crystallises its future plans and provides a clear direction for the Board and Officers of the Group. A structured risk management process has also been established to better identify, formalise, monitor within the various operating units and manage the business risks functions affecting the Group.

Other key responsibilities of the Board include the following:-

- (a) overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- (b) approving the Group's budget and reviewing the Group's actual results against budget; and
- (c) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To facilitate the Board in carrying out their responsibilities, the Board had drawn up and approved the approval guidelines for group transactions, specifying the approval limits with regards to type and quantum or threshold of transactions to be entered into.

Board Committees

The Board has three standing committees; the Audit Committee, the Remuneration Committee and Nomination Committee. The Board of Directors delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency as well as efficacy. The Chairman of the Audit Committee reports back to the Board the outcome of the Committee meetings. The membership and Terms of Reference of the Committee are as stated on pages 26 to 29 of this Annual Report.

Board Balance

The Board of Directors comprises eight members comprising four Executive Directors, one Non-Independent Non-Executive Director and three Independent Non-executive Directors. The Board is well balanced in size and composition and the interest of shareholders of the Company are fairly represented through the current composition. The Board recognizes the importance and contribution of its non-executive directors. They represent the element of objectivity, impartiality and independent judgement of the Board. This ensures that there is sufficient check and balance at the Board level.

The Directors combined in them expertise and experience in various fields such as palm oil industry, investment, public services and accounting. Their expertise, experience and background result in thorough examination and

deliberations of the various issues and matters affecting the Group. The profile of each Director is presented on pages 8 to 10 of this Annual Report. In addition, all the members of the Board have attended the Mandatory Accreditation Program as required and prescribed by the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

Pursuant to best practices, Mr. Lim Ted Hing has been identified and appointed as the Senior Independent Non-Executive Director, to whom any concerns pertaining to the Group may be conveyed.

Board Meetings

The Board had held 5 meetings during the financial year ended 31 December 2008. Details of the attendance of the Directors at the Board Meetings are as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
1. Loo Ngin Kong	3	5
2. Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	4	5
3. Dato' Loo Pang Kee	5	5
4. Wong Siew Ying	5	5
5. Lim Ted Hing	5	5
6. Dr. Edmond Fernandez	5	5
7. Dato' Koh Kin Lip	5	5
8. Tan Vun Su (appointed on 7 November 2008)	1	1

At the board meetings, the Board had among others:-

- reviewed and approved the Unaudited Quarterly Financial Results of the Group;
- reviewed and approved the year end Financial Statements and Annual Report of the Company together with the Reports of the Directors and Auditors;
- reviewed the Internal Auditors' Report;
- reviewed each quarter's related party transactions;
- reviewed and approved the Group's Annual Budget;
- reviewed management reports on business operations; and
- deliberated, and in the process evaluated the viability of business propositions and corporate proposals.

The Board's deliberations of issues discussed and decisions reached were recorded in the minutes of meetings. Minutes of each board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes before the commencement of the next Board meeting.

In the interval between Board meetings, for matters requiring urgent Board decisions, Board approvals were sought via circular resolutions which were attached with sufficient information required for an informed decision.

Supply of information

The Company Secretaries, in consultation with the Executive Chairman and the Group Managing Director, issue formal agenda with the relevant board meeting papers, at least one (1) week prior to each meeting. All Directors have access to the advice and services of the Management and Company Secretaries together with all information within the Group whether as full board members or in their individual capacity, in furtherance of their duties. The appointment and removal of Company Secretaries are matters for the Board as a whole. The Board recognises the strong and positive support of the Company Secretaries for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors are informed and aware they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group.

Appointments

In compliance with the Listing Requirements, a Nomination Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing (Independent Non-Executive Director) - Chairman
2. Dr. Edmond Fernandez (Independent Non-Executive Director)

The Committee is entrusted to formally and transparently review annually the Board structure, size and composition; to nominate candidates to fill vacancies; and recommend for re-election of Directors who are retiring. All Directors will be subject to the same assessment criteria and process. The Board through this Committee ensures that there is an appropriate induction and training programme for new Board members. The Committee is entitled to the services of the Company Secretaries who must ensure all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting regulatory requirements.

In making recommendations and performing its annual review, the Committee considers the directors'

- (a) mix of skills, knowledge, expertise and experience;
- (b) professionalism and integrity; and
- (c) in the case of audit committee members, each member's ability to discharge responsibilities and functions as required such as the ability to read, analyse and interpret financial statements.

The full Committee met twice during the financial year. The meeting on 27 February 2008 was to consider and recommend the appointment of Dato' Koh Kin Lip as an audit committee member to replace Dato' Loo Pang Kee, an executive director in order to comply with the Malaysian Code of Corporate Governance (Revised 2007) and Paragraph 15.10 of the Bursa Malaysia Listing Requirement which require that all members of the audit committee be non-executive directors.

On 24 May 2008, the Committee met to consider and recommend the:-

- (a) re-appointment of Mr Loo Ngin Kong as director pursuant to Section 129(6) of the Companies Act, 1965 at the Eighth Annual General Meeting;



- (b) re-election of Mr Lim Ted Hing and Dr Edmond Fernandez retiring as directors pursuant to Article No. 93, at the Eighth Annual General Meeting; and
- (c) re-election of Dato' Koh Kin Lip retiring as director pursuant to Article No. 100, at the Eighth Annual General Meeting.

By way of the Committee's circular resolution in writing dated 5 November 2008, the Committee had considered and recommended the appointment of Mr Tan Yun Su as an Executive Director after reviewing his qualification, experience, mix of skills and the core competencies necessary for Board functions and his potential contribution to the effectiveness of the Board as a whole.

Re-election

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until the next annual general meeting.

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting and that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

B. DIRECTOR'S REMUNERATION

The Level and Make -Up of Remuneration

In compliance with the Listing Requirements, a Remuneration Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing (Independent Non-Executive Director)
2. Dr. Edmond Fernandez (Independent Non-Executive Director)

The Board as a whole determines the remuneration of the Directors with individual Directors abstaining from decisions in respect of their own remuneration.

Procedure

The Committee is delegated with the following duties in accordance with its approved terms of reference:

- to annually review in a formal and transparent manner, the remuneration packages of all the Executive Directors and make recommendations therewith; and
- to recommend to the Board the Company's framework for retaining and rewarding the Executive Directors.

The Committee shall ensure that the Company attracts and retains the Directors needed to run the Group

successfully. The Executive Directors are to be appropriately rewarded giving due regard to the performance of the Directors and business, whilst the Non-executive Directors are to be rewarded to reflect their experience and level of responsibilities.

The full Committee met once during the financial year. The meeting on 27 February 2008 was to review and recommend revision to Executive Directors' remuneration for financial year 2008 with regards to Group performance and the industry norm for remuneration to Executive Directors.

Disclosure

The details of the remuneration for the Directors of the Company during the financial year ended 31 December 2008 are as follows:

Directors' Remuneration	Executive Directors RM	Non-Executive Directors RM
Fees	40,000	40,000
Emoluments	2,701,211	224,172
Benefits-in-kind	39,250	-
Total	2,780,461	264,172

The number of Directors whose remuneration during the financial year ended 31 December 2008 falls within the following bands is as follows:

Directors' Remuneration	NUMBER OF DIRECTORS	
	Executive	Non-Executive
RM'000		
Below 50	-	1
50 to 100	-	3
101 to 150	-	-
151 to 200	1	-
201 to 500	-	-
501 to 550	1	-
551 to 750	-	-
751 to 800	1	-
801 to 1,300	-	-
1,301 to 1,350	1	-

C. DIRECTORS' TRAINING AND EDUCATION

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Malaysia.

The Directors are encouraged to attend talks, seminars, workshops, conferences and other training programmes to update themselves on, inter-alia, areas relevant to the Group's operations; Directors' responsibilities and corporate governance issues, new business development, as well as on changes to statutory requirements and regulatory guidelines.

Description of the type of training attended by the Directors for the financial year ended 31 December 2008 are as follows:

Training Programme	Attended by:
International Palm Oil Sustainability Conference 2008 organised by Malaysian Palm Oil Council	All directors except Dato' Loo Pang Kee
The Art of Motivation Skills Workshop organised by Total Research Marketing Sdn Bhd "How to Say No ... and Still Get to Say Yes" – Program on Negotiation organized by Center for Management Research, Harvard University Workshop "Invest Indonesia Masterclass" organised by Lexis Nexis Roundtable on Sustainable Palm Oil (RSPO) Talk organized by HSBC Bank Malaysia Berhad	Dato' Loo Pang Kee
Seminar on Technical Update on Financial Reporting Standards & International Financial Reporting Standards organised by Malaysian Institute of Accountants Malaysian Institute of Accountants – Sandakan Chapter Dialogue MIA Regional Conference – "None Will Be Left Behind" organised by Malaysian Institute of Accountants National Seminar on Taxation 2008 organised by Inland Revenue Officers Union and Lembaga Hasil Dalam Negeri	Lim Ted Hing
Year 2009 Budget Proposals And Recent Tax Developments organised by Ernst & Young Tax Consultants Sdn. Bhd.	Dato' Koh Kin Lip

D. SHAREHOLDERS**Dialogue between Companies and Investors**

The Board believes in clear and regular communication with its shareholders and institutional investors. Besides the various announcements made during the financial year and release of financial results on a quarterly basis, the Board anticipates through its Seventh Annual Report to provide shareholders with an overview of the Group's performance and its business activities.

The Board recognises the importance of timely and equal dissemination of information to shareholders. As such, it strictly adheres to the disclosure requirements of the Bursa Malaysia.

To provide regular research coverage of the Company to existing and prospective investors, the Company is a participating company in the CMDf – Bursa Research Scheme II.

Annual General Meeting ("AGM")

The Board understands that the AGM is the principal forum for dialogue with shareholders. Hence opportunities will be made for shareholders to raise questions pertaining to the business activities of the Group. Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved. In respect of re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

E. ACCOUNTABILITY AND AUDIT**Financial Reporting**

In presenting the annual financial statements and quarterly announcements to the shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 24 of this annual report.

Internal Control

The Directors acknowledge their responsibilities for maintaining a sound system of internal control which is necessary to safeguard the Group's assets and shareholders' investment. In this respect, the Board affirms its overall responsibility for the Group's internal control system, which encompasses risk management practices as well as financial, operational and compliance controls. Information on the Group's internal control system is presented in the Statement on Internal Control laid out on pages 31 to 32 of this annual report.



Relationship with Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 26 to 29 of this annual report. A summary of the activities of the Audit Committee during the year, including the evaluation of the internal audit process, is set out in the Audit Committee Report on pages 29 to 30 of this annual report.

Compliance statement

The Group had substantially complied with the Best Practices of the Code throughout the financial year.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 24 April 2009.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year 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 of their results and cash flows for the financial year. The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have a general responsibility for ensuring the Group and the Company keep accounting records and financial statements, which disclose with reasonable accuracy the financial position of the Group and of the Company. The Directors have taken steps to ensure that such financial statements comply with the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The Directors are also responsible for taking steps that are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.



The following additional information is provided in compliance with the Listing Requirement of the Bursa Malaysia:-

1. Utilisation of Proceeds Raised From Corporate Proposals

This was not applicable during the financial year.

2. Share Buybacks

During the financial year, there were no share buybacks by the Company.

3. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year.

4. American Deposit Receipt ('ADR') or Global Deposit Receipt ('GDR') Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

5. Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities.

6. Non-Audit Fees

The amount of non-audit fees paid to an associate of the auditors for the year is RM66,950.

7. Profit Estimate, Forecast or Projection

No material variance arose between the audited results for the financial year and the unaudited results previously announced. There were no profit estimate, forecast or projection for the financial year ended 31 December 2008.

8. Profit Guarantee

During the financial year, there were no profit guarantee given by the Company.

9. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries which involve Directors' and major shareholders' interest either still subsisting at the end of the financial year.

10. Revaluation Policy on Landed Properties

Landed properties of the Company are not revalued and are stated at cost less accumulated depreciation.

11. Recurrent Related Party Transactions

The details of the related party transactions are set out in note 29 to the financial statements.

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations are as follows:-

NAME	DESIGNATION	DIRECTORSHIP
(a) Lim Ted Hing	Chairman	Independent Non-Executive Director
(b) Dr. Edmond Fernandez	Member	Independent Non-Executive Director
(c) Dato' Loo Pang Kee (resigned on 27 February 2008)	Member	Group Managing Director
(d) Dato' Koh Kin Lip (appointed on 27 February 2008)	Member	Non-Independent Non-Executive Director

The Audit Committee was formed by the Board of Directors on 19 March 2002.

The Chairman of the Audit Committee, Mr. Lim Ted Hing is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

On 27 February 2008, the Board appointed Dato' Koh Kin Lip, a non-independent non-executive director as an audit committee member to fill the casual vacancy resulting from the resignation of Dato' Loo Pang Kee as an audit committee member. Following such changes in the audit committee, the Company has complied with the Malaysian Code of Corporate Governance (Revised 2007) and Paragraph 15.10 of the Bursa Malaysia Listing Requirement which require that all members of the audit committee should be non-executive directors.

Terms of reference

The Audit Committee is governed by the following terms of reference:

1. Composition of the audit committee

The Audit Committee shall be appointed by the Board of Directors from among their numbers and shall comprise at least three directors, all must be non-executive directors with a majority of them shall be independent of other fellow directors, substantial shareholders, senior management and operating executives and unencumbered by any relationships that might, in the opinion of the Board of Directors, be considered conflict of interest. The members of the Audit Committee shall elect a chairman from among themselves who shall be an independent director.

All members of the audit committee should be financially literate and at least one member of the audit committee:-

- (a) must be a member of the Malaysian Institute of Accountants (MIA); or



AUDIT COMMITTEE REPORT COMPOSITION, TERMS OF REFERENCE AND FUNCTIONS (CONT'D)

- (b) if he is not a member of the MIA, he must have at least 3 years' working experience and:-
- (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (ii) he 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
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia.

No alternate director shall be appointed as a member of the audit committee.

2. Authority

The Audit Committee is authorised by the Board of Directors to:

- (a) investigate any activities within its terms of reference;
- (b) have the resources required to perform its duties;
- (c) have full and unrestricted access to any information and documents relevant to its activities;
- (d) have direct communication channels with the internal and external auditors and senior management of the Group;
- (e) be able to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

3. Duties

The duties of the Committee should include the following:

- (a) to recommend the nomination of a person or persons as external auditors, and to consider the audit fee and any questions of re-appointment, resignation or dismissal of external auditors;
- (b) to discuss with the external auditors before audit commences, the nature and scope of the audit contained in the audit plan, and ensure coordination where more than one audit firm is involved;
- (c) to review the assistance given by the Company and its officers to the external and internal auditors;
- (d) to review the adequacy and the integrity of the Group's internal control systems and management information systems with the external auditors;
- (e) to review the quarterly and year-end financial statements of the Company prior to the approval by the Board; focusing particularly on:
 - (i) any changes in or implementation of major accounting policies and practices;
 - (ii) significant and unusual events;
 - (iii) significant adjustments arising from the audit;
 - (iv) the going concern assumption; and
 - (v) compliance with applicable Financial Reporting Standards in Malaysia and other legal requirements;

AUDIT COMMITTEE REPORT

COMPOSITION, TERMS OF REFERENCE AND FUNCTIONS (CONT'D)

- (f) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (g) to review the external auditors' audit report, management letter and management's response;
- (h) to perform the following in respect of the internal audit function:
 - (i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (ii) review the internal audit program, processes and results of the internal audit program, process or investigation undertaken and where necessary ensure that appropriate actions taken on the recommendations of the internal auditors;
 - (iii) review any appraisal or assessment of the performance of the internal audit function;
 - (iv) approve any appointment or termination of internal auditors; and
 - (v) inform itself of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning;
- (i) to consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (j) to consider the major findings of internal investigations and management's response; and
- (k) to report the above to the Board and consider other topics as defined by the Board.

4. Quorum and procedures for meetings

The Audit Committee meetings shall not be less than four times a year. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Representatives of external auditors may be required to be in attendance at meetings where matters relating to the audit of the statutory accounts are to be discussed. However, at least twice a year, the Audit Committee shall meet with the external auditors without any executive Board Members present, if deemed necessary.

The Committee shall meet at least once annually with the internal auditors to discuss the internal audit findings for the financial year without any executive Board Members present, if deemed necessary.

Other appropriate officers of the Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Chairman of the Audit Committee.

The quorum for the meeting shall be any two members, one of whom shall be an independent director.

The Company Secretaries shall be Secretaries to the Audit Committee. The Secretaries in conjunction with the Chairman, shall draw up agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.



AUDIT COMMITTEE REPORT COMPOSITION, TERMS OF REFERENCE AND FUNCTIONS (CONT'D)

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

5. Retirement and resignation

In the event of any vacancy in an audit committee resulting in the non-compliance of subparagraphs 15.10(1) of Bursa Malaysia Listing Requirements, the vacancy must be filled within 3 months.

6. Review of the audit committee

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

INTERNAL AUDIT

The Company has outsourced its internal audit function to an independent accounting firm, which reports directly to the Audit Committee. The main activities undertaken by the internal auditors during the financial year are as follow:

- (a) to review the key internal controls relating to the payroll functions of the Group;
- (b) to review the key internal controls relating to the sales of CPO and PK; and
- (c) to report the findings and recommendations from the above review to the Audit Committee.

The results of the internal audit function are set out in the Statement of Internal Control.

MEETINGS AND SUMMARY OF ACTIVITIES

The Committee had held five meetings during the financial year. The attendance record of the Audit Committee members in each of the meetings is as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
Lim Ted Hing	5	5
Dr. Edmond Fernandez	5	5
Dato' Loo Pang Kee (resigned on 27 February 2008)	1	1
Dato' Koh Kin Lip (appointed on 27 February 2008)	4	4

AUDIT COMMITTEE REPORT

COMPOSITION, TERMS OF REFERENCE AND FUNCTIONS (CONT'D)

The main activities undertaken by the Committee were as follows:

- (a) reviewed the unaudited Quarterly Financial Results of the Group and its disclosure requirements before recommending them for the Board's approval;
- (b) reviewed the year end financial statements of the Company prior to submission to the Board for their consideration and approval. This review was to ensure that the financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia;
- (c) reviewed each quarter's related party transactions and report the same to the Board;
- (d) reviewed the audit plans and service charter presented by the external auditors; and
- (e) reviewed the internal audit program, processes and results of the internal audit processes.

Details of training attended by each Audit Committee member are disclosed on page 21 of the Statement on Corporate Governance.

**Responsibility**

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, present throughout the financial year under review and up to date of approval of the annual report and financial statements, and is in accordance with the guidance as contained in the publication – Statement on Internal Control Guidance for Directors of Public Listed Companies.

As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Risk Management Framework and Control Self - Assessment

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The risk management framework has been formalised in compliance with Bursa Malaysia Listing Requirements with emphasis on compliance with the Corporate Governance and Internal Control. The Board reviews the risk management framework annually and the management has been entrusted to continuously monitor the principal risks of the Group identified, evaluate existing controls and formulate the necessary action plans with its respective process owners. The Executive Directors are tasked with the responsibility of continuous monitoring and reviewing strategic directions and significant operational matters of the Group.

Other Key Elements of Internal Control

Scheduled meetings at head office and operation sites were held to identify, discuss and resolve business and operational issues. The Board was aware of, and involved in, when necessary in resolving, any significant issues identified at those meetings. The Executive Directors are actively involved in the day-to-day operations of the Group.

The Group has a clear management structure that clearly defines lines of accountability and delegated authority. There is also proper segregation of duties to ensure safe custody of the Group's assets. The Group's organisation chart includes the Management Committee, headed by the Group Managing Director. The Management Committee meets monthly at head office or operation sites to discuss and review the Group's operations and ensures that they are carried out in accordance with standards set and expected by the Board. There is a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

The Board has reviewed the Group's budget for the current financial year. The budgeting process includes the preparation of budgets by individual operating units, which are approved at management level and ultimately by the Board. Actual performance and results are monitored against budgets, with reasons for significant variances identified and highlighted to management and the Board for the appropriate corrective measures.

Internal Audit Function

The Board remains committed towards continuous improvement and enhancement of its internal controls to ensure that there is increased certainty of the achievement of business objectives, thus enhancing shareholder value.

The Group has outsourced its Internal Audit function to an independent accounting firm, which reports directly to the Audit Committee. The internal audit was carried out based on the Internal Audit plan that was reviewed by the Audit Committee and approved by the Board of Directors. The amount of internal audit fees paid to the internal auditors for the year is RM18,000.

The risk based internal audit approach has examined, evaluated and ensured compliance with the Group's policies, procedures and system of controls. It has also evaluated the effectiveness of the internal control system and assessed the consequences of any potential risks and suggested any improvements required.

A number of minor internal control weaknesses were identified during the year, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report. The board confirms that its system of internal control was operational throughout the financial year and up to the date of approval of the Annual Report.