

Annual

2006

Report

NEGRI SEMBILAN OIL PALMS BERHAD 592-D

(Incorporated In Malaysia)

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

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FINANCIAL HIGHLIGHT AND FINANCIAL CALENDAR

FINANCIAL HIGHLIGHT - GROUP

	2006	2005
	RM'000	RM'000
Revenue	51,405	44,000
Operating profit	19,621	11,244
Share of profit of associates	699	472
Share of loss of a jointly controlled entity	(39)	-
Profit before taxation	20,281	11,716
Taxation	(4,921)	(2,956)
Profit for the year	15,360	8,760
Profit for the year attributable to equity holders of the Company	13,307	8,155
Profit for the year attributable to minority interests	2,053	605
Dividends	8,079	7,963
Issued and paid-up share capital	70,202	69,412
Equity attributable to ordinary equity holders of the Company	265,384	209,183
Earnings per stock unit		
- Basic	19.0 sen	11.9 sen
- Diluted	-	11.8 sen
Dividends		
- First interim dividend	8 % less 28% taxation	8 % less 28% taxation
- Second interim dividend	8 % less 28% taxation	8 % less 28% taxation
Dividend cover (times)	1.65	1.02
Net assets per stock unit attributable to ordinary equity holders of the Company	RM3.78	RM3.01

FINANCIAL CALENDAR

Financial year	1 January 2006 to 31 December 2006
Announcement of results	
First financial quarter ended 31 March 2006	26 May 2006
Second financial quarter ended 30 June 2006	29 August 2006
Third financial quarter ended 30 September 2006	28 November 2006
Fourth financial quarter ended 31 December 2006	28 February 2007
Dividends payment	
First interim	30 June 2006
Second interim	29 December 2006
Despatch of 2006 Annual Report	3 May 2007
Seventy Fifth Annual General Meeting	25 May 2007

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy Fifth Annual General Meeting of the Company will be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Friday, 25 May 2007 at 2.30 pm for the following purposes: -

1. To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 December 2006 and the Auditors' Report thereon. (Resolution 1)
2. To approve the directors' fees for the financial year ended 31 December 2006 and to authorise the directors to divide such fees in the proportions and manner to be determined by them. (Resolution 2)
3. To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -
 - (i) Mr Goh Pock Ai (Resolution 3)
 - (ii) Mr Gho Lian Chin (Resolution 4)
 - (iii) Dato' Ong Bok Lim (Resolution 5)
4. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965: -
 - (i) "That Mr Goh Eng Chew, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 6)
 - (ii) "That Mr Wong Aun Phui, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 7)
 - (iii) "That Mr Goh Beng Hwa @ Gho Bin Hoa, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 8)
5. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 9)
6. As special business, to consider and if thought fit, pass the following ordinary resolutions: -

Proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties ("Proposal")
(Resolutions 10 – 15)

The text of the above resolutions together with the details of the Proposal are set out in the Circular to Shareholders dated 3 May 2007.
7. To transact any other ordinary business of the Company of which proper notice shall have been given to the Company.

By Order of the Board

Gan Kok Tiong
Company Secretary

Kuala Lumpur
3 May 2007

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
3. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. For Item 6, further information are set out in the Circular to Shareholders dated 3 May 2007 which is despatched together with the 2006 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election and re-appointment at the Seventy Fifth Annual General Meeting

- (a) Mr Goh Pock Ai - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 6 for further details and pages 81 to 82 for his shareholding in the Company and the subsidiaries.
- (b) Mr Gho Lian Chin - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 8 for further details and pages 81 to 82 for his shareholding in the Company and the subsidiaries.
- (c) Dato' Ong Bok Lim - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 7 for further details and pages 81 to 82 for his shareholding in the Company and the subsidiaries.
- (d) Goh Eng Chew - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 6 for further details and pages 81 to 82 for his shareholding in the Company and the subsidiaries.
- (e) Wong Aun Phui - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 6 for further details and pages 81 to 82 for his shareholding in the Company and the subsidiaries.
- (f) Goh Beng Hwa @ Gho Bin Hoa - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 6 for further details and pages 81 to 82 for his shareholding in the Company and the subsidiaries.

2. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2006

A total of five (5) Board Meetings were held during the financial year ended 31 December 2006.

Details of attendance of Directors at the Board Meetings are as follows:-

<u>Name</u>	<u>Number of Meetings Attended</u>
Goh Eng Chew	5
Wong Aun Phui	5
Goh Pock Ai	5
Goh Beng Hwa @ Gho Bin Hoa	4
Sio Sit Po	5
Dato' Ong Bok Lim	5
Keong Choon Keat	5
Goh Yeok Beng	5
Gho Lian Chin	5
Goh Wei Lei	5
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Appointed on 28 February 2006)	4*

* Four meetings were held during the period since the date of his appointment to 31 December 2006.

3. Seventy Fifth Annual General Meeting

Venue : The Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Date : 25 May 2007 (Friday)
Time : 2.30 p.m.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman (Non-Independent)	Goh Eng Chew
Executive Directors (Non-Independent)	Wong Aun Phui Goh Pock Ai
Non-Executive Directors (Independent)	Goh Beng Hwa @ Gho Bin Hoa Sio Sit Po Dato' Ong Bok Lim Keong Choon Keat
Non-Executive Directors (Non-Independent)	Goh Yeok Beng Gho Lian Chin Goh Wei Lei Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong
Alternate Director	Gho Bun Tjin (alternate to Gho Lian Chin)

AUDIT COMMITTEE

Chairman	Keong Choon Keat
Members	Dato' Ong Bok Lim Sio Sit Po Wong Aun Phui Goh Pock Ai

NOMINATION COMMITTEE & REMUNERATION COMMITTEE

Chairman	Gho Lian Chin
Members	Goh Beng Hwa @ Gho Bin Hoa Dato' Ong Bok Lim Keong Choon Keat Goh Wei Lei

COMPANY SECRETARY

Gan Kok Tiong B.Commerce (Accounting)(Hons.), CA(M), CPA

REGISTERED OFFICE

Suite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Telephone: 03-2261 4633
Fax: 03-2261 4733

AUDITORS

Ernst & Young
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

SHARE REGISTRAR AND MANAGING AGENT

Sin Thye Management Sdn Bhd
Suite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Telephone: 03-2261 4633
Fax: 03-2261 4733

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in Malaysia

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS

Goh Eng Chew

Executive Chairman. 75-year-old Mr Goh, a Singaporean, has more than thirty years of plantation and financial experience. Appointed to the Board on 17 July 1968. He later served as Chairman from 17 December 1994. He was appointed as the Executive Chairman on 20 December 2000. He had been Chairman of a licensed commercial bank, a licensed finance company and a real estate company, all of which were formerly listed in Singapore. He is also the Executive Chairman of Chin Teck Plantations Berhad. Other public companies in which he heads the Board are Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the father of Goh Wei Lei.

Number of Board meetings attended during the financial year ended 31 December 2006: 5 out of 5

Wong Aun Phui

85 years of age, Malaysian. Executive Director. Has more than forty years of plantation and banking experience. Appointed to the Board on 15 July 1968. He is a member of the Audit Committee. He was conferred Senior Cambridge Certificate by Cambridge University. He had served as Assistant Managing Director of Malaysian Banking Berhad, Managing Director of Pan Malaysian Finance Limited and Adviser of Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad). Formerly, Chairman of Bandar Raya Development Berhad. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Pan Malaysia Corporation Berhad. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2006: 5 out of 5

Goh Pock Ai

66 years of age, Singaporean. Executive Director. Appointed to the Board on 15 May 1971. He is a member of the Audit Committee. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong.

Number of Board meetings attended during the financial year ended 31 December 2006: 5 out of 5

Goh Beng Hwa @ Gho Bin Hoa

75 years of age, Singaporean. Independent Non-Executive Director. Appointed to the Board on 1 November 1969. He is a member of the Nomination Committee and Remuneration Committee. He had worked for several years in a listed licensed commercial bank in Singapore and was formerly the Managing Director of a licensed finance company listed in Singapore. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2006: 4 out of 5

PROFILE OF DIRECTORS

Sio Sit Po

58 years of age, Singaporean. Independent Non-Executive Director. He was first appointed as an alternate director on 16 June 1995 and ceased as alternate director on 10 January 1997. Subsequently, he was appointed as a director on 3 February 1997. He is a member of the Audit Committee. Holds a Bachelor of Science (Hons) from the Nanyang University, Singapore. Worked in a licensed commercial bank listed in Singapore since graduation till 1999. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2006: 5 out of 5

Dato' Ong Bok Lim

69 years of age, Malaysian. Independent Non-Executive Director. Appointed to the Board on 31 May 1997. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He has vast experience and knowledge in the oil palm plantation industry. He is also a director of Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2006: 5 out of 5

Keong Choon Keat

62 years of age, Malaysian. Independent Non-Executive Director. Appointed to the Board on 21 May 2001. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales. Attached to Bristol Myers & Company Ltd, England as an Accountant in 1968 and left to join Malaysian Tobacco Company Bhd as an Accountant in 1969. From 1974 to 1999, he was attached to UMW Holdings Bhd where he held various management positions from General Manager to Director, Group Accounts before being promoted to the position of an Executive Director in 1988. Upon retirement in 1999, he joined a consultancy firm providing outplacement and career management consultancy services in Malaysia. Other public companies in which he is a director are JT International Berhad, Malaysian Airline System Berhad, Chin Teck Plantations Berhad, PacificMas Bhd, The Pacific Insurance Bhd and Crest Builder Holdings Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2006: 5 out of 5

Goh Yeok Beng

58 years of age, Singaporean. Non-Independent Non-Executive Director. Appointed to the Board on 4 August 1982. He has vast experience and extensive knowledge in the oil palm plantation industry and rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (Executive Director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2006: 5 out of 5

PROFILE OF DIRECTORS

Gho Lian Chin

59 years of age, Singaporean. Non-Independent Non-Executive Director. Appointed to the Board on 13 July 1995. Holds a Bachelor of Science from the University of Melbourne, Australia. He is the Chairman of the Nomination Committee and Remuneration Committee. He worked in a licensed commercial bank listed in Singapore as its representative in a foreign country. Subsequently, he was engaged to manage the property division of the bank. He was also formerly a director of a licensed finance company and a real estate company both of which were listed in Singapore. He has extensive experience and knowledge in the rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Bun Tjin.

Number of Board meetings attended during the financial year ended 31 December 2006: 5 out of 5

Goh Wei Lei

38 years of age, Singaporean. Non-Independent Non-Executive Director. He was first appointed as an alternate director on 29 March 1994. He ceased as alternate director on 12 March 1996 and was appointed as a director on that date. He is a member of the Nomination Committee and Remuneration Committee. Holds a Bachelor of Science from the Oregon State University, USA. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the son of Goh Eng Chew.

Number of Board meetings attended during the financial year ended 31 December 2006: 5 out of 5

Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong

60 years of age, Singaporean. Non-Independent Non-Executive Director. He was first appointed as an alternate director on 22 April 1978. He ceased as alternate director on 29 December 1994 and was appointed as a director on that date. He later resigned as director on 29 February 1996. Subsequently, he was appointed as a director on 28 February 2006. Holds a Bachelor of Business from South Australian Institute of Technology. He has vast experience and extensive knowledge in banking and finance. Attached to DBS Bank Ltd as Senior Officer from 1973 to 1974 and left to join Tat Lee Bank Ltd from 1974 to 1998, during which time he held various positions; credit officer, sub-manager, manager, senior manager, executive director, deputy president and president (from 1995 to 1998). Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (alternate director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Pock Ai.

Number of Board meeting attended during the financial year ended 31 December 2006: 4 out of 4 (Four meetings were held during the period since the date of his appointment to 31 December 2006).

Gho Bun Tjin (alternate to Gho Lian Chin)

56 years of age, Singaporean. He was first appointed as an alternate director on 29 June 1979 and ceased as alternate director on 21 June 1995. Subsequently, he was appointed as alternate director of Gho Lian Chin on 8 September 1995. Holds a Bachelor of Science from the University of Waterloo, Canada. He worked for a short period in a licensed commercial bank listed in Singapore. He is now working in a commercial company overseeing the general management. Other public companies in which he is an alternate director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on pages 87 to 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Lian Chin.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Negri Sembilan Oil Palms Berhad, I take great pleasure in presenting the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2006.

During the year 2006, the Malaysian oil palm industry experienced satisfactory growth in crude palm oil price. The selling price of crude palm oil has further improved significantly in the first quarter of 2007 and this trend is expected to be maintained due to the worldwide increase in demand for bio-diesel coupled with the good demand for food consumption including trans fatty acid free products.

Financial Performance and Operation Review

During the financial year under review, revenue of the Group increased by 16.83% to RM51,405,493. Overall operating expenses increased by 5.51% to RM37,938,903. Other income increased by 92.12% to RM6,153,798.

The average selling prices of fresh fruit bunches ("ffb") and crude palm oil were higher compared with the previous year. However, the average selling price of palm kernel was lower.

Production of ffb increased by 10.16% to 138,249 m/t. Purchase of ffb also increased by 18.40% to 26,038 m/t. Correspondingly, production of crude palm oil increased by 18.97% to 19,393 m/t and production of palm kernel increased by 20.03% to 5,806 m/t. The oil extraction rate ("OER") decreased slightly from 19.00% to 18.78% and the kernel extraction rate ("KER") also recorded a small decline from 5.64% to 5.62%.

The increase in overall operating expenses was due mainly to an increase in purchase of ffb.

The increase in other income was due mainly to the reversal of unrealised loss on foreign exchange in the previous financial year to unrealised gain on foreign exchange in the financial year under review.

The Group also recorded a higher share of profit of associates due mainly to favourable operating conditions. However, the Group suffered a loss of RM39,201 from its share of losses of a jointly controlled entity.

Overall, profit for the year increased by 75.34% to RM15,359,112. After allocating profit for the year for minority interests, profit attributable to equity holders of the Company increased by 63.16% to RM13,306,176.

The freehold and long term leasehold estates of the Group were revalued on 31 December 2006 by an independent firm of professional registered valuers, Messrs. Regroup Associates Sdn Bhd. The total revaluation surplus was RM67,734,242 and this had been incorporated in the financial statements for the financial year ended 31 December 2006.

Shareholders' equity increased by 26.87% to RM265,383,671.

At Company level, revenue increased by 13.44% to RM20,412,629 and profit for the year increased by 15.55% to RM10,117,871.

Dividends

Total gross dividends of 16% in respect of the financial year ended 31 December 2006 were paid during the financial year, i.e. a first interim dividend of 8% less 28% taxation was paid on 30 June 2006 and a second interim dividend of 8% less 28% taxation was paid on 29 December 2006. In view of the payment of the interim dividends, the Board do not recommend a final dividend in respect of the financial year ended 31 December 2006.

CHAIRMAN'S STATEMENT

Joint venture on oil palm plantation in Indonesia

On 10 April 2006, the Company entered into a conditional joint venture and shareholders agreement with Timor Oil Palm Plantation Berhad, Eng Thye Plantations Berhad, Chin Teck Plantations Berhad, Seong Thye Plantations Sdn Bhd and Chin Thye Investment Pte Ltd ("Singapore JVSA") to participate in a joint venture project for the development of an oil palm plantation located at the Regency of Ogan Komering Ilir, South Sumatera Province, Indonesia with P.T. Lampung Karya Indah.

The joint venture is expected to enhance the future earnings potential of the Group and is in line with the long term strategy of the Group in increasing its oil palm plantation interest.

The approval of the shareholders of the Company was obtained at the Extraordinary General Meeting of the Company held on 26 May 2006. The conditions precedent as set out in the Singapore JVSA have been fulfilled and the necessary approvals required for the subscription of shares in Chin Thye Investment Pte Ltd have been obtained. Pursuant to the Singapore JVSA, the Group subscribed for an aggregate of 7,200,000 shares in Chin Thye Investment Pte Ltd at S\$1.00 per share for a total cash subscription sum of RM16,949,730 on a pro-rata basis.

As at 31 March 2007, approximately 600 hectares of land have been cleared of which 350 hectares have been planted.

Issue of Shares

During the financial year, the Company increased its issued and paid-up share capital from RM69,411,962 to RM70,201,962 by way of the issuance of new ordinary shares of RM1.00 each, for cash, pursuant to the Employee Share Option Scheme ("ESOS"). The ESOS lapsed on 22 October 2006. The Board has decided not to implement a new scheme for the time being.

Recurrent Related Party Transactions

The Company announced on 28 February 2007 that it proposes to seek the approval of shareholders for the proposed renewal of the shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed renewal of shareholders' mandate and to seek the approval for the ordinary resolutions pertaining to the proposed renewal of shareholders' mandate is enclosed together with the Annual Report.

Outlook For Year 2007

The Group's financial performance should improve significantly in view of the current strong crude palm oil price, which is expected to remain firm in the following months. Consequently, the Board expects to be able to declare higher dividends for the financial year ending 31 December 2007.

Appreciation

On behalf of the Board of Directors, I would like to thank the management and staff for their contribution and commitment. I must also thank our suppliers and customers for their co-operation and support. To our shareholders, I would like to thank you for your continued support and confidence in the Company.

Goh Eng Chew
Executive Chairman

18 April 2007

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

The Board of Directors is committed to ensure that a high standard of corporate governance is practised throughout the Group in discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board of Directors will continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Malaysian Code on Corporate Governance ("the Code") wherever applicable in the best interests of the shareholders of the Company. The Board considers that it has generally applied the Principles of the Code and complied with the Best Practices of the Code to the extent described in this statement.

1. Directors

Board Responsibilities

The Board retains full and effective control of the Company and is responsible for the overall performance of the Company. It focuses mainly on strategies, performance and critical business issues and is responsible for the following: -

- Group's strategic plans
- Conduct of the Group's business
- Principal risks identification and their management
- Succession planning for senior management
- Shareholders communication policy
- Group's internal control system and management information system

Composition of the Board

The Board currently consists of eleven directors: -

- An Executive Chairman
- Two Executive Directors
- Four Independent Non-Executive Directors
- Four Non-Independent Non-Executive Directors

There is an alternate director on the Board.

The Executive Chairman and Executive Directors have many years of experience in managing the Group's core business, plantations. The Non-Executive Directors have broad business and commercial experience. The Independent Directors are actively involved in various Board Committees and they provide independent assessment and opinion. The biographical details of the Board members are set out on pages 6 to 8 of the Annual Report.

The Executive Chairman functions both as Chairman of the Board and Executive Director. The Board is mindful of the combined roles but is comfortable that there is no undue risk involved as the Executive Directors will be informed and consulted before the Executive Chairman makes any significant decision and all major matters and issues are referred to the Board for considerations and approvals. The roles and contributions of Independent Directors also provide an element of objectivity, independent judgment and check and balance on the Board. Furthermore, all related party transactions are dealt with in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

1. Directors (Contd.)

Composition of the Board (Contd.)

The Executive Chairman, Goh Eng Chew, the Executive Director, Goh Pock Ai, the four Non-Independent Non-Executive Directors, Goh Yeok Beng, Gho Lian Chin, Goh Wei Lei and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the alternate director, Gho Bun Tjin are directors and/or alternate director and/or shareholders of Tiong Thye Company Berhad, the largest shareholder of the Company holding 55.13% of the issued and paid-up share capital of the Company as at 30 March 2007.

The Board considers that its complement of the Independent Non-Executive Directors and Non-Independent Non-Executive Directors provides an effective Board with a mix of general management, accounting and finance and business experience and fairly reflects the investment in the Company by shareholders. The Board complies with the Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two or one third of the Board, whichever is higher, to be independent directors.

All concerns regarding the Company can be conveyed to any one of the Directors. As such, the Board has not appointed a senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed.

The Board has established Board committees, which operate within the defined terms of reference. These committees are: -

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Employee Share Option Scheme Committee

The Report on Audit Committee for the financial year ended 31 December 2006 is set out on pages 19 to 22 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out on pages 14 to 15 of the Annual Report.

The Employee Share Option Scheme Committee or the Option Committee was established to administer the Negri Sembilan Oil Palms Berhad Employee Share Option Scheme, which became effective on 23 October 2001. The directors who served on the Option Committee were Goh Eng Chew, Wong Aun Phui, Dato' Ong Bok Lim and Gho Lian Chin. The Company Secretary also served on the Option Committee.

The Negri Sembilan Oil Palms Berhad Employee Share Option Scheme lapsed on 22 October 2006. The Board has decided not to implement a new scheme for the time being. Consequently, the Option Scheme was subsequently dissolved.

The Board of Directors met five times during the financial year ended 31 December 2006. The Executive Chairman and the Executive Directors explained to the Board the rationale of the matters discussed and the implications on the Group. The Directors participated in the discussion and comments were considered before a decision was made.

**STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH
THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE**

1. Directors (Contd.)

Composition of the Board (Contd.)

The attendances of the Directors were as follows: -

Name	Number of Meetings Attended
Goh Eng Chew	5
Wong Aun Phui	5
Goh Pock Ai	5
Goh Beng Hwa @ Gho Bin Hoa	4
Sio Sit Po	5
Dato' Ong Bok Lim	5
Keong Choon Keat	5
Goh Yeok Beng	5
Gho Lian Chin	5
Goh Wei Lei	5
Goh Tju Kiang @	4*
Gho Tju Kiang @	
Gho Tju Kiong	

(Appointed on 28 February 2006)

* Four meetings were held during the period since the date of his appointment to 31 December 2006.

Supply of Information

Each Director receives monthly financial statements, which contain information on financial performance and plantation statistics.

Agenda of Board meeting and Board papers for each agenda item are sent to the directors prior to Board meeting. The Board papers include amongst others, quarterly financial results, performance of the estates, financial position of the Group and of the Company, the sales of crude palm oil and palm kernel, the market value of its quoted investments, summary of budget and capital expenditure, proposals for major acquisitions and disposals and corporate issues.

Directors have access to information within the Group. Any comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors. Directors may also obtain independent professional advice when necessary.

Directors also have direct access to the services of the Company Secretary.

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

1. Directors (Contd.)

Appointments to the Board

The Nomination Committee was established on 21 May 2001. The members of the Nomination Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Goh Wei Lei	- Non-Independent Non-Executive Director

The duties and functions of the Nomination Committee are: -

- to propose new nominees for the Board and Board Committees
- to assess directors on an on-going basis
- to annually review the required mix of skills and experience and core competencies of non-executive directors

The Directors have direct access to the services of the Company Secretary who is responsible for ensuring that 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 the requirements of the Companies Act, 1965, Listing Requirements of Bursa Malaysia Securities Berhad and other regulatory requirements.

Two meetings of Nomination Committee were held during the financial year ended 31 December 2006.

All members of the Nomination Committee attended the meetings.

Directors' Training

All Directors are required to attend the training programmes that are prescribed by Bursa Malaysia Securities Berhad from time to time.

All the Directors and alternate director had successfully attended the Mandatory Accreditation Programme ("MAP").

During the financial year ended 31 December 2006, the Directors and alternate director attended continuing education programme and seminar to keep abreast of current industry and economic developments as well as compliance and regulatory requirements.

Re-election of Directors

In accordance with the Articles of Association of the Company, all Directors who are appointed by the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.

The Articles of Association of the Company provides that one-third of the Directors, or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office once at least every three years but shall be eligible for re-election.

Directors who are of or over the age of seventy years shall retire pursuant to Section 129 of the Companies Act, 1965 and shall be re-appointed under the provision of Section 129(6) of the said Act annually.

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

1. Directors (Contd.)

2. Directors' Remuneration

It is the Company's policy that the level of Directors' remuneration is sufficient to attract and retain the Directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the component parts of the remuneration are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The Remuneration Committee was established on 21 May 2001. The members of the Remuneration Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Goh Wei Lei	- Non-Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors. However, the determination of remuneration packages of directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration.

One meeting of Remuneration Committee was held during the financial year ended 31 December 2006.

All members of the Remuneration Committee attended the meeting.

The shareholders at the annual general meeting approve the annual fees payable to the Directors. The Company reimburse reasonable expenses incurred by the Directors in the course of their duties as Directors. The basic salary for each executive director takes into account the compensation practices of other comparable companies and the performance of each individual director. Salary will be reviewed annually (although not necessary increased). Appropriate adjustments will be made to reflect performance and increased responsibilities. Executive Directors are entitled to commission, which is dependent on the financial performance of the Company based on an established formula.

The details of the total Group's remuneration receivable by the Executive Directors and Non-Executive Directors of the Company for the financial year ended 31 December 2006 are as follows:-

	No. of Directors	Fees RM	Salaries RM	Commission RM	Other RM	Total RM
Executive Directors						
	1	54,000	240,000	109,606	-	403,606
	1	39,500	164,400	76,724	2,000	282,624
	1	41,500	156,000	76,724	4,000	278,224
	3	135,000	560,400	263,054	6,000	964,454
Non-Executive Directors						
	1	26,000	84,000	30,772	-	140,772
	1	43,000	-	-	3,000	46,000
	1	33,500	-	-	7,000	40,500
	1	36,500	-	-	3,000	39,500
	1	29,000	-	-	7,000	36,000
	1	29,000	-	-	3,000	32,000
	1	28,500	-	-	2,000	30,500
	1	15,000	-	-	-	15,000
	8	240,500	84,000	30,772	25,000	380,272
		375,500	644,400	293,826	31,000	1,344,726

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

3. Shareholders

Dialogue between the Company and Investors

The annual and quarterly reports and the various mandatory announcements are the primary modes of communication to report on the Group's financial performance and operations and corporate developments. The annual and quarterly reports are sent to shareholders. Shareholders and the members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing the website of Bursa Malaysia Securities Berhad. It is not the practice of the Company to organise briefings sessions or investors forums for analysts and fund managers.

Annual General Meeting

The annual general meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and the Annual Report are despatched to shareholders. Notice of the Annual General Meeting is also published in a leading English newspaper. At the Annual General Meeting, shareholders have direct access to the Directors and are given the opportunity to ask questions during the question and answer session prior to the resolutions to approve the audited annual financial statements and directors' report. Suggestions and comments by shareholders are noted by directors for consideration.

Extraordinary General Meeting

During the financial year ended 31 December 2006, an Extraordinary General Meeting ("EGM") was held to consider the Proposed Joint Venture relating to the development of an oil palm plantation located at the Regency of Ogan Komering Ilir, South Sumatera Province, Indonesia. The Proposed Joint Venture involves the interests of certain directors and the major shareholders of the Company. A circular to shareholders together with an independent advice letter to non-interested shareholders was despatched. At the EGM, shareholders were given the opportunity to ask questions. The interested directors and major shareholders and persons connected to them abstained from voting in respect of their direct and/or indirect shareholdings in the Company on the ordinary resolution pertaining to the Proposed Joint Venture.

4. Accountability and Audit

Financial Reporting

In presenting the annual and quarterly financial statements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 34 of the Annual Report and the Statement explaining the Directors' responsibility for preparing the annual audited accounts pursuant to paragraph 15.27 (a) of the Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 23 of the Annual Report.

Internal Control

The Directors acknowledge their responsibilities for the Group's system of internal control, which has been designed to meet the Group's particular needs. The system of internal control is designed to manage risks to which the business of the Group is exposed rather than eliminate the risk of failure in achieving business objectives. The Directors continue to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets.

Internal Audit

The internal audit function has been outsourced to J. S. Lim & Co. with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

Relationship with the Auditors

The Company has always maintained a formal and transparent relationship with its auditors.

The role of the Audit Committee in relation to the external auditors is set out in the Report on Audit Committee on pages 19 to 22 of the Annual Report.

STATEMENT ON INTERNAL CONTROL

The Board of Directors is pleased to present the statement on the state of internal control of the Group comprising the Company and its subsidiaries.

Responsibility

The Board has overall responsibility for maintaining an effective and sound system of internal control and for reviewing its adequacy and recognises that there are inherent limitations to any system of internal control.

The system of internal control has been designed to meet the particular needs of the Group and to manage risks, which the Group is exposed to rather than eliminating risk of failure in achieving business objectives.

In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. Furthermore, it should be recognised that the cost of control procedures should not outweigh or exceed the expected benefits.

Internal Control Process

There is continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.

Key Elements of Internal Control

- **Organisational Structure**

The Group is headed by the Executive Chairman and assisted by two Executive Directors. The Executive Chairman and Executive Directors have many years of experience in managing the Group's core business i.e. plantations.

There is in place an operating structure with clear defined lines of accountability and delegated authority for the estates.

- **Policies Manual**

There is a Policies Manual including Authority Limit to serve as guidance for the operations and for the personnel of the Group to function within the accepted practices of the Group.

- **Audit Committee and Internal Audit**

The Audit Committee was established with a view to assist the Board in discharging its duties. The internal audit function has the primary objective to carry out a review of the internal control systems to determine if the accounting and internal control procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee. Internal audit reports were prepared by J. S. Lim & Co. and presented to the Audit Committee. The internal audit reports summarised the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also covered the follow-up by the management on implementation of recommendations in their earlier reports.

STATEMENT ON INTERNAL CONTROL

Key Elements of Internal Control (Contd.)

- **Financial Report**

The Group has in place a reporting mechanism whereby Directors receive monthly financial statements, which contain information on financial performance and plantation statistics.

Periodical meetings of the Board and Audit Committee are held. Quarterly financial results, performance of the estates, financial position of the Group, the market value of its quoted investments, the sales of fresh fruit bunches, crude palm oil and palm kernel, summary of budgets and capital expenditure are presented to the Board at the Board meetings.

- **Estates Visits and Estates Managers Meetings**

An Executive Director and the General Manager regularly visit the Group's estates to monitor the state of affairs of the estates. During the visits, the estate managers report on the progress and performance of the respective estates and discuss and resolve estate operational and key management issues.

Other Directors also visit the Group's estates occasionally and their comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors.

Estate Managers Meetings are held to discuss and resolve estates operational and key management policies.

- **Review of Recurrent Related Party Transactions**

All recurrent related party transactions are dealt with in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.

Risk Management

Management regularly review, identify, evaluate, monitor and manage the significant risks faced by the Group. In addition, the internal auditors, using a risk-based approach, annually review the operational procedures and processes to ensure the integrity of the management information system.

The Audit Committee chaired by an Independent Non-Executive Director and its members comprising a majority of Independent Non-Executive Directors, provide an independent review of the process of the Group for producing financial data, the adequacy, effectiveness and integrity of the system of internal control, compliance with laws, regulations and guidelines, independence of external auditors and the internal audit function. It reviews annually with the internal auditors, their evaluation of the system of internal control.

Conclusion

The Board is of the opinion that the existing system of internal control is adequate to achieve the business objectives of the Group. The Board will continuously assess the adequacy of the system of internal control of the Group and make improvements and enhancements to the system as and when necessary.

REPORT ON AUDIT COMMITTEE

The Board of Directors of Negri Sembilan Oil Palms Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2006.

Members of the Audit Committee

The members of the Audit Committee during the financial year ended 31 December 2006 are as follows:-

Chairman	Keong Choon Keat	- Independent Non-Executive Director
Members	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Sio Sit Po	- Independent Non-Executive Director
	Wong Aun Phui	- Non-Independent Executive Director
	Goh Pock Ai	- Non-Independent Executive Director

Terms of Reference

The Terms of Reference of the Audit Committee are as follows: -

1. Formation
 - 1.1 The Board pursuant to its resolution formed the Audit Committee on 25 June 1994.
2. Membership
 - 2.1 The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not fewer than three (3) members of whom a majority shall be independent directors.
 - 2.2 At least one (1) member of the Audit Committee: -
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and: -
 - (iii) (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (b) 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.
 - 2.3 No alternate director can be appointed as a member of the Audit Committee.
 - 2.4 The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.
 - 2.5 If a member of the Audit Committee retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 2.1 and 2.2 above, the Board shall within three (3) months of that event, fill the vacancy.
 - 2.6 The Company Secretary or such other person as the Audit Committee may determine shall be the Secretary of the Audit Committee.

REPORT ON AUDIT COMMITTEE

Terms of Reference (Contd.)

3. Meeting

- 3.1 Meetings of Audit Committee shall be held at least four (4) times a year.
- 3.2 In order to form a quorum in respect of a meeting of an Audit Committee, the majority of members present must be independent directors.
- 3.3 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.
- 3.4 The Audit Committee shall meet with the external auditors excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary.
- 3.5 At least 5 calendar days' notice should be given to members of the Audit Committee before a meeting is held. In an emergency meeting, the notice can be shortened provided majority of members agree.
- 3.6 Each member is entitled to one vote. Decision arising from any meeting shall be by majority of votes. The Chairman has no casting vote.
- 3.7 Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

4. Authority

- 4.1 The Audit Committee is authorised to investigate any activity within its term of reference.
- 4.2 The Audit Committee shall have the resources, which are required to perform its duties.
- 4.3 The Audit Committee shall have full and unrestricted access to any information pertaining to the Group and is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee and is free to summon any employee to appear before the meeting of the Audit Committee.
- 4.4 The Audit Committee is authorised to communicate directly with the external auditors and person(s) carrying out the internal audit function.
- 4.5 The Audit Committee is authorised to obtain independent professional service or other service and to secure the attendance of persons with relevant experience and expertise at the meeting of the Audit Committee, if it considers necessary.

REPORT ON AUDIT COMMITTEE

Terms of Reference (Contd.)

5. Duties and functions

5.1 The duties and functions of the Audit Committee shall be: -

- (a) to review with the external auditors, the audit plan.
- (b) to review with the external auditors, their evaluation of the system of internal controls.
- (c) to review with the external auditors, their audit report.
- (d) to review the assistance given by the employees to the external auditors.
- (e) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (f) to review the internal audit programme, processes, the results of the internal audit programme, process or investigation and consider the findings and recommendations of the internal audit and management's response.
- (g) to review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on: -
 - any change in or implementation of accounting policies and practices
 - the going concern assumption
 - significant and unusual events
 - significant adjustments arising from the audit
 - compliance with accounting standards and other legal requirements
- (h) to review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (i) 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)
- (j) to consider the appointment of the external auditors, audit fee and any questions of resignation or dismissal.

5.2 To consider other topics as defined by the Board.

6. Minutes

6.1 The Audit Committee shall cause minutes to be duly entered in books provided for the purpose of all proceedings of meetings of Audit Committee.

6.2 Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.

6.3 The Secretary shall circulate the minutes of meetings of Audit Committee to all members of the Board.

7. Reporting of breaches to Bursa Malaysia Securities Berhad.

7.1 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

8. Review of the Audit Committee

8.1 The Board must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and the members have carried out their duties in accordance with the terms of reference.

REPORT ON AUDIT COMMITTEE

Number of Audit Committee Meetings held during the financial year ended 31 December 2006 and Attendance of Each Audit Committee Member

During the financial year ended 31 December 2006, a total of four meetings were held.

The attendance of each member is as follows: -

<u>Audit Committee Member</u>	<u>Number of Meetings Attended</u>
Keong Choon Keat	4
Dato' Ong Bok Lim	4
Sio Sit Po	2
Wong Aun Phui	4
Goh Pock Ai	2

Summary of the Activities of the Audit Committee During the Financial Year Ended 31 December 2006

The Audit Committee met at scheduled times. Agendas were planned and itemised so that matters were deliberated and discussed in a focused and detailed manner.

The Audit Committee carried out the following activities during the financial year ended 31 December 2006: -

- (a) Review of the quarterly and annual financial statements prior to submission to the Board of Directors for consideration and approval.
- (b) Review of the audit results and the audit reports prepared by the external auditors and the internal auditors respectively and the recommendations in respect of control weaknesses noted during the course of their audit.
- (c) Review of the audit plans for the financial year prepared by the external and the internal auditors.
- (d) Consider and recommend to the Board of Directors the re-appointment of external auditors.
- (e) Review the transactions with related parties as disclosed in the annual financial statements.

Internal Audit Functions

The internal audit functions have been outsourced to J. S. Lim & Co. with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee.

Internal audit reports of the Group prepared by J. S. Lim & Co. were presented to the Audit Committee. The internal audit reports summarise the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also covers the follow-up by the management on implementation of recommendations in their earlier reports.

**STATEMENT ON DIRECTORS' RESPONSIBILITY
FOR THE PREPARATION OF ANNUAL AUDITED ACCOUNTS**

The Directors are required by the Companies Act, 1965 ('the Act') to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and the profit and loss of the Company and of the Group for the financial year.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group and which enable them to ensure that the financial statements of the Company and of the Group comply with the provisions of the Act and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

The Directors consider that the financial statements set out on pages 36 to 80 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the provisions of the Act and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

The Directors have engaged auditors who are required to undertake inspection and make enquiries they consider to be appropriate for the purpose of enabling them to give their audit report set out on page 35.

This statement is made in accordance with a resolution of the Board of Directors dated 28 February 2007.

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

GROUP FINANCIAL PROFILE

	2002	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	43,364	47,940	51,580	44,000	51,405
Cost of sales	(25,878)	(23,803)	(26,583)	(24,665)	(27,373)
Gross profit	17,486	24,137	24,997	19,335	24,032
Other income	5,417	5,140	4,248	3,203	6,154
Administrative expenses	(6,404)	(7,592)	(8,601)	(9,037)	(8,546)
Selling expenses	(1,058)	(1,014)	(897)	(1,119)	(1,328)
Replanting expenditure	(2,032)	(1,733)	(1,605)	(1,138)	(691)
Operating profit	13,409	18,938	18,142	11,244	19,621
Share of (loss) / profit of associates	(123)	227	102	472	699
Share of loss of a jointly controlled entity	-	-	-	-	(39)
Profit before taxation	13,286	19,165	18,244	11,716	20,281
Taxation	(2,627)	(4,152)	(3,430)	(2,956)	(4,921)
Profit for the year	10,659	15,013	14,814	8,760	15,360
Attributable to:					
Equity holders of the Company	9,644	12,868	13,126	8,155	13,307
Minority interests	1,015	2,145	1,688	605	2,053
	10,659	15,013	14,814	8,760	15,360
Dividends	5,945	8,199	9,337	7,963	8,079
Earnings per stock unit (sen)					
Basic	14.8	19.3	19.3	11.9	19.0
Diluted	14.6	19.1	19.2	11.8	-
Net dividend (sen per stock unit)					
First interim	4.00	5.00	7.20	5.76	5.76
Second interim	5.00	7.20	6.48	5.76	5.76
	9.00	12.20	13.68	11.52	11.52
Dividend cover (times)	1.62	1.57	1.41	1.02	1.65

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

GROUP FINANCIAL PROFILE

	2002	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	98,432	96,884	96,410	97,472	149,918
Biological assets	33,703	33,703	33,703	33,703	48,200
Investment in associates	3,902	5,335	6,139	7,000	8,521
Investment in a jointly controlled entity	-	-	-	-	16,683
Other investments	8,289	8,907	9,645	9,632	8,931
Deferred tax assets	-	-	-	489	-
	144,326	144,829	145,897	148,296	232,253
Current Assets					
Inventories	1,163	1,071	900	1,010	1,453
Receivables	4,212	5,682	4,653	3,232	4,244
Tax recoverable	1,863	820	790	1,029	335
Cash and bank balances	95,944	103,727	110,163	108,517	101,061
	103,182	111,300	116,506	113,788	107,093
TOTAL ASSETS	247,508	256,129	262,403	262,084	339,346
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	66,175	67,566	68,364	69,412	70,202
Share premium	1,436	2,438	3,012	3,767	4,336
Other reserves	126,900	131,624	135,935	136,004	190,846
	194,511	201,628	207,311	209,183	265,384
Minority interests	31,069	32,445	33,349	33,272	43,637
Total equity	225,580	234,073	240,660	242,455	309,021
Non-Current Liabilities					
Provision for retirement benefits	716	741	577	579	-
Deferred tax liabilities	17,929	17,714	15,988	15,826	24,980
	18,645	18,455	16,565	16,405	24,980
Current Liabilities					
Payables	3,276	3,296	4,161	3,207	4,375
Provision for retirement benefits	7	11	49	17	18
Taxation	-	294	968	-	952
	3,283	3,601	5,178	3,224	5,345
Total Liabilities	21,928	22,056	21,743	19,629	30,325
TOTAL EQUITY AND LIABILITIES	247,508	256,129	262,403	262,084	339,346
Net assets per stock unit attributable to ordinary equity holders of the Company (RM)	2.94	2.98	3.03	3.01	3.78

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

GROUP FINANCIAL PROFILE

	2002	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	10,057	11,432	13,182	5,250	11,146
Net cash (used in) / generated from investing activities	(4,477)	2,276	630	668	(12,685)
Net cash used in financing activities	(3,084)	(6,586)	(8,763)	(6,818)	(7,378)
Net increase / (decrease) in cash and cash equivalents	2,496	7,122	5,048	(900)	(8,917)
Effects of exchange rate changes	2,243	661	1,380	(785)	1,452
Cash and cash equivalents at beginning of year	90,971	95,710	103,493	109,921	108,236
Cash and cash equivalents at end of year	95,710	103,493	109,921	108,236	100,771
Deposits pledged for bank guarantee facilities	234	234	242	281	290
Cash and bank balances	95,944	103,727	110,163	108,517	101,061

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

PLANTATIONS STATISTICS

	2002	2003	2004	2005	2006
Planted Area (Hectares)					
As at 31 December					
Mature	6,558	6,558	7,032	7,147	6,885
Immature	992	992	518	15	277
	<u>7,550</u>	<u>7,550</u>	<u>7,550</u>	<u>7,162</u>	<u>7,162</u>
Mature Area Age Profile					
Age in years					
Above 25	0.00%	0.00%	0.81%	1.52%	1.82%
21 - 25	9.24%	4.88%	7.32%	7.08%	6.75%
16 - 20	14.77%	17.20%	15.95%	39.12%	44.65%
11 - 15	42.12%	46.51%	44.83%	26.68%	14.05%
6 - 10	18.63%	21.16%	29.79%	25.60%	18.84%
Below 6	15.24%	10.25%	1.30%	0.00%	13.89%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Production (m/t)					
ffb					
- own estates	120,748	129,924	127,686	125,499	138,249
- purchased	49,501	26,600	22,569	21,992	26,038
	<u>170,249</u>	<u>156,524</u>	<u>150,255</u>	<u>147,491</u>	<u>164,287</u>
Crude palm oil	<u>18,245</u>	<u>16,907</u>	<u>15,905</u>	<u>16,301</u>	<u>19,393</u>
Palm kernel	<u>5,853</u>	<u>5,011</u>	<u>4,441</u>	<u>4,837</u>	<u>5,806</u>
Extraction Rate (%)					
Crude palm oil	18.09	18.59	18.92	19.00	18.78
Palm kernel	<u>5.81</u>	<u>5.51</u>	<u>5.28</u>	<u>5.64</u>	<u>5.62</u>

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding.

The principal activities of the subsidiaries are the cultivation of oil palms, processing and sale of crude palm oil and palm kernel.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year	15,359,112	10,117,871
Attributable to:		
Equity holders of the Company	13,306,176	10,117,871
Minority interests	2,052,936	-
	<u>15,359,112</u>	<u>10,117,871</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature. The adoption of new and revised FRSs has no material impact on the results of the operations of the Group and of the Company during the financial year.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2005 were as follows:

	RM
In respect of the financial year ended 31 December 2006:	
First interim dividend of 8% less 28% taxation, on 70,056,962 ordinary stock units, declared on 23 May 2006 and paid on 30 June 2006	4,035,281
Second interim dividend of 8% less 28% taxation, on 70,201,962 ordinary stock units, declared on 28 November 2006 and paid on 29 December 2006	4,043,633
	<u>8,078,914</u>

In view of the payment of the interim dividends, the directors do not recommend a final dividend in respect of the current financial year.

DIRECTORS' REPORT

DIRECTORS

The names of directors of the Company in office since the date of the last report and at the date of this report are:

Goh Eng Chew
Wong Aun Phui
Goh Pock Ai
Goh Beng Hwa @ Gho Bin Hoa
Goh Yeok Beng
Gho Lian Chin
Goh Wei Lei
Sio Sit Po
Dato' Ong Bok Lim
Keong Choon Keat
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong
Gho Bun Tjin (alternate to Gho Lian Chin)

In accordance with the Company's Articles of Association, Goh Pock Ai, Gho Lian Chin and Dato' Ong Bok Lim retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Goh Eng Chew, Wong Aun Phui and Goh Beng Hwa @ Gho Bin Hoa retire pursuant to Section 129 of the Companies Act, 1965 and resolutions are being proposed for their reappointment as directors under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 5 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 27 to the financial statements.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in stock units and options over ordinary shares in the Company and shares in its related corporations during the financial year were as follows:

	Number of Ordinary Stock Units of RM1.00 Each			
	1 January 2006	Bought	Sold	31 December 2006
The Company				
Direct Interest:				
Goh Eng Chew	320,000	80,000	-	400,000
Wong Aun Phui	565,850	80,000	-	645,850
Goh Pock Ai	321,100	80,000	-	401,100
Goh Beng Hwa @ Gho Bin Hoa	1,010,513	-	-	1,010,513
Goh Yeok Beng	320,000	80,000	-	400,000
Gho Lian Chin	2,200	-	-	2,200
Sio Sit Po	253,414	-	-	253,414
Gho Bun Tjin	2,200	-	-	2,200
Indirect Interest:				
Goh Eng Chew	38,701,009	-	-	38,701,009
Goh Beng Hwa @ Gho Bin Hoa	1,991,689	-	-	1,991,689
Gho Lian Chin	38,852,673	-	-	38,852,673

	Number of Options Over Unissued Shares of RM1.00 Each Granted in 2002 at the Exercise Price of RM1.72 per Ordinary Share			
	At 1 January 2006	Granted	Exercised	At 31 December 2006
Goh Eng Chew	80,000	-	(80,000)	-
Wong Aun Phui	80,000	-	(80,000)	-
Goh Pock Ai	80,000	-	(80,000)	-
Goh Yeok Beng	80,000	-	(80,000)	-

	Number of Ordinary Shares of RM1.00 Each			
	1 January 2006	Bought	Sold	31 December 2006
Eng Thye Plantations Berhad - Subsidiary				
Direct Interest:				
Wong Aun Phui	3,500	-	-	3,500
Goh Beng Hwa @ Gho Bin Hoa	3,500	-	-	3,500
Dato' Ong Bok Lim	35,000	-	-	35,000
Indirect Interest:				
Goh Eng Chew	15,783,250	-	-	15,783,250
Gho Lian Chin	15,783,250	-	-	15,783,250

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTD.)

	Number of Ordinary Shares of RM1.00 Each			31 December 2006
	1 January 2006	Bought	Sold	
Timor Oil Palm Plantation Berhad				
- Subsidiary				
Direct Interest:				
Goh Eng Chew	10,000	-	-	10,000
Wong Aun Phui	1,000	-	-	1,000
Goh Pock Ai	10,000	-	-	10,000
Goh Yeok Beng	10,000	-	-	10,000
Gho Lian Chin	10,000	-	-	10,000
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	10,000	-	-	10,000
Indirect Interest:				
Goh Eng Chew	6,112,300	-	-	6,112,300
Gho Lian Chin	6,112,300	-	-	6,112,300
Tiong Thye Company Berhad				
- Holding company				
Direct Interest:				
Goh Eng Chew	105,000	-	-	105,000
Goh Pock Ai	1,000	-	-	1,000
Gho Lian Chin	1,000	-	-	1,000
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	1,000	-	-	1,000
Gho Bun Tjin	1,000	-	-	1,000
Indirect Interest:				
Goh Eng Chew	10,038,000	417,900	-	10,455,900
Gho Lian Chin	5,670,000	-	-	5,670,000

Goh Eng Chew and Gho Lian Chin by virtue of their interests in the holding company, are also deemed interested in the stock units and shares of all its subsidiaries to the extent the holding company has an interest.

None of the other directors in office at the end of the financial year had any interest in stock units in the Company and shares of its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM69,411,962 to RM70,201,962 by way of issuance of 790,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Option Scheme at the exercise price of RM1.72 per ordinary share. The share premium arising therefrom amounting to RM568,800 was credited to the share premium account. The new ordinary shares which were immediately converted into new ordinary stock units of RM1.00 each rank pari passu in all respects with the existing ordinary stock units of the Company.

DIRECTORS' REPORT

EMPLOYEE SHARE OPTION SCHEME

The Negri Sembilan Oil Palms Berhad Employee Share Option Scheme ("ESOS"), which lapsed on 22 October 2006, was governed by the bye-laws approved by the shareholders at the Extraordinary General Meeting held on 24 August 2001 and became effective on 23 October 2001. The new shares issued pursuant to the ESOS were immediately converted into new ordinary stock units of RM1.00 each in the Company upon allotment and issue.

The salient features and other terms of the ESOS are disclosed in Note 20 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of eligible employees who had been granted options to subscribe for less than 185,000 ordinary shares of RM1.00 each. The list of employees (including executive directors) who had been granted options to subscribe for 185,000 or more ordinary shares of RM1.00 each are as follows:

	Number of Options Over Unissued Shares of RM1.00				
	Each at the Exercise Price of RM1.72 per Ordinary Share				
	Granted in	At 1 January	Granted	Exercised	At 31 December
	2002	2006			2006
Goh Eng Chew	400,000	80,000	-	(80,000)	-
Wong Aun Phui	400,000	80,000	-	(80,000)	-
Goh Pock Ai	400,000	80,000	-	(80,000)	-
Goh Yeok Beng	400,000	80,000	-	(80,000)	-
Wong Aun Jin	280,000	56,000	-	(56,000)	-
Gan Kok Tiong	250,000	50,000	-	(50,000)	-
Ooi Aik Theam	185,000	37,000	-	(37,000)	-
Foo Hoe Kuang	185,000	37,000	-	(37,000)	-
Goh Kim Lian	185,000	65,000	-	(65,000)	-
Pua Yong King	185,000	50,000	-	(50,000)	-

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was required; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make a provision for doubtful debts in the financial statements of the Group and of the Company; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTD.)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 25 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2007.

Goh Eng Chew

Wong Aun Phui

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Goh Eng Chew and Wong Aun Phui, being two of the directors of Negri Sembilan Oil Palms Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 36 to 80 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2007.

Goh Eng Chew

Wong Aun Phui

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Gan Kok Tiong, being the officer primarily responsible for the financial management of Negri Sembilan Oil Palms Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 36 to 80 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Gan Kok Tiong
at Kuala Lumpur in the Federal Territory
on 28 February 2007.

Gan Kok Tiong

Before me,

Ooi Ah Bah
No. W152
Commissioner for Oaths
Kuala Lumpur

**REPORT OF THE AUDITORS TO THE MEMBERS OF
NEGRI SEMBILAN OIL PALMS BERHAD**

We have audited the accompanying financial statements set out on pages 36 to 80. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Pushpanathan a/l S. A. Kanagarayar
No. 1056/03/07(J/PH)
Partner

Kuala Lumpur, Malaysia
28 February 2007

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	3	51,405,493	44,000,598	20,412,629	17,993,776
Cost of sales	3	(27,373,428)	(24,664,678)	(5,520,013)	(5,861,561)
Gross profit		24,032,065	19,335,920	14,892,616	12,132,215
Other income		6,153,798	3,203,059	4,131,634	3,960,275
Administrative expenses		(8,545,563)	(9,036,974)	(3,902,972)	(3,357,926)
Selling expenses		(1,328,410)	(1,119,459)	(583,751)	(518,700)
Replanting expenditure		(691,502)	(1,138,114)	(143,409)	-
Operating profit	4	19,620,388	11,244,432	14,394,118	12,215,864
Share of profit of associates		699,422	472,162	-	-
Share of loss of a jointly controlled entity		(39,201)	-	-	-
Profit before taxation		20,280,609	11,716,594	14,394,118	12,215,864
Taxation	7	(4,921,497)	(2,956,735)	(4,276,247)	(3,459,797)
Profit for the year		15,359,112	8,759,859	10,117,871	8,756,067
Attributable to:					
Equity holders of the Company		13,306,176	8,155,055	10,117,871	8,756,067
Minority interests		2,052,936	604,804	-	-
		15,359,112	8,759,859	10,117,871	8,756,067
Earnings per stock unit attributable to equity holders of the Company (sen):					
Basic	8	19.0	11.9		
Diluted	8	-	11.8		
Net dividends per stock unit (sen)	9	11.52	11.52	11.52	11.52

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

BALANCE SHEETS AS AT 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	149,917,616	97,472,217	64,222,139	43,769,148
Biological assets	11	48,200,000	33,702,836	27,100,000	20,080,304
Investment in subsidiaries	12	-	-	115,175,794	71,918,703
Investment in associates	13	8,521,441	7,000,384	3,012,142	2,900,278
Investment in a jointly controlled entity	14	16,682,799	-	8,449,210	-
Other investments	15	8,930,720	9,631,925	1,983,451	2,084,540
Deferred tax assets	24	-	489,268	-	-
		<u>232,252,576</u>	<u>148,296,630</u>	<u>219,942,736</u>	<u>140,752,973</u>
Current assets					
Inventories	16	1,453,020	1,010,168	110,092	26,371
Receivables	17	4,243,901	3,232,404	2,226,813	1,510,389
Tax recoverable		334,680	1,028,708	-	90,120
Cash and bank balances	18	101,061,135	108,517,087	55,614,734	60,242,582
		<u>107,092,736</u>	<u>113,788,367</u>	<u>57,951,639</u>	<u>61,869,462</u>
TOTAL ASSETS		<u>339,345,312</u>	<u>262,084,997</u>	<u>277,894,375</u>	<u>202,622,435</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	20	70,201,962	69,411,962	70,201,962	69,411,962
Share premium	20	4,335,840	3,767,040	4,335,840	3,767,040
Other reserves	21	190,845,869	136,004,521	187,062,043	118,726,166
		<u>265,383,671</u>	<u>209,183,523</u>	<u>261,599,845</u>	<u>191,905,168</u>
Minority interests		43,637,022	33,271,757	-	-
Total equity		<u>309,020,693</u>	<u>242,455,280</u>	<u>261,599,845</u>	<u>191,905,168</u>
Non-current liabilities					
Provision for retirement benefits	23	-	579,085	-	112,490
Deferred tax liabilities	24	24,979,623	15,825,527	14,196,749	9,521,047
		<u>24,979,623</u>	<u>16,404,612</u>	<u>14,196,749</u>	<u>9,633,537</u>
Current liabilities					
Payables	19	4,374,969	3,207,705	1,428,392	1,083,730
Provision for retirement benefits	23	18,423	17,400	-	-
Taxation		951,604	-	669,389	-
		<u>5,344,996</u>	<u>3,225,105</u>	<u>2,097,781</u>	<u>1,083,730</u>
Total liabilities		<u>30,324,619</u>	<u>19,629,717</u>	<u>16,294,530</u>	<u>10,717,267</u>
TOTAL EQUITY AND LIABILITIES		<u>339,345,312</u>	<u>262,084,997</u>	<u>277,894,375</u>	<u>202,622,435</u>

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

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

Group	<----- Attributable to Equity Holders of the Company ----->							Minority Interests	Total Equity	
	<----- Non-Distributable ----->			<----- Distributable ----->						
	Share Capital	Share Premium	Asset Revaluation Reserve – Freehold and Leasehold Lands and Biological Assets	Foreign Currency Translation Reserve	Negative Goodwill	Capital Reserve - Gain on Sale of Investments	Retained Profits	Total		
	(Note 20)	(Note 20)	(Note 21)	(Note 21)			(Note 22)	RM	RM	RM
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2005	68,363,962	3,012,480	20,710,158	2,402,724	780,142	26,969,519	85,072,636	207,311,621	33,349,380	240,661,001
Transfer *	-	-	-	-	-	(26,969,519)	26,969,519	-	-	-
	68,363,962	3,012,480	20,710,158	2,402,724	780,142	-	112,042,155	207,311,621	33,349,380	240,661,001
Revaluation surplus realised from sale of estate land	-	-	(60,120)	-	-	-	60,120	-	-	-
Foreign currency translation:										
Associates	-	-	-	(122,921)	-	-	-	(122,921)	(24,608)	(147,529)
Jointly controlled entity	-	-	-	-	-	-	-	-	-	-
Net income and (expense) recognised directly in equity	-	-	(60,120)	(122,921)	-	-	60,120	(122,921)	(24,608)	(147,529)
Profit for the year	-	-	-	-	-	-	8,155,055	8,155,055	604,804	8,759,859
Gain on sale of other investments transferred to capital reserve	-	-	-	-	-	15,184	(15,184)	-	-	-
Transfer *	-	-	-	-	-	(15,184)	15,184	-	-	-
Total recognised income and (expense) for the year	-	-	(60,120)	(122,921)	-	-	8,215,175	8,032,134	580,196	8,612,330
Dividends (Note 9)	-	-	-	-	-	-	(7,962,792)	(7,962,792)	(657,819)	(8,620,611)
Issue of ordinary shares pursuant to ESOS	1,048,000	754,560	-	-	-	-	-	1,802,560	-	1,802,560
At 31 December 2005	69,411,962	3,767,040	20,650,038	2,279,803	780,142	-	112,294,538	209,183,523	33,271,757	242,455,280

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006**

Group	Attributable to Equity Holders of the Company							Total	Minority Interests	Total Equity
	Non-Distributable			Distributable						
	Share Capital (Note 20) RM	Share Premium (Note 20) RM	Asset Revaluation Reserve – Freehold and Leasehold Lands and Biological Assets (Note 21) RM	Foreign Currency Translation Reserve (Note 21) RM	Negative Goodwill RM	Capital Reserve - Gain on Sale of Investments RM	Retained Profits (Note 22) RM	RM	RM	RM
At 1 January 2006										
As previously stated	69,411,962	3,767,040	20,650,038	2,279,803	780,142	-	112,294,538	209,183,523	33,271,757	242,455,280
Effects of adopting FRS 3	-	-	-	-	(780,142)	-	780,142	-	-	-
At 1 January 2006 (restated)	69,411,962	3,767,040	20,650,038	2,279,803	-	-	113,074,680	209,183,523	33,271,757	242,455,280
Changes in tax rates on opening balance of deferred tax	-	-	884,258	-	-	-	-	884,258	182,585	1,066,843
Revaluation increase of lands and biological assets	-	-	48,087,987	-	-	-	-	48,087,987	8,845,456	56,933,443
Foreign currency translation:										
Associates	-	-	-	832,302	-	-	-	832,302	(20,624)	811,678
Jointly controlled entity	-	-	-	(190,461)	-	-	-	(190,641)	(37,269)	(227,730)
Net income recognised directly in equity	-	-	48,972,245	641,841	-	-	-	49,614,086	8,970,148	58,584,234
Profit for the year	-	-	-	-	-	-	13,306,176	13,306,176	2,052,936	15,359,112
Total recognised income for the year	-	-	48,972,245	641,841	-	-	13,306,176	62,920,262	11,023,084	73,943,346
Dividends (Note 9)	-	-	-	-	-	-	(8,078,914)	(8,078,914)	(657,819)	(8,736,733)
Issue of ordinary shares pursuant to ESOS	790,000	568,800	-	-	-	-	-	1,358,800	-	1,358,800
At 31 December 2006	70,201,962	4,335,840	69,622,283	2,921,644	-	-	118,301,942	265,383,671	43,637,022	309,020,693

* Refer to Note 2.2(n)(ii)

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

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006**

Company	<----- Non-Distributable ----->			<----- Distributable ----->			Total Equity RM
	Share Capital (Note 20) RM	Share Premium (Note 20) RM	Asset Revaluation Reserve – Freehold and Leasehold Lands and Biological Assets (Note 21) RM	Asset Revaluation Reserve – Investment in Subsidiaries (Note 21) RM	Capital Reserve - Gain on Sale of Investments RM	Retained Profits (Note 22) RM	
At 1 January 2005	68,363,962	3,012,480	11,375,863	36,973,121	2,591,440	67,899,536	190,216,402
Transfer *	-	-	-	-	(2,591,440)	2,591,440	-
	68,363,962	3,012,480	11,375,863	36,973,121	-	70,490,976	190,216,402
Reversal of investment revaluation surplus	-	-	-	(907,069)	-	-	(907,069)
Net expense recognised directly in equity	-	-	-	(907,069)	-	-	(907,069)
Profit for the year	-	-	-	-	-	8,756,067	8,756,067
Gain on sale of other investments transferred to capital reserve	-	-	-	-	15,184	(15,184)	-
Transfer *	-	-	-	-	(15,184)	15,184	-
Total recognised income and (expense) for the year	-	-	-	(907,069)	-	8,756,067	7,848,998
Dividends (Note 9)	-	-	-	-	-	(7,962,792)	(7,962,792)
Issue of ordinary shares pursuant to ESOS	1,048,000	754,560	-	-	-	-	1,802,560
At 31 December 2005	69,411,962	3,767,040	11,375,863	36,066,052	-	71,284,251	191,905,168

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006**

Company	<----- Non-Distributable ----->			<----- Distributable ----->			Total Equity RM
	Share Capital (Note 20) RM	Share Premium (Note 20) RM	Asset Revaluation Reserve – Freehold and Leasehold Lands and Biological Assets (Note 21) RM	Asset Revaluation Reserve – Investment in Subsidiaries (Note 21) RM	Capital Reserve - Gain on Sale of Investments RM	Retained Profits (Note 22) RM	
At 1 January 2006	69,411,962	3,767,040	11,375,863	36,066,052	-	71,284,251	191,905,168
Changes in tax rates on opening balance of deferred tax	-	-	632,116	-	-	-	632,116
Revaluation increase of investment in subsidiaries	-	-	-	43,257,091	-	-	43,257,091
Revaluation increase of lands and biological assets	-	-	22,407,713	-	-	-	22,407,713
Net income recognised directly in equity	-	-	23,039,829	43,257,091	-	-	66,296,920
Profit for the year	-	-	-	-	-	10,117,871	10,117,871
Total recognised income for the year	-	-	23,039,829	43,257,091	-	10,117,871	76,414,791
Dividends (Note 9)	-	-	-	-	-	(8,078,914)	(8,078,914)
Issue of ordinary shares pursuant to ESOS	790,000	568,800	-	-	-	-	1,358,800
At 31 December 2006	70,201,962	4,335,840	34,415,692	79,323,143	-	73,323,208	261,599,845

* Refer to Note 2.2(n)(ii)

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	20,280,609	11,716,594	14,394,118	12,215,864
Adjustment for:				
Depreciation of property, plant and equipment	1,601,806	1,537,988	613,719	582,695
Gain on sale of other investments	(719,963)	(15,184)	(11,421)	(15,184)
Gain on sale of estate land	-	(502,514)	-	-
Gross dividend income	(755,237)	(766,962)	(2,434,664)	(2,391,900)
Interest income	(3,120,325)	(2,554,676)	(1,705,806)	(1,548,203)
Property, plant and equipment written off	32,835	-	30,773	-
Provision for retirement benefits	13,747	120,831	-	-
Share of profit of associates	(699,422)	(472,162)	-	-
Share of loss of a jointly controlled entity	39,201	-	-	-
Unrealised (gain) / loss on foreign exchange	(1,451,715)	784,988	(2,656)	1,479
Write back of provision for retirement benefits	(439,329)	-	(48,287)	-
Operating profit before working capital changes	14,782,207	9,848,903	10,835,776	8,844,751
(Increase) / decrease in inventories	(442,852)	(110,586)	(83,721)	16,643
(Increase) / decrease in receivables	(972,251)	1,155,687	(673,389)	324,176
Increase / (decrease) in payables	1,167,264	(868,025)	344,662	(30,597)
Cash generated from operations	14,534,368	10,025,979	10,423,328	9,154,973
Retirement benefits paid	(152,480)	(150,058)	(64,203)	(100,000)
Taxes paid	(3,236,816)	(4,625,434)	(2,878,313)	(3,478,888)
Net cash generated from operating activities	11,145,072	5,250,487	7,480,812	5,576,085
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital distribution from quoted investments	135,374	87,346	42,500	47,500
Investment in associates	(111,864)	(633,054)	(111,864)	(633,054)
Investment in a jointly controlled entity	(16,949,730)	-	(8,449,210)	-
Interest received	3,081,079	2,576,658	1,662,771	1,562,068
Net dividends received from other investments	625,596	628,048	1,704,431	1,678,660
Net dividends received from associate	101,907	96,552	57,430	53,640
Net proceeds from sale of estate land	-	766,620	-	-
Purchase of property, plant and equipment	(842,962)	(2,756,272)	(367,270)	(23,400)
Purchase of other investments	(3,925)	(78,428)	-	(14,020)
Proceeds from sale of other investments	1,289,719	19,206	70,010	19,206
Placement of fixed deposits	(8,918)	(39,112)	(7,061)	(11,148)
Net cash (used in) / generated from investing activities	(12,683,724)	667,564	(5,398,263)	2,679,452

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders of the Company	(8,078,914)	(7,962,792)	(8,078,914)	(7,962,792)
Dividends paid to minority interests	(657,819)	(657,819)	-	-
Proceeds from issue of shares pursuant to Employee Share Option Scheme	1,358,800	1,802,560	1,358,800	1,802,560
Net cash used in financing activities	<u>(7,377,933)</u>	<u>(6,818,051)</u>	<u>(6,720,114)</u>	<u>(6,160,232)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(8,916,585)	(900,000)	(4,637,565)	2,095,305
EFFECTS OF EXCHANGE RATE CHANGES	1,451,715	(784,988)	2,656	(1,479)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	108,235,513	109,920,501	60,073,510	57,979,684
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 18)	<u>100,770,643</u>	<u>108,235,513</u>	<u>55,438,601</u>	<u>60,073,510</u>

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The immediate and ultimate holding company of the Company is Tiong Thye Company Berhad, which is incorporated in Malaysia.

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding. The principal activities of the subsidiaries are the cultivation of oil palms, processing and sale of crude palm oil and palm kernel. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company have adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis unless otherwise indicated by the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are classified as available-for sale financial assets in accordance with FRS 139. These financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) Subsidiaries and Basis of Consolidation (Contd.)

(i) Subsidiaries (Contd.)

Previously, investments in subsidiaries were stated at valuation less impairment losses. The investments in subsidiaries were revalued by the directors once every five years and was last revalued during the financial year ended 31 December 2001, based on the net tangible assets of the subsidiaries with the approval of the relevant authorities and after incorporating the revaluation surplus arising from the revaluation of the freehold lands, long term leasehold lands, and biological assets of the subsidiaries. The increase arising from the valuation was credited to equity as a revaluation surplus. Subsequent revaluation decrease, if any, was first offset against the revaluation surplus of that subsidiary and the balance was thereafter recognised as an expense in the income statement. Upon disposal of a subsidiary, the attributable revaluation surplus relating to that subsidiary remaining in the revaluation reserve was transferred directly to retained profits.

Any dividends received from a subsidiary after the revaluation, which are paid out of profits earned before the revaluation of the investment in that subsidiary, are offset against the carrying amount of the investments in the books of the Company.

This change in classification has no impact on the Group's financial statements.

On disposal of such investments, the differences between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(c) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(b).

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(d) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue – Sale of Goods

Revenue is recognised upon transfer of significant risks and rewards of ownership to the buyer.

(ii) Other Operating Income:

(a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(e) Property, Plant and Equipment and Depreciation

During the year, freehold and long term leasehold estates were reclassified as freehold and long term leasehold lands in property, plant and equipment and the plantation development expenditure was reclassified as biological assets, as disclosed in Note 2.2(f) to the financial statements.

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

Subsequent to recognition, property, plant and equipment except for freehold and long term leasehold lands are stated at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(e) Property, Plant and Equipment and Depreciation (Contd.)

Freehold and long term leasehold lands are stated at revalued amounts, which are the fair values at the date of the revaluation less accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed at least once every five years to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold lands have an unlimited useful life and therefore are not depreciated. Capital work-in-progress are also not depreciated as these assets are not available for use. Long term leasehold lands are depreciated over the period of the respective leases of 88 years and 94 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	4% - 20%
Motor vehicles	20%
Plant and machinery, office equipment, furniture and fittings	10% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(f) Biological Assets

This represents plantation development expenditure consisting of cost incurred on land clearing and upkeep of oil palms to maturity which are initially recorded at cost and are not depreciated. Interest expenses incurred on borrowings utilised to finance the plantation development expenditure are capitalised up to the point of maturity of the oil palms. Subsequent to recognition, the Group has adopted the policy to state the plantation development expenditure at valuation less any accumulated impairment losses.

The plantation development expenditure was reclassified as biological assets on 31 December 2006 and with effect from 1 January 2007, the changes in carrying value of the plantation development expenditure are recognised through profit or loss.

Previously, these assets were revalued by independent professional valuers once every five years based on the open market value on the profit and comparison method and the surplus or deficit arising from the revaluation was transferred to the asset revaluation reserve as described in Note 21 (a).

This change in classification has no impact on the Group's and the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(g) Replanting Expenditure

Replanting expenditure incurred in the financial year is recognised in the income statement. Replanting expenditure represents the total cost incurred from land clearing to the point of harvesting.

(h) Inventories

Inventories of oil palm produce and estate stores are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost of inventories of oil palm produce includes, where appropriate, the cost of direct materials, direct labour and appropriate production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

The principal exchange rate for every unit of foreign currency ruling at the balance sheet date is as follows:

	2006	2005
	RM	RM
Singapore Dollar	2.32	2.24

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(i) Foreign Currencies (Contd.)

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the translation; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

(j) Employee Benefits

(i) Short Term Benefits

Wages, salaries, commission, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Retirement Benefits

In addition to the statutory obligations, the Group voluntarily provides for retirement benefits, covering all eligible employees at rates determined by the directors.

(iv) Share Based Compensation

The Negri Sembilan Oil Palms Berhad Employee Share Option Scheme, which lapsed on 22 October 2006 allowed the Group's employees to subscribe for shares of the Company. No compensation cost or obligation was recognised. When the options were exercised, equity was increased by the amount of the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(l) Provision for Liabilities

Provision are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(m) Impairment of Non-Financial Assets

The carrying amount of the Group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) Impairment of Non-Financial Assets (Contd.)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(n) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits at call, net of deposits pledged to financial institutions.

The statements of cash flows are prepared using the indirect method.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values.

On disposal of these investments, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss. The gains which were thereafter transferred to capital reserve, in the previous years, have been reclassified in the current year to retained profits, in the statement of changes in equity. This transfer has no effect on the distributable reserves of the Group and of the Company.

(iii) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	: Share-based Payment
FRS 3	: Business Combinations
FRS 5	: Non-current Assets Held for Sale and Discontinued Operations
FRS 101	: Presentation of Financial Statements
FRS 102	: Inventories
FRS 108	: Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	: Events after the Balance Sheet Date
FRS 116	: Property, Plant and Equipment
FRS 121	: The Effects of Changes in Foreign Exchange Rates
FRS 127	: Consolidated and Separate Financial Statements
FRS 128	: Investments in Associates
FRS 131	: Interests in Joint Ventures
FRS 132	: Financial Instruments: Disclosure and Presentation
FRS 133	: Earnings Per Share
FRS 136	: Impairment of Assets
FRS 138	: Intangible Assets
FRS 140	: Investment Property

The Group has not adopted the following FRSs which are not relevant for the current financial period:

FRS	Effective for financial periods beginning on or after
FRS 117 - Leases	1 October 2006
FRS 124 - Related Party Transactions	1 October 2006
Amendment to FRS 119 ₂₀₀₄ – Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6 - Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 139 - Financial Instruments: Recognition and Measurement	Effective date deferred indefinitely

FRS 6 and the amendment to FRS 119₂₀₀₄ are not expected to have a significant impact on the Company's accounting policies. The effects of FRS 117, 124 and 139 are exempted from disclosure.

The adoption of revised FRS 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 and 140 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) FRS 2 : Share-based Payment

Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

The Group has applied FRS 2 in accordance with its transitional provisions which allow this change in accounting policy to be applied to share options that were granted after 31 December 2004 but had not yet vested on 1 January 2006. The adoption of FRS 2 has not given rise to any adjustment to the opening balance of retained profits as at 1 January 2006 and restatement of comparative amounts as at 31 December 2005 as no options under the ESOS were granted after 31 December 2004 and not yet vested on 1 January 2006.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

(b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Prior to 1 January 2006, negative goodwill was not amortised. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM780,142 was derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. These changes in presentation have no impact on the Company's financial statements.

(c) FRS 101: Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 January 2006, the Group's share of taxation of associates and jointly controlled entity accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates and jointly controlled entity accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. These changes in presentation have no impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (Contd.)

(d) Summary of effects and changes arising from adoption of new and revised FRSs

The following tables provide estimates of the extent to which each of the line items in the balance sheet and income statement for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year:

(i) Effects on balance sheet as at 31 December 2006

Description of change Group	<----- Increase/(Decrease) ----->		
	FRS 3	FRS 101	Total
	Note 2.3 (b)	Note 2.3 (c)	
RM	RM	RM	
Negative goodwill	(780,142)	-	(780,142)
Retained profits	780,142	-	780,142
Total equity	-	43,637,022	43,637,022

(ii) Effects on income statement for the year ended 31 December 2006

Description of change Group	<----- Increase/(Decrease) ----->		
	FRS 3	FRS 101	Total
	Note 2.3 (b)	Note 2.3 (c)	
RM	RM	RM	
Share of profit of associates	-	(178,438)	(178,438)
Profit before taxation	-	(178,438)	(178,438)
Taxation	-	(178,438)	(178,438)

(e) Restatement of comparatives

Description of change	Increase/ (Decrease)		
	Previously stated	FRS 101 Note 2.3(c)	Restated
At 31 December 2005	RM	RM	RM
Group			
Total equity	209,183,523	33,271,757	242,455,280
For year ended December 2005			
Group			
Share of profit of associates	534,424	(62,262)	472,162
Profit before taxation	11,778,856	(62,262)	11,716,594
Taxation	3,018,997	(62,262)	2,956,735

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Significant Accounting Estimates and Judgements

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM1,294,940 (2005: RM1,360,963).

3. REVENUE AND COST OF SALES

Revenue of the Group represents the invoiced value of sales of crude palm oil, palm kernel and fresh fruit bunches. The cost of sales in relation to the Group's invoiced value of sales consists of cost of cultivation, raw materials, labour and overheads.

Revenue of the Company represents the invoiced value of sales of fresh fruit bunches. The cost of sales in relation to the Company's invoiced value of sales consists of cost of cultivation, labour and overheads.

4. OPERATING PROFIT

The following amounts have been included in arriving at operating profit:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Auditors' remuneration				
statutory audit	81,000	81,000	30,000	30,000
other services	70,500	18,500	70,500	18,500
Depreciation of property, plant and equipment (Note 10)	1,601,806	1,537,988	613,719	582,695
Directors' remuneration (Note 5)	1,412,228	1,291,315	820,729	785,960
Employee benefit expense (Note 6)	8,430,233	7,706,465	2,649,869	2,460,381
Loss on foreign exchange				
unrealised	-	784,988	-	1,479
realised	81	-	26	-
Property, plant and equipment written off	32,835	-	30,773	-
Provision for retirement benefits (Note 23)	13,747	120,831	-	-
Gain on sale of other investments	719,963	15,184	11,421	15,184
Gross dividends received from:				
Subsidiaries	-	-	2,173,363	2,173,363
Associates	-	-	71,788	67,050
Quoted investments:				
in Malaysia	279,358	227,746	189,513	151,487
outside Malaysia	475,879	539,216	-	-
Gain on foreign exchange				
unrealised	1,451,715	-	2,656	-
realised	-	230	-	71
Gain on sale of estate land	-	502,514	-	-
Interest income	3,120,325	2,554,676	1,705,806	1,548,203
Rental	24,840	840	-	-
Write back of provision for retirement benefits (Note 23)	439,329	-	48,287	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

5. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
(a) Directors of the Company				
Executive directors:				
Fees	135,000	135,000	59,000	59,000
Salaries	560,400	560,400	390,000	390,000
Commission	263,054	172,679	172,729	146,590
Other emoluments	6,000	6,000	6,000	6,000
	<u>964,454</u>	<u>874,079</u>	<u>627,729</u>	<u>601,590</u>
Non-executive directors:				
Fees	240,500	237,792	168,000	165,370
Salaries	84,000	84,000	-	-
Commission	30,772	13,588	-	-
Other emoluments	25,000	19,000	25,000	19,000
	<u>380,272</u>	<u>354,380</u>	<u>193,000</u>	<u>184,370</u>
	<u>1,344,726</u>	<u>1,228,459</u>	<u>820,729</u>	<u>785,960</u>
(b) Directors of subsidiaries				
Non-executive directors:				
Fees	45,000	45,000	-	-
Salaries	14,220	13,920	-	-
Commission	8,282	3,936	-	-
	<u>67,502</u>	<u>62,856</u>	<u>-</u>	<u>-</u>
	<u>1,412,228</u>	<u>1,291,315</u>	<u>820,729</u>	<u>785,960</u>

The number of directors of the Company whose total remuneration during the financial year fall within the following bands are:

	Number of Directors	
	2006	2005
Executive directors:		
RM250,001 – RM300,000	2	2
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	1
RM400,001 – RM450,000	1	-
	<u>3</u>	<u>3</u>
Non-executive directors:		
Below RM50,000	7	7
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	1
	<u>8</u>	<u>8</u>
	<u>11</u>	<u>11</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

5. DIRECTORS' REMUNERATION (CONTD.)

Executive directors of the Group and of the Company have exercised the following number of options under the Employee Share Option Scheme:

	Group and Company	
	2006	2005
	RM	RM
At 1 January	320,000	830,000
Exercised	(320,000)	(510,000)
At 31 December	<u>-</u>	<u>320,000</u>

The share options are of the same terms and conditions as those offered to other employee of the Group. The salient features and other terms of the ESOS are disclosed in Note 20 to the financial statements.

6. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Wages and salaries	7,089,550	6,543,383	2,182,707	2,034,081
Social security contributions	42,464	39,078	8,265	8,050
Employees Provident Fund	333,493	332,647	99,915	98,767
Other staff related expenses	964,726	791,357	358,982	319,483
	<u>8,430,233</u>	<u>7,706,465</u>	<u>2,649,869</u>	<u>2,460,381</u>

7. TAXATION

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Tax expense for the year:				
Malaysian income tax	4,712,818	3,310,250	4,327,834	3,556,070
Malaysian real property gain tax ("RPGT")	-	41,600	-	-
Foreign tax	58,783	82,398	14,358	13,410
	<u>4,771,601</u>	<u>3,434,248</u>	<u>4,342,192</u>	<u>3,569,480</u>
Under / (over) provision in prior years:				
Malaysian income tax	240,488	174,083	(31,567)	2,679
	<u>5,012,089</u>	<u>3,608,331</u>	<u>4,310,625</u>	<u>3,572,159</u>
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	(78,928)	(483,108)	(21,648)	(63,271)
Relating to changes in tax rates	79,589	-	(13,850)	-
(Over) / under provision in prior years	(91,253)	(168,488)	1,120	(49,091)
	<u>(90,592)</u>	<u>(651,596)</u>	<u>(34,378)</u>	<u>(112,362)</u>
	<u>4,921,497</u>	<u>2,956,735</u>	<u>4,276,247</u>	<u>3,459,797</u>

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes. Taxation for other jurisdictions are calculated at the rates prevailing in those jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

7. TAXATION (CONTD.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2006	2005
	RM	RM
Group		
Profit before taxation	20,280,609	11,716,594
Taxation at Malaysian statutory tax rate of 28%	5,678,571	3,280,646
Effect of different tax rate in other country	(28,015)	(33,640)
Income subject to RPGT of 5%	-	(104,578)
Income not assessable for tax purposes	(972,608)	(245,744)
Expenses not deductible for tax purposes	199,587	409,407
Utilisation of current year's reinvestment allowances	-	(222,742)
Under provision of income tax expenses in prior years	240,488	174,083
Effect of changes in tax rates on opening balances of deferred tax	73,953	-
Deferred tax recognised at different tax rates	5,636	-
Over provision of deferred tax expense in prior year	(91,253)	(168,488)
Effect of share of profit of associates and share of loss of a jointly controlled entity	(184,862)	(132,209)
Tax expense for the year	<u>4,921,497</u>	<u>2,956,735</u>
Company		
Profit before taxation	14,394,118	12,215,864
Taxation at Malaysian statutory tax rate of 28%	4,030,353	3,420,442
Effect of different tax rate in other country	(5,743)	(5,364)
Income not assessable for tax purposes	(3,934)	(9,020)
Expenses not deductible for tax purposes	299,868	100,151
(Over) / under provision of income tax expenses in prior years	(31,567)	2,679
Effect of changes in tax rates on opening balances of deferred tax	(15,395)	-
Deferred tax recognised at different tax rates	1,545	-
Under / (over) provision of deferred tax expense in prior year	1,120	(49,091)
Tax expense for the year	<u>4,276,247</u>	<u>3,459,797</u>

Tax savings during the year arise from:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Utilisation of current year tax losses	30,807	34,125	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

8. EARNINGS PER STOCK UNIT

(a) Basic

Basic earnings per stock unit is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary stock units in issue during the financial year.

	Group	
	2006	2005
	RM	RM
Profit attributable to ordinary equity holders of the Company (RM)	13,306,176	8,155,055
Weighted average number of ordinary stock units in issue	69,857,858	68,733,948
Basic earnings per stock unit (sen)	<u>19.0</u>	<u>11.9</u>

(b) Diluted

Diluted earnings per stock unit is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the adjusted weighted average number of ordinary stock units in issue during the financial year. For the purpose of calculating the diluted earnings per stock unit, the weighted average number of ordinary stock units has been adjusted for the effect of dilutive potential ordinary stock units from the exercise of options under the Employee Share Option Scheme.

The adjusted weighted average number of ordinary stock units is the weighted average number of ordinary stock units in issue during the financial year plus the weighted average number of ordinary stock units which would be issued on the exercise of the outstanding options under the Employee Share Option Scheme.

	Group	
	2006	2005
	RM	RM
Profit attributable to ordinary equity holders of the Company (RM)	13,306,176	8,155,055
Weighted average number of ordinary stock units in issue	<u>69,857,858</u>	<u>68,733,948</u>
Effect of dilution from share options	*	239,702
Adjusted weighted average number of ordinary stock units in issue and issuable	<u>* 68,973,650</u>	
Diluted earnings per stock unit (sen)	<u>* 11.8</u>	

* There is no effect of dilution from share options for the current financial year as the Employee Share Option Scheme lapsed on 22 October 2006.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

9. DIVIDENDS

	Dividends in respect of Year		Dividends Recognised in Year	
	2006 RM	2005 RM	2006 RM	2005 RM
Recognised during the year:				
First interim dividend of 8% less 28% taxation, on 68,830,962 ordinary stock units, declared on 30 May 2005 and paid on 30 June 2005 (5.76 sen net per ordinary stock unit)	-	3,964,663	-	3,964,663
Second interim dividend of 8% less 28% taxation, on 69,411,962 ordinary stock units, declared on 29 November 2005 and paid on 30 December 2005 (5.76 sen net per ordinary stock unit)	-	3,998,129	-	3,998,129
First interim dividend of 8% less 28% taxation, on 70,056,962 ordinary stock units, declared on 23 May 2006 and paid on 30 June 2006 (5.76 sen net per ordinary stock unit)	4,035,281	-	4,035,281	-
Second interim dividend of 8% less 28% taxation, on 70,201,962 ordinary stock units, declared on 28 November 2006 and paid on 29 December 2006 (5.76 sen net per ordinary stock unit)	4,043,633	-	4,043,633	-
	<u>8,078,914</u>	<u>7,962,792</u>	<u>8,078,914</u>	<u>7,962,792</u>

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

10. PROPERTY, PLANT AND EQUIPMENT

	< -----Valuation ----- >		< -----Cost ----- >					Total RM
	Freehold Lands RM	Long Term Leasehold Lands RM	Buildings RM	Motor Vehicles RM	Office Equipment and Furniture and Fittings RM	Plant and Machinery RM	Capital Work-In- Progress RM	
Group								
At 31 December 2006								
Valuation / Cost								
At 1 January 2006	46,580,085	49,051,180	6,292,418	3,425,729	411,973	11,315,983	1,097,687	118,175,055
Additions	-	-	266,849	307,567	21,943	246,603	-	842,962
Write off	-	-	(219,511)	(414,739)	(56,203)	(1,490,393)	-	(2,180,846)
Reclassification	-	-	-	-	-	1,097,687	(1,097,687)	-
Revaluation surplus	28,926,915	24,310,163	-	-	-	-	-	53,237,078
Elimination of accumulated depreciation on revaluation	-	(4,561,343)	-	-	-	-	-	(4,561,343)
At 31 December 2006	<u>75,507,000</u>	<u>68,800,000</u>	<u>6,339,756</u>	<u>3,318,557</u>	<u>377,713</u>	<u>11,169,880</u>	<u>-</u>	<u>165,512,906</u>
Accumulated Depreciation								
At 1 January 2006	-	3,711,432	4,586,841	3,133,412	324,693	8,946,460	-	20,702,838
Charge for the year (Note 4)	-	849,911	126,532	146,802	26,934	451,627	-	1,601,806
Write off	-	-	(218,110)	(414,739)	(53,858)	(1,461,304)	-	(2,148,011)
Elimination of accumulated depreciation on revaluation	-	(4,561,343)	-	-	-	-	-	(4,561,343)
At 31 December 2006	<u>-</u>	<u>-</u>	<u>4,495,263</u>	<u>2,865,475</u>	<u>297,769</u>	<u>7,936,783</u>	<u>-</u>	<u>15,595,290</u>
Net Book Value								
At 31 December 2006	<u>75,507,000</u>	<u>68,800,000</u>	<u>1,844,493</u>	<u>453,082</u>	<u>79,944</u>	<u>3,233,097</u>	<u>-</u>	<u>149,917,616</u>

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group	< -----Valuation ----- >		< -----Cost ----- >					Total RM
	Freehold Lands RM	Long Term Leasehold Lands RM	Buildings RM	Motor Vehicles RM	Office Equipment and Furniture and Fittings RM	Plant and Machinery RM	Capital Work-In- Progress RM	
At 31 December 2005								
Valuation / Cost								
At 1 January 2005	46,736,895	49,051,180	6,077,798	3,312,642	410,723	9,986,355	-	115,575,593
Additions	-	-	214,620	113,087	1,250	1,329,628	1,097,687	2,756,272
Disposal	(156,810)	-	-	-	-	-	-	(156,810)
At 31 December 2005	46,580,085	49,051,180	6,292,418	3,425,729	411,973	11,315,983	1,097,687	118,175,055
Accumulated Depreciation								
At 1 January 2005	-	2,861,521	4,459,882	3,044,722	293,790	8,504,935	-	19,164,850
Charge for the year (Note 4)	-	849,911	126,959	88,690	30,903	441,525	-	1,537,988
At 31 December 2005	-	3,711,432	4,586,841	3,133,412	324,693	8,946,460	-	20,702,838
Net Book Value								
At 31 December 2005	46,580,085	45,339,748	1,705,577	292,317	87,280	2,369,523	1,097,687	97,472,217

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	<-----VALUATION ----->		<----- COST ----->					Total RM
	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Motor Vehicles RM	Office Equipment and Furniture and Fittings RM	Plant and Machinery RM		
At 31 December 2006								
Valuation / Cost								
At 1 January 2006	15,181,408	29,329,288	2,235,602	1,103,946	148,601	1,303,900	49,302,745	
Additions	-	-	41,710	307,567	13,143	4,850	367,270	
Write off	-	-	(199,939)	(246,629)	(37,737)	(739,828)	(1,224,133)	
Revaluation surplus	8,418,592	12,311,621	-	-	-	-	20,730,213	
Elimination of accumulated depreciation on revaluation	-	(2,340,909)	-	-	-	-	(2,340,909)	
At 31 December 2006	23,600,000	39,300,000	2,077,373	1,164,884	124,007	568,922	66,835,186	
Accumulated Depreciation								
At 1 January 2006	-	1,902,419	1,309,996	1,060,626	118,073	1,142,483	5,533,597	
Charge for the year (Note 4)	-	438,490	60,352	63,510	10,546	40,821	613,719	
Write off	-	-	(199,785)	(246,629)	(36,114)	(710,832)	(1,193,360)	
Elimination of accumulated depreciation on revaluation	-	(2,340,909)	-	-	-	-	(2,340,909)	
At 31 December 2006	-	-	1,170,563	877,507	92,505	472,472	2,613,047	
Net Book Value								
At 31 December 2006	23,600,000	39,300,000	906,810	287,377	31,502	96,450	64,222,139	

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	<-----VALUATION ----->		<----- COST ----->				Total RM
	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Motor Vehicles RM	Office Equipment and Furniture and Fittings RM	Plant and Machinery RM	
At 31 December 2005							
Valuation / Cost							
At 1 January 2005	15,181,408	29,329,288	2,232,202	1,083,946	148,601	1,303,900	49,279,345
Additions	-	-	3,400	20,000	-	-	23,400
At 31 December 2005	15,181,408	29,329,288	2,235,602	1,103,946	148,601	1,303,900	49,302,745
Accumulated Depreciation							
At 1 January 2005	-	1,463,929	1,248,491	1,041,836	106,074	1,090,572	4,950,902
Charge for the year (Note 4)	-	438,490	61,505	18,790	11,999	51,911	582,695
At 31 December 2005	-	1,902,419	1,309,996	1,060,626	118,073	1,142,483	5,533,597
Net Book Value							
At 31 December 2005	15,181,408	27,426,869	925,606	43,320	30,528	161,417	43,769,148

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (a) Freehold and leasehold lands were revalued on 31 December 2006 by Paul Khong Poh Yew, an executive director with Regroup Associates Sdn Bhd, an independent professional valuer. Fair value is determined by reference to open market value on the profit and comparison method.

The previous valuation was conducted by a firm of professional valuers on 18 December 2000.

Had the land in Ladang Ibam been carried at historical cost, its net book value that would have been included in the financial statements of the Group and of the Company as at 31 December 2006 would be RM8,984,147 (2005: RM9,015,217) and RM9,181,418 (2005: RM9,212,488) respectively.

The net book value of the other lands had these revalued lands been carried at historical cost has not been disclosed as such information and records relating to the periods prior to the last revaluation in 1978 are no longer available for review.

- (b) Included in the above property, plant and equipment are fully depreciated assets of the Group and of the Company costing RM12,417,640 (2005: RM13,771,208) and RM1,593,694 (2005: RM2,624,784) respectively, which are still in use.

11. BIOLOGICAL ASSETS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At valuation				
At 1 January	33,702,836	33,702,836	20,080,304	20,080,304
Revaluation surplus	14,497,164	-	7,019,696	-
At 31 December	<u>48,200,000</u>	<u>33,702,836</u>	<u>27,100,000</u>	<u>20,080,304</u>

The biological assets were revalued on 31 December 2006 by Paul Khong Poh Yew, an executive director with Regroup Associates Sdn Bhd, an independent professional valuer. Fair value is determined by reference to open market value on the profit and comparison method.

The previous valuation was conducted by a firm of professional valuers on 18 December 2000.

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2006 RM	2005 RM
Unquoted shares, at valuation		
At 1 January	71,918,703	72,825,772
Set off of dividend income against investment	-	(907,069)
Revaluation surplus	43,257,091	-
At 31 December	<u>115,175,794</u>	<u>71,918,703</u>

Details of the subsidiaries which are incorporated in Malaysia are as follows:

Name of Company	Proportion of Ownership Interest (%)		Principal Activities
	2006	2005	
Eng Thye Plantations Berhad	83.3	83.3	To cultivate oil palms, process and sell crude palm oil and palm kernel
Timor Oil Palm Plantation Berhad	58.0	58.0	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

13. INVESTMENT IN ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Unquoted shares, at cost				
At 1 January	4,040,646	3,407,592	2,900,278	2,267,224
Increase during the year	111,864	633,054	111,864	633,054
At 31 December	4,152,510	4,040,646	3,012,142	2,900,278
Share of post acquisition reserves	1,826,134	1,228,619	-	-
Currency translation differences	2,542,797	1,731,119	-	-
	8,521,441	7,000,384	3,012,142	2,900,278

Details of the associates are as follows:

Name of Associate	Proportion of Ownership Interest (%)		Principal Activities
	2006	2005	
Sin Thye Oil Mills Sdn. Bhd. #	50.0	50.0	To process and sell crude palm oil and palm kernel. The company has not commenced operations.
Sin Thye Management Sdn. Bhd. #	30.0	30.0	Provision of management and advisory services and acting as an insurance agent.
Huay Guan Investment Pte. Ltd.**	37.5*	37.5*	Trading in stocks and shares.

Incorporated in Malaysia
* Includes interest held by a subsidiary, Eng Thye Plantations Berhad
** Incorporated in the Republic of Singapore
Audited by a firm of auditors other than Ernst & Young

The summarised financial information of the associates are as follows:

	2006	2005
	RM	RM
Assets and liabilities		
Current assets	7,758,178	6,335,384
Non-current assets	968,318	728,012
Total assets	8,726,496	7,063,396
Current liabilities	205,055	63,012
Non-current liabilities	-	-
Total liabilities	205,055	63,012
Results		
Revenue	3,891,352	1,773,605
Profit for the year	699,422	472,162

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Unquoted shares, at cost	16,949,730	-	8,449,210	-
Share of post acquisition reserve	(39,201)	-	-	-
	<u>16,910,529</u>	<u>-</u>	<u>8,449,210</u>	<u>-</u>
Currency translation differences	(227,730)	-	-	-
	<u>16,682,799</u>	<u>-</u>	<u>8,449,210</u>	<u>-</u>

Details of the jointly controlled entity is as follows:

Name of Jointly Controlled Entity	Proportion of Ownership Interest (%)		Principal Activity
	2006	2005	
Chin Thye Investment Pte. Ltd. * #	40.0**	-	Investment holding

* Incorporated in the Republic of Singapore

Audited by an affiliate of Ernst & Young

** Includes interests held by subsidiaries

During the financial year, the Group subscribed for a total of 40% equity interest in Chin Thye Investment Pte. Ltd. for a total cash subscription sum of RM16,949,730 as disclosed in Note 25(b) to the financial statements.

The Group's aggregate share of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the jointly controlled entity is as follows:

	Group	
	2006	2005
	RM	RM
Assets and liabilities		
Current assets	16,682,799	-
Non-current assets	-	-
Total assets	<u>16,682,799</u>	<u>-</u>
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	<u>-</u>	<u>-</u>
Results		
Revenue (other income)	71,314	-
Expenses	<u>110,515</u>	<u>-</u>
Share of capital commitments (Note 28)	<u>37,038,413</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

15. OTHER INVESTMENTS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Quoted securities, at cost:				
In Malaysia	3,176,580	3,305,170	1,983,451	2,084,540
Outside Malaysia	5,754,140	6,326,755	-	-
	<u>8,930,720</u>	<u>9,631,925</u>	<u>1,983,451</u>	<u>2,084,540</u>
Market value of quoted securities:				
In Malaysia	5,438,723	4,467,198	3,731,073	2,974,960
Outside Malaysia	10,286,735	9,038,624	-	-
	<u>15,725,458</u>	<u>13,505,822</u>	<u>3,731,073</u>	<u>2,974,960</u>

16. INVENTORIES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
At cost:				
Oil palm produce	533,554	282,157	-	-
Estate stores	919,466	728,011	110,092	26,371
	<u>1,453,020</u>	<u>1,010,168</u>	<u>110,092</u>	<u>26,371</u>

17. RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Trade receivables				
Third parties	1,788,378	1,105,390	-	-
Subsidiary	-	-	225,656	92,904
Other related corporation	1,378,542	959,141	1,378,542	959,141
Company in which certain directors and substantial shareholders have interests	301,026	184,446	301,026	184,446
	<u>3,467,946</u>	<u>2,248,977</u>	<u>1,905,224</u>	<u>1,236,491</u>
Other receivables	<u>775,955</u>	<u>983,427</u>	<u>321,589</u>	<u>273,898</u>
	<u>4,243,901</u>	<u>3,232,404</u>	<u>2,226,813</u>	<u>1,510,389</u>

(a) Credit risk

The Group's primary exposure to credit risk arose through its trade receivables. The Group's normal trade credit term is 30 days (2005: 30 days). Other credit terms are assessed and approved on a case-by-case basis. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high creditworthiness. The Group seeks to maintain strict control over its outstanding receivables and has a management reporting procedure to monitor on an ongoing basis.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors other than the amount due from a related corporation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

17. RECEIVABLES (CONTD.)

(b) Amounts due from subsidiary, other related corporation and company in which certain directors and substantial shareholders have interests

The amounts due from subsidiary, other related corporation and a company in which certain directors and substantial shareholders have interests are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.

Further details on related party transactions are disclosed in Note 27.

Other information on financial risks of other receivables are disclosed in Note 29.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash on hand and at banks	5,135,603	5,650,267	1,660,561	2,432,264
Deposits with:				
Licensed banks	65,268,532	67,922,820	53,954,173	57,810,318
Other financial institution	30,657,000	34,944,000	-	-
	<u>95,925,532</u>	<u>102,866,820</u>	<u>53,954,173</u>	<u>57,810,318</u>
Cash and bank balances	<u>101,061,135</u>	<u>108,517,087</u>	<u>55,614,734</u>	<u>60,242,582</u>

The fixed deposits with licensed banks of the Group and of the Company amounting to RM290,492 (2005: RM281,574) and RM176,133 (2005: RM169,072) respectively have been pledged to the banks for guarantee facilities provided to the Group and the Company. The Group's deposits with other financial institution relate to placements with a foreign bank.

Other information on financial risks of cash and cash equivalents are disclosed in Note 29.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash and bank balances	101,061,135	108,517,087	55,614,734	60,242,582
Less: Deposits pledged for bank guarantee facility	(290,492)	(281,574)	(176,133)	(169,072)
Cash and cash equivalents	<u>100,770,643</u>	<u>108,235,513</u>	<u>55,438,601</u>	<u>60,073,510</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

19. PAYABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Trade payables				
Third parties	840,722	470,929	12,340	5,076
Company in which certain directors and substantial shareholders have interests	-	200,665	-	-
Person connected with certain directors	301,490	131,205	233,150	116,760
	<u>1,142,212</u>	<u>802,799</u>	<u>245,490</u>	<u>121,836</u>
Other payables				
Accruals	1,444,133	1,205,068	711,582	667,514
Sundry payables	1,788,624	1,199,838	471,320	294,380
	<u>3,232,757</u>	<u>2,404,906</u>	<u>1,182,902</u>	<u>961,894</u>
	<u>4,374,969</u>	<u>3,207,705</u>	<u>1,428,392</u>	<u>1,083,730</u>

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2005: 30 to 90 days).

(b) Amounts due to company in which certain directors and substantial shareholders have interests and person connected with certain directors

The amounts due to company in which certain directors and substantial shareholders have interests and person connected with certain director are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.

Further details on related party transactions are disclosed in Note 27.

20. SHARE CAPITAL

	Number of Ordinary Stock Units of RM1.00 Each	<----- Amount ----->	
		Share Capital RM	Share Premium RM
At 1 January 2005	68,363,962	68,363,962	3,012,480
Ordinary shares issued and converted into ordinary stock units pursuant to ESOS	1,048,000	1,048,000	754,560
At 31 December 2005 and 1 January 2006	<u>69,411,962</u>	<u>69,411,962</u>	<u>3,767,040</u>
Ordinary shares issued and converted into ordinary stock units pursuant to ESOS	790,000	790,000	568,800
At 31 December 2006	<u>70,201,962</u>	<u>70,201,962</u>	<u>4,335,840</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

20. SHARE CAPITAL (CONTD.)

	Number of Ordinary Shares of RM1.00 Each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised share capital				
At 1 January / 31 December	150,000,000	150,000,000	150,000,000	150,000,000

The holders of ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per stock unit at meetings of the Company. All ordinary stock units rank equally with regard to the Company's residual assets.

During the financial year, the Company increased its issued and paid-up share capital from RM69,411,962 to RM70,201,962 by way of issuance of 790,000 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Option Scheme at the exercise price of RM1.72 per ordinary share. The share premium arising therefrom amounting to RM568,800 was credited to the share premium account. The new ordinary shares which were immediately converted into new ordinary stock units of RM1.00 each rank pari passu in all respects with the existing ordinary stock units of the Company.

The Negri Sembilan Oil Palms Berhad Employee Share Option Scheme ("ESOS") was approved by the shareholders at the Extraordinary General Meeting held on 24 August 2001 and became effective on 23 October 2001. The new shares issued pursuant to the ESOS were immediately converted into new ordinary stock units of RM1.00 each in the Company upon allotment and issue. The ESOS lapsed on 22 October 2006.

The main features of the ESOS are as follows:

- (a) Eligible employees (including executive directors) of the Group must have been confirmed and served at least twelve months in the employment of the Group on or prior to the date of the offer. At its discretion and at any time and from time to time as it deemed fit, the Option Committee, which was appointed by the Board of Directors, made an offer, to any eligible employee (including executive directors) whom the Option Committee selected at its discretion, to subscribe for new shares in the Company in accordance with the terms of the ESOS.
- (b) The maximum number of ordinary shares issued under the ESOS should not be more than 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS, which was in force for a period of five years from 23 October 2001 to 22 October 2006.
- (c) The subscription price at which eligible employees (including executive directors) were entitled to exercise the option was the weighted average market price of the ordinary stock units as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five preceding market days immediately prior to the date of offer provided that:
 - (i) a discount, if any, of not more than 10% from the weighted average market price of the ordinary stock units for the five market days immediately preceding the date of offer was allowed; and
 - (ii) the price so determined should not be less than the par value of the ordinary stock units of RM1.00 each.
- (d) No offer should be made for less than 1,000 shares nor more than 400,000 shares to any eligible employee (including executive directors).
- (e) The number of shares under the ESOS or the subscription price or both, so far as the options remained unexercised, might be adjusted following any alteration in the capital structure of the Company by way of a capitalisation of profits or reserves, rights issue, reduction of capital, subdivision and/or consolidation of the Company's ordinary stock units.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

20. SHARE CAPITAL (CONTD.)

- (f) The shares under the ESOS should remain unissued until the option was exercised and should upon allotment and issue rank pari passu in all respects with the existing ordinary stock units of the Company provided always that the shares so issued should not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which preceded the relevant dates of the allotment of the aforesaid shares.

The persons to whom the options had been granted had no right to participate by virtue of the options in any share issue of any other company.

The movement in the options to take up unissued shares of RM1.00 each during the financial year and the subscription price are as follows:

	At 1 January 2006	Granted	Exercised	Lapsed	At 31 December 2006
Subscription price per share					
RM1.72	797,000	-	(790,000)	(7,000)	-

The consideration was payable in full on exercise of options.

21. OTHER RESERVES

(a) Assets revaluation reserve – freehold and leasehold lands and biological assets

The asset revaluation reserve is used to record increases in the fair value of freehold and leasehold lands and biological assets and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. With effect from 1 January 2007, any increase or decrease in the fair value of biological assets are recognised through profit or loss.

(b) Assets revaluation reserve – investment in subsidiaries

The asset revaluation reserve is used to record increases in the value of net tangible assets of subsidiaries and decreases to the extent that such decrease relates to an increase on the same subsidiary previously recognised in equity.

(c) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from the Group's presentation currency.

22. RETAINED PROFITS

As at 31 December 2006, the Company has tax exempt profits available for distribution of approximately RM2,978,000 (2005: RM2,978,000).

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire distributable reserves as at 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS
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23. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At 1 January	596,485	625,712	112,490	212,490
Recognised in the income statement (Note 4)	13,747	120,831	-	-
Paid during the financial year	(152,480)	(150,058)	(64,203)	(100,000)
Write back of provision (Note 4)	(439,329)	-	(48,287)	-
At 31 December	18,423	596,485	-	112,490
Current portion	18,423	17,400	-	-
Non-current portion	-	579,085	-	112,490
	18,423	596,485	-	112,490

24. DEFERRED TAXATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At 1 January	15,336,259	15,987,855	9,521,047	9,633,409
Recognised in the income statement (Note 7)	(90,592)	(651,596)	(34,378)	(112,362)
Recognised in equity	9,733,956	-	4,710,080	-
At 31 December	24,979,623	15,336,259	14,196,749	9,521,047
Presented after appropriate offsetting as follows:				
Deferred tax assets	-	(489,268)	-	-
Deferred tax liabilities	24,979,623	15,825,527	14,196,749	9,521,047
	24,979,623	15,336,259	14,196,749	9,521,047

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM	Revaluation of Lands and Biological Assets	Total RM
		RM	
At 1 January 2006	572,981	16,280,453	16,853,434
Recognised in the income statement	(144,411)	(163,626)	(308,037)
Recognised in equity	-	9,733,956	9,733,956
At 31 December 2006	428,570	25,850,783	26,279,353
At 1 January 2005	618,122	16,469,247	17,087,369
Recognised in the income statement	(45,141)	(188,794)	(233,935)
At 31 December 2005	572,981	16,280,453	16,853,434

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

24. DEFERRED TAXATION (CONTD.)

Deferred Tax Assets of the Group:

	Provision for Retirement Benefits RM	Tax Losses and Unabsorbed Capital Allowances RM	Total RM
At 1 January 2006	(156,212)	(1,360,963)	(1,517,175)
Recognised in the income statement	151,422	66,023	217,445
At 31 December 2006	<u>(4,790)</u>	<u>(1,294,940)</u>	<u>(1,299,730)</u>
At 1 January 2005	(164,395)	(935,119)	(1,099,514)
Recognised in the income statement	8,183	(425,844)	(417,661)
At 31 December 2005	<u>(156,212)</u>	<u>(1,360,963)</u>	<u>(1,517,175)</u>

Deferred Tax Liabilities of the Company:

	Property, Plant and Equipment RM	Revaluation of Lands and Biological Assets RM	Total RM
At 1 January 2006	245,911	9,306,633	9,552,544
Recognised in the income statement	11,438	(77,313)	(65,875)
Recognised in equity	-	4,710,080	4,710,080
At 31 December 2006	<u>257,349</u>	<u>13,939,400</u>	<u>14,196,749</u>
At 1 January 2005	295,906	9,397,000	9,692,906
Recognised in the income statement	(49,995)	(90,367)	(140,362)
At 31 December 2005	<u>245,911</u>	<u>9,306,633</u>	<u>9,552,544</u>

Deferred Tax Assets of the Company:

	Provision for Retirement Benefits RM
At 1 January 2006	(31,497)
Recognised in the income statement	31,497
At 31 December 2006	<u>-</u>
At 1 January 2005	(59,497)
Recognised in the income statement	28,000
At 31 December 2005	<u>(31,497)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

25. SIGNIFICANT EVENTS

During the financial year,

- (a) a total of 790,000 new ordinary shares of RM1.00 each were issued pursuant to the ESOS of the Company, as referred to in Note 20;
- (b) the Company entered into a conditional joint venture and shareholders agreement with Timor Oil Palm Plantation Berhad, Eng Thye Plantations Berhad, Chin Teck Plantations Berhad, Seong Thye Plantations Sdn Bhd and Chin Thye Investment Pte Ltd (“Singapore JVSA”) to participate in a joint venture project for the development of an oil palm plantation in Indonesia with P.T. Lampung Karya Indah, the details of which are set out in the Circular to Shareholders dated 11 May 2006.

The approval of the shareholders of the Company was obtained at the Extraordinary General Meeting of the Company held on 26 May 2006.

The conditions precedent as set out in the Singapore JVSA have been fulfilled and the necessary approvals required for the subscription of shares in Chin Thye Investment Pte Ltd have been obtained.

Pursuant to the Singapore JVSA, the Company and its subsidiaries subscribed for shares in Chin Thye Investment Pte Ltd at S\$1.00 per share for a total cash consideration sum of RM16,949,730 on a pro-rata basis as follows:

	No. of shares subscribed	Subscription sum RM
The Company	3,600,000	8,449,210
Eng Thye Plantations Berhad	2,160,000	5,100,840
Timor Oil Palm Plantation Berhad	1,440,000	3,399,680
	<u>7,200,000</u>	<u>16,949,730</u>

- (c) the Company further subscribed for ordinary shares of S\$1.00 each at par, in Huay Guan Investment Pte. Ltd. for a total cash subscription sum of RM111,864 pursuant to a rights issue of shares by Huay Guan Investment Pte. Ltd. on a pro-rata basis to its shareholders.

26. SEGMENT INFORMATION

No segment information has been prepared as the Group’s principal activities involve predominantly the cultivation of oil palms, processing and sale of fresh fruit bunches, crude palm oil and palm kernel and is wholly carried out in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Sale of oil palm produce to Seong Thye Plantations Sdn. Bhd., a related corporation in which several substantial shareholders and directors (namely, Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Gho Bun Tjin and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong) have interests	14,555,379	12,739,719	14,555,379	12,739,719
Transactions with Chin Teck Plantations Berhad., a company in which several substantial shareholders and directors (namely, Goh Eng Chew, Wong Aun Phui, Goh Beng Hwa, Sio Sit Po, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Gho Bun Tjin and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong) have interests				
Sale of oil palm produce	2,385,925	3,316,035	2,385,925	3,316,035
Purchase of oil palm produce	426,293	200,665	-	-
Sale of oil palm produce to Timor Oil Palm Plantation Berhad., a subsidiary in which several substantial shareholders and directors (namely, Goh Eng Chew, Wong Aun Phui, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Gho Bun Tjin and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong) have interests	-	-	3,471,325	1,973,304

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Agency fees paid to Tat Lee Commodities Pte. Ltd., a company incorporated in the Republic of Singapore in which several substantial shareholders and directors (namely, Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Gho Bun Tjin and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong) have interests	42,000	42,000	12,000	12,000
Management fees paid to Sin Thye Management Sdn. Bhd. an associate in which several substantial shareholders and directors (namely, Goh Eng Chew, Wong Aun Phui, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Gho Bun Tjin, Dato' Ong Bok Lim and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong) have interests	54,282	54,282	22,295	22,295
Purchase of fertilisers from Kai Lee Company, the sole proprietor of whom, Ng Yong Seng, is a person connected to several directors (namely, Goh Eng Chew, Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong)	2,821,727	3,468,436	1,272,597	2,098,711

The substantial shareholders referred to above are Tiong Thye Company Berhad, Goh Eng Chew and Gho Lian Chin.

Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Gho Bun Tjin and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong are deemed interested by virtue of their interests and/or directorships in Tiong Thye Company Berhad and/or the respective companies as shown above.

Wong Aun Phui, Goh Beng Hwa, Sio Sit Po and Dato' Ong Bok Lim are deemed interested by virtue of their interests and/or directorships in the respective companies as shown above.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

28. CAPITAL COMMITMENT

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Capital expenditure				
Approved and contracted for:				
Capital and investment outlay in jointly controlled entity	33,450,270	-	16,750,790	-
Share of capital commitments of jointly controlled entity (Note 14)	37,038,413	-	18,519,207	-

29. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange exposure, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally in short term commercial papers.

The weighted average effective interest rate ("WAEIR") as at the balance sheet date and the remaining maturities of the cash and bank balances of the Group and of the Company that are exposed to interest rate risk are as follows:

	WAEIR	Less than one month	More than one month but less than three months	More than three months but less than six months	More than six months but less than one year	More than one year	Total
	%	RM	RM	RM	RM	RM	RM
At 31 December 2006							
Group	3.1541	59,608,684	36,043,878	120,667	141,259	11,044	95,925,532
Company	3.1135	24,451,683	29,338,693	95,229	57,524	11,044	53,954,173
At 31 December 2005							
Group	2.7331	60,002,598	42,597,834	116,003	150,385	-	102,866,820
Company	2.5694	19,258,598	38,392,649	91,830	67,241	-	57,810,318

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

29. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Currency Risks

The Group's businesses are predominantly located in Malaysia. The functional currency in a foreign associate, jointly controlled entity and other investments quoted outside Malaysia is predominantly denominated in Singapore Dollars which give rise to conversion exposure. The foreign exchange exposures are not hedged.

The unhedged financial assets of the Group as at the balance sheet date that are not denominated in Ringgit Malaysia are as follows:

	Cash and Bank Balances RM	Non-current Investments RM	Total RM
Singapore Dollars			
At 31 December 2006	31,228,529	5,754,140	36,982,669
At 31 December 2005	35,504,666	6,326,755	41,831,421

(d) Liquidity Risks

The Group has adequate cash including fixed deposits to meet its working capital requirements.

(e) Credit Risks

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high creditworthiness. Trade receivables are usually collected within the 30 days credit period and are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty other than as disclosed in Note 17 nor does it have any major concentration or credit risk related to any financial instruments.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

	Group		Company	
	Carrying amounts RM	Fair values RM	Carrying amounts RM	Fair values RM
Financial Assets				
31 December 2006				
Non-current investments				
Quoted investments	8,930,720	15,725,458	1,983,451	3,731,073
31 December 2005				
Non-current investments				
Quoted investments	9,631,925	13,505,822	2,084,540	2,974,960

The fair values of the quoted investments are determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

SHAREHOLDING STATISTICS

Share Capital As At 30 March 2007

Authorised	: RM150,000,000
Issued and fully paid	: RM70,201,962
Class of stock units	: Ordinary stock units of RM1.00 each
Voting rights	: One vote per stock unit
No. of shareholders	: 2,857

Distribution schedule of issued and paid-up share capital as at 30 March 2007

No. of Holders	%	Holdings	Total Holdings	%
17	0.59	Less than 100	730	*
426	14.91	100 to 1,000	360,839	0.51
1,959	68.57	1,001 to 10,000	7,247,730	10.32
424	14.84	10,001 to 100,000	10,907,310	15.54
30	1.05	100,001 to less than 5% of the issued shares	12,984,344	18.50
1	0.04	5% and above of the issued shares	38,701,009	55.13
2,857	100.00		70,201,962	100.00

Substantial shareholders (excluding bare trustees) as shown in the register of substantial shareholders as at 30 March 2007.

Name of Substantial Shareholders	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Stock Units	%	No. of Stock Units	%
Tiong Thye Company Berhad	38,701,009	55.13	-	-
Goh Eng Chew	400,000	0.57	38,701,009	55.13
Gho Lian Chin	2,200	*	38,852,673	55.34

(A) Interests of directors in the stock units of the Company as at 30 March 2007.

Name of Directors	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Stock Units	%	No. of Stock Units	%
Goh Eng Chew	400,000	0.57	38,701,009	55.13
Wong Aun Phui	645,850	0.92	-	-
Goh Pock Ai	401,100	0.57	-	-
Goh Beng Hwa @ Gho Bin Hoa	1,010,513	1.44	1,991,689	2.84
Gho Lian Chin	2,200	*	38,852,673	55.34
Sio Sit Po	482,466	0.69	-	-
Goh Yeok Beng	400,000	0.57	-	-
Dato' Ong Bok Lim	-	-	-	-
Keong Choon Keat	-	-	-	-
Goh Wei Lei	-	-	-	-
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	-	-	-	-
Gho Bun Tjin	2,200	*	-	-

* Less than 0.01%

SHAREHOLDING STATISTICS

(B) Interests of directors in the shares of the related corporations as at 30 March 2007.

(i) Eng Thye Plantations Behrad

Name of Directors	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Ordinary Shares of RM1 Each	%	No. of Ordinary Shares of RM1 Each	%
Goh Eng Chew	-	-	15,783,250	83.51
Wong Aun Phui	3,500	0.02	-	-
Goh Pock Ai	-	-	-	-
Goh Beng Hwa @ Gho Bin Hoa	3,500	0.02	-	-
Gho Lian Chin	-	-	15,783,250	83.51
Sio Sit Po	-	-	-	-
Goh Yeok Beng	-	-	-	-
Dato' Ong Bok Lim	35,000	0.19	-	-
Keong Choon Keat	-	-	-	-
Goh Wei Lei	-	-	-	-
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	-	-	-	-
Gho Bun Tjin	-	-	-	-

(ii) Timor Oil Palm Plantation Behrad

Name of Directors	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Ordinary Shares of RM1 Each	%	No. of Ordinary Shares of RM1 Each	%
Goh Eng Chew	10,000	0.10	6,112,300	58.21
Wong Aun Phui	1,000	0.01	-	-
Goh Pock Ai	10,000	0.10	-	-
Goh Beng Hwa @ Gho Bin Hoa	-	-	-	-
Gho Lian Chin	10,000	0.10	6,112,300	58.21
Sio Sit Po	-	-	-	-
Goh Yeok Beng	10,000	0.10	-	-
Dato' Ong Bok Lim	-	-	-	-
Keong Choon Keat	-	-	-	-
Goh Wei Lei	-	-	-	-
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	10,000	0.10	-	-
Gho Bun Tjin	-	-	-	-

SHAREHOLDING STATISTICS

(B) Interests of directors in the shares of the related corporations as at 30 March 2007. (Contd.)

(iii) Tiong Thye Company Behrad

Name of Directors	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Ordinary Shares of RM1 Each	%	No. of Ordinary Shares of RM1 Each	%
Goh Eng Chew	105,000	0.50	10,455,900	49.79
Wong Aun Phui	-	-	-	-
Goh Pock Ai	1,000	*	-	-
Goh Beng Hwa @ Gho Bin Hoa	-	-	-	-
Gho Lian Chin	1,000	*	5,670,000	27.00
Sio Sit Po	-	-	-	-
Goh Yeok Beng	-	-	-	-
Dato' Ong Bok Lim	-	-	-	-
Keong Choon Keat	-	-	-	-
Goh Wei Lei	-	-	-	-
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	1,000	*	-	-
Gho Bun Tjin	1,000	*	-	-

* Less than 0.01%

(iv) Seong Thye Development & Oil Mills Sdn Bhd

Name of Directors	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Ordinary Shares of RM1 Each	%	No. of Ordinary Shares of RM1 Each	%
Goh Eng Chew	-	-	5,999,999	99.99
Wong Aun Phui	-	-	-	-
Goh Pock Ai	-	-	-	-
Goh Beng Hwa @ Gho Bin Hoa	-	-	-	-
Gho Lian Chin	-	-	5,999,999	99.99
Sio Sit Po	-	-	-	-
Goh Yeok Beng	-	-	-	-
Dato' Ong Bok Lim	-	-	-	-
Keong Choon Keat	-	-	-	-
Goh Wei Lei	-	-	-	-
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	-	-	-	-
Gho Bun Tjin	-	-	-	-

SHAREHOLDING STATISTICS

List of 30 largest securities account holders according to the Record of Depositors (without aggregating the securities from different securities accounts belonging to the same person) as at 30 March 2007

Name	No. of Stock Units	%
1. Tiong Thye Company Berhad	38,701,009	55.13
2. Ong Swee Heoh	1,991,689	2.84
3. Nam Heng Oil Mill Company Sdn. Berhad	1,766,000	2.52
4. Goh Beng Hwa @ Gho Bin Hoa	1,010,513	1.44
5. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust	935,100	1.33
6. Wong Aun Phui	645,850	0.92
7. HDM Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Sio Sit Po	482,466	0.69
8. Mayban Securities Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Sio Sit Min	442,313	0.63
9. Mayban Securities Nominees (Asing) Sdn Bhd OCBC Securities Private Limited for Chew Eng Chong	433,741	0.62
10. Goh Pock Ai	401,100	0.57
11. Goh Yeok Beng	400,000	0.57
12. HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Goh Eng Chew @ Gho Kim Tjin	400,000	0.57
13. Mayban Securities Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Sio Leh Koen	396,503	0.56
14. Affin Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Oen Loe Ien	379,504	0.54
15. Lee San Ming @ Lee Lay Eng	310,000	0.44
16. Wong Taek Boon @ Guan Taek Boon	300,200	0.43
17. HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Lee Beng Wah	263,351	0.38
18. Hup Lee Bakery Sdn Bhd	247,500	0.35
19. Lim Kian Huat	238,200	0.34
20. Chew Huaipin Sdn Bhd	231,000	0.33
21. Ng Poh Cheng	227,600	0.32
22. Guan Brothers Realty Sdn Bhd	180,000	0.26
23. Lim Sian Yew And Sons Sdn Berhad	174,250	0.25
24. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	167,600	0.24
25. Teo Leng Heng	166,000	0.24
26. Ooi Aik Theam	158,000	0.22
27. Yeo Khee Huat	141,000	0.20
28. Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Yap Qwee Beng	135,000	0.19
29. Thiam Loy Sdn Bhd	129,800	0.18
30. Lim Shiu Ho	115,800	0.16
	51,571,089	73.46

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

LIST OF PROPERTIES AS AT 31 DECEMBER 2006

(a) Net book value as at 31 December 2006 are as follows: -

	Valuation	Valuation	Valuation	Cost	
	Lands	Biological	Lands and	Buildings	Total
	RM'000	Assets	Biological	RM'000	RM'000
		RM'000	Assets		
			RM'000		
Ladang Senama	23,600	1,400	25,000	28	25,028
Ladang Ibam	39,300	25,700	65,000	879	65,879
Ladang Gula	50,400	7,600	58,000	440	58,440
Freehold agricultural land	1,507	-	1,507	-	1,507
Ladang Maran	29,500	13,500	43,000	497	43,497
	<u>144,307</u>	<u>48,200</u>	<u>192,507</u>	<u>1,844</u>	<u>194,351</u>

An independent firm of professional registered valuers, Messrs. Regroup Associates Sdn Bhd had carried out valuations of the Group's freehold and leasehold estates on 31 December 2006. The revaluation surplus was incorporated in the financial statements of the Group and of the Company for the financial year ended 31 December 2006.

Subsequent revaluations will be made at least once every five years by an independent firm of professional registered valuers.

OTHER INFORMATION

(a) Material Contracts

Material contracts entered into by the Company and its subsidiaries which involved the directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2006 or entered into since the end of the previous financial year: -

Related party transactions of a revenue or trading nature entered into by the Company and its subsidiaries during the financial year ended 31 December 2006: -

	RM
Sale of oil palm produce by the Company to Seong Thye Plantations Sdn. Bhd., a related corporation in which several substantial shareholders and directors (namely, Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin) have interests.	<u>14,555,379</u>
Transactions with Chin Teck Plantations Berhad, a company in which several substantial shareholders and directors (namely, Goh Eng Chew, Wong Aun Phui, Goh Beng Hwa, Sio Sit Po, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin) have interests.	
Sale of oil palm produce by the Company	2,385,925
Purchase of oil palm produce by Eng Thye Plantations Berhad	369,546
Purchase of oil palm produce by Timor Oil Palm Plantation Berhad	<u>56,747</u>
Sale of oil palm produce by the Company to Timor Oil Palm Plantation Berhad, a subsidiary in which several substantial shareholders and directors (namely, Goh Eng Chew, Wong Aun Phui, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin) have interests.	<u>3,471,325</u>
Agency fees paid to Tat Lee Commodities Pte. Ltd., a company incorporated in the Republic of Singapore, in which several substantial shareholders and directors (namely, Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin) have interests.	
By the Company	12,000
By Timor Oil Palm Plantation Berhad	12,000
By Eng Thye Plantations Berhad	<u>18,000</u>
Management fees paid to Sin Thye Management Sdn. Bhd., an associate in which several substantial shareholders and directors (namely, Goh Eng Chew, Wong Aun Phui, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong, Gho Bun Tjin and Dato' Ong Bok Lim) have interests.	
By the Company	22,295
By Timor Oil Palm Plantation Berhad	13,882
By Eng Thye Plantations Berhad	<u>18,105</u>
Purchase of fertilisers from Kai Lee Company, the sole proprietor of whom, Ng Yong Seng, is a person connected to several directors (namely, Goh Eng Chew, Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong)	
By the Company	1,272,597
By Timor Oil Palm Plantation Berhad	387,300
By Eng Thye Plantations Berhad	<u>1,161,830</u>
Purchase of oil palm produce by Eng Thye Plantations Berhad from Timor Oil Palm Plantation Berhad., a related corporation in which several substantial shareholders and directors (namely, Goh Eng Chew, Wong Aun Phui, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin) have interests.	<u>182,412</u>

OTHER INFORMATION

(a) Material Contracts (Contd.)

The substantial shareholders referred to above are Tiong Thye Company Berhad, Goh Eng Chew and Gho Lian Chin. .

Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin are deemed interested by virtue of their interests and/or directorships in Tiong Thye Company Berhad and/or the respective companies as shown above.

Wong Aun Phui, Goh Beng Hwa, Sio Sit Po and Dato' Ong Bok Lim are deemed interested by virtue of their interests and/or directorships in the respective companies as shown above.

On 10 April 2006, the Company together with Timor Oil Palm Plantation Berhad, Eng Thye Plantations Berhad, Chin Teck Plantations Berhad, Seong Thye Plantations Sdn Bhd (collectively referred to as "the JV Parties") entered into a conditional joint venture and shareholders agreement ("JVSA") with Chin Thye Investment Pte Ltd ("CTI") for the JV Parties to subscribe shares in CTI which will in turn subscribe for 70% interest in P.T. Lampung Karya Indah for the purpose of developing an oil palm plantation located at the Regency of Ogan Komering Ilir, South Sumatera Province, Indonesia ("Proposed JV").

Pursuant to the JVSA, the JV Parties had agreed to participate in the Proposed JV based on the following shareholding proportions ("Agreed Proportions"):-

JV Parties	% of shareholding
Chin Teck Plantations Berhad	40
Negri Sembilan Oil Palms Berhad	20
Timor Oil Palm Plantation Berhad	8
Eng Thye Plantations Berhad	12
Seong Thye Plantations Sdn Bhd	20
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The approval of the shareholders of the Company was obtained at the Extraordinary General Meeting of the Company held on 26 May 2006. The JVSA became unconditional on 1 June 2006.

The ultimate intended investment for the Proposed JV is RM180,000,000.

(b) Options under the Negri Sembilan Oil Palms Berhad Employee Share Option Scheme ('ESOS') exercised during the financial year ended 31 December 2006.

During the financial year ended 31 December 2006, 790,000 options under the ESOS were exercised at the subscription price of RM1.72 per share. The ESOS lapsed on 22 October 2006.

(c) Sanctions and /or penalties

No sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

(d) Non-audit fees paid to external auditors for the financial year ended 31 December 2006

During the financial year ended 31 December 2006, non-audit fees paid or payable to the external auditors amounted to RM70,500.

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

FORM OF PROXY

I / We

of

being a member of NEGRI SEMBILAN OIL PALMS BERHAD hereby appoint

.....

of

or failing him / her

of

as my / our proxy to attend and vote on my / our behalf at the Seventy Fifth Annual General Meeting of the Company to be held the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Friday, 25 May 2007 at 2.30 pm and at any adjournment thereof.

No.	Resolutions	For	Against
1.	To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 December 2006 and the Auditors' Report thereon.		
2.	To approve the directors' fees for the financial year ended 31 December 2006 and to authorise the directors to divide such fees in the proportions and manner to be determined by them.		
	To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -		
3.	(i) Mr Goh Pock Ai		
4.	(ii) Mr Gho Lian Chin		
5.	(iii) Dato' Ong Bok Lim		
6.	To re-appoint Mr Goh Eng Chew as director pursuant to Section 129(6) of the Companies Act, 1965		
7.	To re-appoint Mr Wong Aun Phui as director pursuant to Section 129(6) of the Companies Act, 1965		
8.	To re-appoint Mr Goh Beng Hwa @ Gho Bin Hoa as director pursuant to Section 129(6) of the Companies Act, 1965		
9.	To re-appoint auditors and authorise the directors to fix their remuneration.		
	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature: -		
10.	Chin Teck Plantations Berhad		
11.	Seong Thye Plantations Sdn Bhd		
12.	Sin Thye Management Sdn Bhd		
13.	Timor Oil Palm Plantation Berhad		
14.	Tat Lee Commodities Private Limited		
15.	Kai Lee Company		

(Please indicate with "X" or "√" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

Signature(s)

Date:

No. of stock units held	
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NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

FORM OF PROXY

NOTES:

1. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
3. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.