

# Annual Report

# 2007

**NEGRI SEMBILAN OIL PALMS BERHAD 592-D**  
**(Incorporated In Malaysia)**

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## FINANCIAL HIGHLIGHT AND FINANCIAL CALENDAR

### FINANCIAL HIGHLIGHT - GROUP

|  | <b>2007</b>            | <b>2006</b>           |
|--|------------------------|-----------------------|
|  | <b>RM'000</b>          | <b>RM'000</b>         |
| Revenue  | 74,660                 | 51,405                |
| Operating profit   | 57,721                 | 34,118                |
| Share of profit of associates  | 1,258                  | 699                   |
| Share of loss of a jointly controlled entity                                     | (270)                  | (39)                  |
| Profit before taxation   | 58,709                 | 34,778                |
| Taxation   | (14,241)               | (8,691)               |
| Profit for the year  | 44,468                 | 26,087                |
| Profit for the year attributable to equity holders of the Company                | 38,163                 | 22,273                |
| Profit for the year attributable to minority interests                           | 6,305                  | 3,814                 |
| Dividends  | 12,812                 | 8,079                 |
| Issued and paid-up share capital   | 70,202                 | 70,202                |
| Equity attributable to ordinary equity holders of the Company                    | 292,110                | 264,754               |
| Earnings per stock unit  |                        |                       |
| - Basic  | 54.36 sen              | 31.88 sen             |
| - Diluted  | 54.36 sen              | 31.88 sen             |
| Dividends  |                        |                       |
| - First interim dividend   | 10 % less 27% taxation | 8 % less 28% taxation |
| - Second interim dividend  | 15 % less 27% taxation | 8 % less 28% taxation |
| Dividend cover (times)   | 2.98                   | 2.76                  |
| Net assets per stock unit attributable to ordinary equity holders of the Company | RM4.16                 | RM3.77                |

### FINANCIAL CALENDAR

|   |                                    |
|---|------------------------------------|
| Financial year                                  | 1 January 2007 to 31 December 2007 |
| Announcement of results                         |                                    |
| First financial quarter ended 31 March 2007     | 25 May 2007                        |
| Second financial quarter ended 30 June 2007     | 24 August 2007                     |
| Third financial quarter ended 30 September 2007 | 30 November 2007                   |
| Fourth financial quarter ended 31 December 2007 | 29 February 2008                   |
| Dividends payment                               |                                    |
| First interim                                   | 29 June 2007                       |
| Second interim                                  | 31 December 2007                   |
| Despatch of 2007 Annual Report                  | 29 May 2008                        |
| Seventy Sixth Annual General Meeting            | 20 June 2008                       |

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Seventy Sixth 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, 20 June 2008 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 2007 and the Auditors' Report thereon. (Resolution 1)
2. To approve the directors' fees for the financial year ended 31 December 2007 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 Wei Lei (Resolution 3)
  - (ii) Mr Keong Choon Keat (Resolution 4)
  - (iii) Mr Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (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)
  - (iv) "That Dato' Ong Bok Lim, 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 9)
5. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 10)
6. As special business, to consider and if thought fit, pass the following ordinary resolutions: -
  - (i) 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 (Resolution 11)
  - (ii) Proposed amendments to articles of association (Resolution 12)

The text of the above resolutions together with the details of the 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 and proposed amendments to articles of association are set out in the Circular to Shareholders dated 29 May 2008.

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  
29 May 2008

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

**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 29 May 2008 which is despatched together with the 2007 Annual Report.

**STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

Further details of directors who are standing for re-election and re-appointment at the Seventy Sixth Annual General Meeting:-

- (a) Goh Wei Lei - Retiring pursuant to Article 94 of the Articles of Association  
Refer to page 8 for further details and pages 79 to 80 for his shareholding in the Company and the subsidiaries.
- (b) Keong Choon Keat - Retiring pursuant to Article 94 of the Articles of Association  
Refer to page 7 for further details and pages 79 to 80 for his shareholding in the Company and the subsidiaries.
- (c) Goh Tju Kiang @  
Gho Tju Kiang @  
Gho Tju Kiong - Retiring pursuant to Article 94 of the Articles of Association  
Refer to page 8 for further details and pages 79 to 80 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 79 to 80 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 79 to 80 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 79 to 80 for his shareholding in the Company and the subsidiaries.
- (g) Dato' Ong Bok Lim - Retiring pursuant to Section 129 of the Companies Act, 1965  
Refer to page 7 for further details and pages 79 to 80 for his shareholding in the Company and the subsidiaries.

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

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

### **AUDIT COMMITTEE**

|                             |   |
|-----------------------------|---|
| <b>Chairman<br/>Members</b> | Keong Choon Keat<br>Dato' Ong Bok Lim<br>Sio Sit Po |
|-----------------------------|---|

### **NOMINATION COMMITTEE & REMUNERATION COMMITTEE**

|                             |   |
|-----------------------------|---|
| <b>Chairman<br/>Members</b> | Gho Lian Chin<br>Goh Beng Hwa @ Gho Bin Hoa<br>Dato' Ong Bok Lim<br>Keong Choon Keat<br>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. 76-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 page 85 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 2007: 4 out of 4

### **Wong Aun Phui**

86 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 was conferred Senior Cambridge Certificate by Cambridge University. He had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan 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 page 85 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 2007: 4 out of 4

### **Goh Pock Ai**

67 years of age, Singaporean. Executive Director. Appointed to the Board on 15 May 1971. 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 page 85 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 2007: 4 out of 4

### **Goh Beng Hwa @ Gho Bin Hoa**

76 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 page 85 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 2007: 4 out of 4

## **PROFILE OF DIRECTORS**

### **Sio Sit Po**

59 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 page 85 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 2007: 4 out of 4

### **Dato' Ong Bok Lim**

70 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 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 2007: 4 out of 4

### **Keong Choon Keat**

63 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 2007: 4 out of 4

### **Goh Yeok Beng**

59 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 page 85 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 2007: 4 out of 4

## **PROFILE OF DIRECTORS**

### **Gho Lian Chin**

60 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 page 85 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 2007: 4 out of 4

### **Goh Wei Lei**

39 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 page 85 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 2007: 4 out of 4

### **Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong**

61 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 page 85 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 2007: 3 out of 4

### **Gho Bun Tjin (alternate to Gho Lian Chin)**

58 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 page 85 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 2007.

During the financial year under review, the selling price of crude palm oil increased substantially. Structural changes in the global oils and fats supply and demand coupled with the rise in crude oil price have significantly contributed to such increase. Crude palm oil price often moves in tandem with that of crude oil price and both have been trading at new highs. The selling price of palm kernel also increased substantially due mainly to a decline in production and a higher crude palm kernel oil price in the domestic market.

### **Financial Performance and Operation Review**

During the financial year under review, revenue of the Group increased by 45.24% to RM74,659,500. Overall operating expenses increased by 12.58% to RM42,710,811. Other income increased by 24.79% to RM25,771,346.

The average selling prices of fresh fruit bunches ("ffb"), crude palm oil and palm kernel were substantially higher as compared with those of the previous year.

The increase in other income is due mainly to an amount of RM20 million, being fair value adjustments of biological assets recognised in profit or loss. Previously, the changes in fair value of the biological assets were transferred to the asset revaluation reserve. During the financial year, the Group and the Company changed its accounting policy and accordingly, the changes in carrying value of biological assets are now recognised in profit or loss. This change in accounting policy has been accounted for retrospectively.

Production of ffb decreased by 4.04% to 132,660 m/t and purchase of ffb also decreased by 29.60% to 18,331 m/t. Production of crude palm oil increased by 2.44% to 19,867 m/t. However, production of palm kernel decreased by 2.88% to 5,639 m/t. The oil extraction rate ("OER") decreased slightly from 18.78% to 18.62% and the kernel extraction rate ("KER") also recorded a decline from 5.62% to 5.29%.

The Group also recorded a higher share of profit of associates due mainly to favourable operating conditions. However, the Group suffered a loss of RM270,421 from its share of losses of a jointly controlled entity.

Overall, profit for the year increased by 70.46% from RM26,087,015 to RM44,467,567. After allocating profit for the year for minority interests, profit attributable to equity holders of the Company increased by 71.34% to RM38,162,944.

Shareholders' equity increased by 10.33% to RM292,109,894.

At Company level, revenue increased by 38.23% to RM28,215,412 and profit for the year increased by 51.99% to RM23,274,542.

### **Dividends**

Total gross dividends of 25% in respect of the financial year ended 31 December 2007 were paid during the financial year, i.e. a first interim dividend of 10% less 27% taxation was paid on 29 June 2007 and a second interim dividend of 15% less 27% taxation was paid on 31 December 2007. 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 2007.

## **CHAIRMAN'S STATEMENT**

### **Joint venture on oil palm plantation in Indonesia**

As at 30 April 2008, approximately 1,676 hectares of land have been cleared of which 980 hectares have been planted.

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

### **Recurrent Related Party Transactions**

The Company announced on 29 February 2008 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.

### **Proposed Amendments to the Articles of Association of the Company**

On 29 February 2008, the Company also announced that it propose to amend its Articles of Association. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed amendments to the articles of association and to seek the approval for the special resolution pertaining to the proposed amendments to the articles of association, is enclosed together with the Annual Report.

### **Outlook For Year 2008**

The average selling price of crude palm oil for the financial year 2008 is expected to be higher than that achieved in the current financial year under review. Barring unforeseen circumstances, the Group anticipates a much stronger financial performance from the plantation operations for the financial year ending 31 December 2008. Accordingly, the Group expects its dividend payout to be reflective of anticipated higher profits.

### **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

20 May 2008

## **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.

The Board noted the Malaysian Code on Corporate Governance (Revised 2007) which came into effect in October 2007. The Board of Directors would evaluate the present status of the Group's corporate governance practices and procedures with a view to adopt and implement the amendments to the Code which are applicable and practicable to the Group in respect of the financial year ending 31 December 2008.

### **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 are directors and Gho Bun Tjin is an alternate director 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 April 2008. Their shareholdings in Tiong Thye Company Berhad are disclosed on page 81 of the Annual Report.

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

The Report on Audit Committee for the financial year ended 31 December 2007 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 13 to 14 of the Annual Report.

The Board of Directors met four times during the financial year ended 31 December 2007. 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.

The attendances of the Directors were as follows: -

| <u>Name</u>   | <u>Number of Meetings Attended</u> |
|---|------------------------------------|
| Goh Eng Chew  | 4                                  |
| Wong Aun Phui                                       | 4                                  |
| Goh Pock Ai   | 4                                  |
| Goh Beng Hwa @ Gho Bin Hoa                          | 4                                  |
| Sio Sit Po  | 4                                  |
| Dato' Ong Bok Lim                                   | 4                                  |
| Keong Choon Keat                                    | 4                                  |
| Goh Yeok Beng                                       | 4                                  |
| Gho Lian Chin                                       | 4                                  |
| Goh Wei Lei   | 4                                  |
| Goh Tju Kiang @<br>Gho Tju Kiang @<br>Gho Tju Kiong | 3                                  |

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

### **1. Directors (Contd.)**

#### **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.

#### **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.

One meeting of Nomination Committee were held during the financial year ended 31 December 2007.

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 2007, the Directors and alternate director attended continuing education programme.

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

### **1. Directors (Contd.)**

#### **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.

### **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 2007.

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.

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

**2. Directors' Remuneration (Contd.)**

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 2007 are as follows:-

|                                | No. of<br>Directors | Fees<br>RM     | Salaries<br>RM | Commission<br>RM | Other<br>RM   | Total<br>RM      |
|--------------------------------|---------------------|----------------|----------------|------------------|---------------|------------------|
| <b>Executive Directors</b>     |                     |                |                |                  |               |                  |
|                                | 1                   | 54,000         | 240,000        | 212,790          | -             | 506,790          |
|                                | 1                   | 38,477         | 164,400        | 148,953          | 3,000         | 354,830          |
|                                | 1                   | 40,477         | 156,000        | 148,953          | 3,000         | 348,430          |
|                                | <b>3</b>            | <b>132,954</b> | <b>560,400</b> | <b>510,696</b>   | <b>6,000</b>  | <b>1,210,050</b> |
| <b>Non-Executive Directors</b> |                     |                |                |                  |               |                  |
|                                | 1                   | 26,000         | 84,000         | 49,154           | -             | 159,154          |
|                                | 1                   | 43,000         | -              | -                | 2,000         | 45,000           |
|                                | 1                   | 38,000         | -              | -                | 2,000         | 40,000           |
|                                | 1                   | 33,500         | -              | -                | 6,000         | 39,500           |
|                                | 1                   | 29,000         | -              | -                | 6,000         | 35,000           |
|                                | 1                   | 28,500         | -              | -                | 4,000         | 32,500           |
|                                | 1                   | 29,000         | -              | -                | 2,000         | 31,000           |
|                                | 1                   | 15,000         | -              | -                | -             | 15,000           |
|                                | <b>8</b>            | <b>242,000</b> | <b>84,000</b>  | <b>49,154</b>    | <b>22,000</b> | <b>397,154</b>   |
|                                |                     | <b>374,954</b> | <b>644,400</b> | <b>559,850</b>   | <b>28,000</b> | <b>1,607,204</b> |

**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.

**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 35 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 24 of the Annual Report.

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

**4. Accountability and Audit (Contd.)**

**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 the 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 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 to 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 2007.

### **Members of the Audit Committee**

The members of the Audit Committee during the financial year ended 31 December 2007 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 |

Pursuant to the Malaysian Code of Corporate Governance (Revised 2007) which came into effect in October 2007, Wong Aun Phui and Goh Pock Ai resigned as member of the Audit Committee with effect from 9 October 2007.

### **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 2007 and Attendance of Each Audit Committee Member**

During the financial year ended 31 December 2007, 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                            | 4                                  |
| Wong Aun Phui (resigned on 9.10.2007) | 3*                                 |
| Goh Pock Ai (resigned on 9.10.2007)   | 3*                                 |

\* Three meetings were held during the period from 1 January 2007 to 9 October 2007.

### **Summary of the Activities of the Audit Committee During the Financial Year Ended 31 December 2007**

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 2007: -

- (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 internal auditors 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 as well as the recommendations of their respective fees to the Board.
- (d) Consider and recommend to the Board of Directors the re-appointment of external and internal 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 cover the follow-up by the management on implementation of recommendations in their earlier reports.

## **CORPORATE SOCIAL RESPONSIBILITY**

### **Health And Safety**

To provide a safe and healthy working environment for all employees, the Group is committed to implement the necessary health and safety programmes. Health and safety consideration will not be compromised in all processes and activities with the ultimate objective of achieving “Zero Accident” at work place. To achieve this objective, the Group has established a Health and Safety Committee which is entrusted with the functions of cultivating safe working practices and behaviour at the work place.

Workers are provided with safety equipment. Working procedures are also provided at the work place. The workers are also provided with regular training and briefing on health and safety matters.

Injury investigations are conducted and analysis reports are prepared to determine the root cause for the prevention and reduction of accident in the future.

Approved codes of health and safety practices are to be strictly adhered to by all parties concerned.

### **Environmental Management**

Our palm oil mills adhere to strict compliance with the environmental laws governing mill operations, maintenance and improvements in areas relating to environmental standards, emission standards, noise level management and treatment of effluents and waste disposal.

The visiting engineer will also look into environmental issues and compliance. Appropriate recommendations are made and necessary actions are taken for further improvement in compliance with environmental and related standards.

### **Human Resource Development**

The Group believes that proper training and development programme is necessary in developing and upgrading workers’ skills and knowledge to achieve an optimal performance. Workers are encouraged to attend relevant external trainings and seminars. In-house trainings are also conducted for workers.

Recognising the social needs, quarters are provided to staff and workers in the estates. Furthermore, the estates provide facilities to take care of the young children of the workers. Sports facilities such as football fields, badminton courts and table tennis tables, are provided for workers to engage in healthy activities during their free time. The estates also provide transportation for workers’ school going children.

To foster a better rapport among the workforce, the estates organise social events on festive and cultural occasions.

### **Community**

Additionally, the Group also makes monetary donations and contributions to charitable organisations from time to time.

**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 Financial Reporting Standards in Malaysia.

The Directors consider that the financial statements set out on pages 37 to 78 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the provisions of the Act and applicable Financial Reporting Standards in Malaysia.

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 36.

This statement is made in accordance with a resolution of the Board of Directors dated 29 April 2008.

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

**GROUP FINANCIAL PROFILE**

|   | <b>2003</b>   | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>2007</b>   |
|---|---------------|---------------|---------------|---------------|---------------|
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Revenue   | 47,940        | 51,580        | 44,000        | 51,405        | 74,660        |
| Cost of sales                                   | (23,803)      | (26,583)      | (24,665)      | (27,373)      | (31,616)      |
| Gross profit                                    | 24,137        | 24,997        | 19,335        | 24,032        | 43,044        |
| Other income                                    | 5,140         | 4,248         | 3,203         | 20,651        | 25,771        |
| Administrative expenses                         | (7,592)       | (8,601)       | (9,037)       | (8,546)       | (9,065)       |
| Selling expenses                                | (1,014)       | (897)         | (1,119)       | (1,328)       | (1,257)       |
| Replanting expenses                             | (1,733)       | (1,605)       | (1,138)       | (691)         | (772)         |
| Operating profit                                | 18,938        | 18,142        | 11,244        | 34,118        | 57,721        |
| Share of profit of associates                   | 227           | 102           | 472           | 699           | 1,258         |
| Share of loss of a jointly<br>controlled entity | -             | -             | -             | (39)          | (270)         |
| Profit before taxation                          | 19,165        | 18,244        | 11,716        | 34,778        | 58,709        |
| Taxation  | (4,152)       | (3,430)       | (2,956)       | (8,691)       | (14,241)      |
| Profit for the year                             | 15,013        | 14,814        | 8,760         | 26,087        | 44,468        |
| Attributable to:                                |               |               |               |               |               |
| Equity holders of the<br>Company                | 12,868        | 13,126        | 8,155         | 22,273        | 38,163        |
| Minority interests                              | 2,145         | 1,688         | 605           | 3,814         | 6,305         |
|   | 15,013        | 14,814        | 8,760         | 26,087        | 44,468        |
| Dividends                                       | 8,199         | 9,337         | 7,963         | 8,079         | 12,812        |
| Earnings per stock unit (sen)                   |               |               |               |               |               |
| Basic   | 19.3          | 19.3          | 11.9          | 31.9          | 54.4          |
| Diluted   | 19.1          | 19.2          | 11.8          | 31.9          | 54.4          |
| Net dividend<br>(sen per stock unit)            |               |               |               |               |               |
| First interim                                   | 5.00          | 7.20          | 5.76          | 5.76          | 7.30          |
| Second interim                                  | 7.20          | 6.48          | 5.76          | 5.76          | 10.95         |
|   | 12.20         | 13.68         | 11.52         | 11.52         | 18.25         |
| Dividend cover (times)                          | 1.57          | 1.41          | 1.02          | 2.76          | 2.98          |

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

**GROUP FINANCIAL PROFILE**

|   | <b>2003</b>    | <b>2004</b>    | <b>2005</b>    | <b>2006</b>    | <b>2007</b>    |
|---|----------------|----------------|----------------|----------------|----------------|
|   | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  |
| <b>ASSETS</b>   |                |                |                |                |                |
| <b>Non-Current Assets</b>   |                |                |                |                |                |
| Property, plant and equipment   | 50,256         | 50,220         | 52,132         | 81,118         | 80,984         |
| Prepaid land lease payments   | 46,628         | 46,190         | 45,340         | 68,800         | 67,809         |
| Biological assets   | 33,703         | 33,703         | 33,703         | 48,200         | 68,200         |
| Investment in associates  | 5,335          | 6,139          | 7,000          | 8,521          | 10,339         |
| Investment in a jointly controlled entity   | -              | -              | -              | 16,683         | 16,336         |
| Other investments   | 8,907          | 9,645          | 9,632          | 8,931          | 9,423          |
| Deferred tax assets   | -              | -              | 489            | -              | -              |
|   | <b>144,829</b> | <b>145,897</b> | <b>148,296</b> | <b>232,253</b> | <b>253,091</b> |
| <b>Current Assets</b>   |                |                |                |                |                |
| Inventories   | 1,071          | 900            | 1,010          | 1,453          | 1,984          |
| Receivables   | 5,682          | 4,653          | 3,232          | 4,244          | 6,528          |
| Tax recoverable   | 820            | 790            | 1,029          | 335            | 542            |
| Cash and bank balances  | 103,727        | 110,163        | 108,517        | 101,061        | 113,854        |
|   | <b>111,300</b> | <b>116,506</b> | <b>113,788</b> | <b>107,093</b> | <b>122,908</b> |
| <b>TOTAL ASSETS</b>   | <b>256,129</b> | <b>262,403</b> | <b>262,084</b> | <b>339,346</b> | <b>375,999</b> |
| <b>EQUITY AND LIABILITIES</b>   |                |                |                |                |                |
| <b>Equity attributable to equity holders of the Company</b>                           |                |                |                |                |                |
| Share capital   | 67,566         | 68,364         | 69,412         | 70,202         | 70,202         |
| Share premium   | 2,438          | 3,012          | 3,767          | 4,336          | 4,336          |
| Other reserves  | 23,371         | 23,893         | 23,709         | 60,809         | 62,338         |
| Retained profits  | 108,253        | 112,042        | 112,295        | 129,407        | 155,234        |
|   | <b>201,628</b> | <b>207,311</b> | <b>209,183</b> | <b>264,754</b> | <b>292,110</b> |
| <b>Minority interests</b>   | <b>32,445</b>  | <b>33,349</b>  | <b>33,272</b>  | <b>43,532</b>  | <b>48,956</b>  |
| <b>Total equity</b>   | <b>234,073</b> | <b>240,660</b> | <b>242,455</b> | <b>308,286</b> | <b>341,066</b> |
| <b>Non-Current Liabilities</b>  |                |                |                |                |                |
| Provision for retirement benefits   | 741            | 577            | 579            | -              | -              |
| Deferred tax liabilities  | 17,714         | 15,988         | 15,826         | 25,715         | 28,195         |
|   | <b>18,455</b>  | <b>16,565</b>  | <b>16,405</b>  | <b>25,715</b>  | <b>28,195</b>  |
| <b>Current Liabilities</b>  |                |                |                |                |                |
| Payables  | 3,296          | 4,161          | 3,207          | 4,375          | 5,677          |
| Provision for retirement benefits   | 11             | 49             | 17             | 18             | -              |
| Taxation  | 294            | 968            | -              | 952            | 1,061          |
|   | <b>3,601</b>   | <b>5,178</b>   | <b>3,224</b>   | <b>5,345</b>   | <b>6,738</b>   |
| <b>Total Liabilities</b>  | <b>22,056</b>  | <b>21,743</b>  | <b>19,629</b>  | <b>31,060</b>  | <b>34,933</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>256,129</b> | <b>262,403</b> | <b>262,084</b> | <b>339,346</b> | <b>375,999</b> |
| Net assets per stock unit attributable to ordinary equity holders of the Company (RM) |                |                |                |                |                |
|   | 2.98           | 3.03           | 3.01           | 3.77           | 4.16           |

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

**GROUP FINANCIAL PROFILE**

|  | <b>2003</b>   | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>2007</b>   |
|--|---------------|---------------|---------------|---------------|---------------|
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Net cash generated from operating activities             | 11,432        | 13,182        | 5,250         | 11,146        | 24,324        |
| Net cash (used in) / generated from investing activities | 2,276         | 630           | 668           | (12,685)      | 2,583         |
| Net cash used in financing activities                    | (6,586)       | (8,763)       | (6,818)       | (7,378)       | (14,077)      |
| Net increase / (decrease) in cash and cash equivalents   | 7,122         | 5,048         | (900)         | (8,917)       | 12,830        |
| Effects of exchange rate changes                         | 661           | 1,380         | (785)         | 1,452         | (43)          |
| Cash and cash equivalents at beginning of year           | 95,710        | 103,493       | 109,921       | 108,236       | 100,771       |
| Cash and cash equivalents at end of year                 | 103,493       | 109,921       | 108,236       | 100,771       | 113,558       |
| Deposits pledged for bank guarantee facilities           | 234           | 242           | 281           | 290           | 296           |
| Cash and bank balances                                   | 103,727       | 110,163       | 108,517       | 101,061       | 113,854       |

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

**PLANTATIONS STATISTICS**

|                            | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Planted Area (Hectares)    | 7,544       | 7,550       | 7,222       | 7,161       | 7,161       |
| Age in years               |             |             |             |             |             |
| Above 25                   | 0.00%       | 0.70%       | 1.32%       | 1.80%       | 0.57%       |
| 21 - 25                    | 4.24%       | 6.36%       | 6.11%       | 6.66%       | 9.24%       |
| 16 - 20                    | 14.87%      | 13.85%      | 33.76%      | 44.07%      | 43.04%      |
| 11 - 15                    | 40.44%      | 38.95%      | 23.03%      | 13.87%      | 16.45%      |
| 6 - 10                     | 18.40%      | 25.87%      | 22.08%      | 18.60%      | 14.17%      |
| Below 6                    | 22.05%      | 14.27%      | 13.70%      | 15.00%      | 16.53%      |
|                            | 100.00%     | 100.00%     | 100.00%     | 100.00%     | 100.00%     |
| <b>Production (m/t)</b>    |             |             |             |             |             |
| ffb                        |             |             |             |             |             |
| - own estates              | 129,924     | 127,686     | 125,499     | 138,249     | 132,660     |
| - purchased                | 26,600      | 22,569      | 21,992      | 26,038      | 18,331      |
|                            | 156,524     | 150,255     | 147,491     | 164,287     | 150,991     |
| Crude palm oil             | 16,907      | 15,905      | 16,301      | 19,393      | 19,867      |
| Palm kernel                | 5,011       | 4,441       | 4,837       | 5,806       | 5,639       |
| <b>Extraction Rate (%)</b> |             |             |             |             |             |
| Crude palm oil             | 18.59       | 18.95       | 19.00       | 18.78       | 18.62       |
| Palm kernel                | 5.51        | 5.28        | 5.64        | 5.62        | 5.29        |

## **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 2007.

### **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, process 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**

|                               | <b>Group<br/>RM</b> | <b>Company<br/>RM</b> |
|-------------------------------|---------------------|-----------------------|
| Profit for the year           | 44,467,567          | 23,274,542            |
| Attributable to:              |                     |                       |
| Equity holders of the Company | 38,162,944          | 23,274,542            |
| Minority interests            | 6,304,623           | -                     |
|                               | <u>44,467,567</u>   | <u>23,274,542</u>     |

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

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, other than the effect arising from the changes in the fair value of biological assets which has resulted in an increase in the Group's and Company's profit for the year by RM15,000,000 and RM5,250,000 respectively, as disclosed in Note 2.3(c)(ii).

### **DIVIDENDS**

The amount of dividends paid by the Company since 31 December 2006 were as follows:

|   | <b>RM</b>         |
|---|-------------------|
| In respect of the financial year ended 31 December 2007:  |                   |
| First interim dividend of 10% less 27% taxation, on 70,201,962 ordinary stock units, declared on 25 May 2007 and paid on 29 June 2007           | 5,124,743         |
| Second interim dividend of 15% less 27% taxation, on 70,201,962 ordinary stock units, declared on 30 November 2007 and paid on 31 December 2007 | 7,687,115         |
|   | <u>12,811,858</u> |

In view of the payment of the interim dividends, the directors do not recommend any 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 Wei Lei, Keong Choon Keat and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Goh Eng Chew, Wong Aun Phui, Goh Beng Hwa @ Gho Bin Hoa and Dato' Ong Bok Lim 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.

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 6 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 29 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<br>2007                             | Bought  | Sold | 31 December<br>2007 |
| <b>The Company</b>         |   |         |      |                     |
| <b>Direct Interest:</b>    |   |         |      |                     |
| Goh Eng Chew               | 400,000                                       | -       | -    | 400,000             |
| Wong Aun Phui              | 645,850                                       | -       | -    | 645,850             |
| Goh Pock Ai                | 401,100                                       | -       | -    | 401,100             |
| Goh Beng Hwa @ Gho Bin Hoa | 1,010,513                                     | -       | -    | 1,010,513           |
| Goh Yeok Beng              | 400,000                                       | -       | -    | 400,000             |
| Gho Lian Chin              | 2,200   | -       | -    | 2,200               |
| Sio Sit Po                 | 253,414                                       | 229,052 | -    | 482,466             |
| Gho Bun Tjin               | 2,200   | -       | -    | 2,200               |
| <b>Indirect Interest:</b>  |   |         |      |                     |
| Goh Eng Chew               | 38,701,009                                    | -       | -    | 38,701,009          |
| Wong Aun Phui              | -   | 59,785* | -    | 59,785              |
| Goh Beng Hwa @ Gho Bin Hoa | 1,991,689                                     | -       | -    | 1,991,689           |
| Gho Lian Chin              | 38,852,673                                    | -       | -    | 38,852,673          |

\* By reason of the amendments to the Companies Act, 1965 gazetted on 15 August 2007, which treats the interest of the children of the director as the interest of director.

|   | Number of Ordinary Shares of RM1.00 Each |        |      |                     |
|---|--|--------|------|---------------------|
|   | 1 January<br>2007                        | Bought | Sold | 31 December<br>2007 |
| <b>Eng Thye Plantations Berhad<br/>- Subsidiary</b> |  |        |      |                     |
| <b>Direct Interest:</b>                             |  |        |      |                     |
| 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              |
| <b>Indirect Interest:</b>                           |  |        |      |                     |
| 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<br>2007 |
|--|--|-----------|------|---------------------|
|  | 1 January<br>2007                        | Bought    | Sold |                     |
| <b>Timor Oil Palm Plantation Berhad</b>          |  |           |      |                     |
| <b>- Subsidiary</b>                              |  |           |      |                     |
| <b>Direct Interest:</b>                          |  |           |      |                     |
| 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 @<br>Gho Tju Kiong | 10,000                                   | -         | -    | 10,000              |
| <b>Indirect Interest:</b>                        |  |           |      |                     |
| Goh Eng Chew                                     | 6,112,300                                | -         | -    | 6,112,300           |
| Gho Lian Chin                                    | 6,112,300                                | -         | -    | 6,112,300           |
| <b>Tiong Thye Company Berhad</b>                 |  |           |      |                     |
| <b>- Holding company</b>                         |  |           |      |                     |
| <b>Direct Interest:</b>                          |  |           |      |                     |
| 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 @<br>Gho Tju Kiong | 1,000                                    | -         | -    | 1,000               |
| Gho Bun Tjin                                     | 1,000                                    | -         | -    | 1,000               |
| <b>Indirect Interest:</b>                        |  |           |      |                     |
| Goh Eng Chew                                     | 10,455,900                               | 3,082,100 | -    | 13,538,000          |
| 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.

## **DIRECTORS' REPORT**

### **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.
- (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 EVENT**

The significant event is disclosed in Note 27 to the financial statements.

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

**DIRECTORS' REPORT**

**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 29 April 2008.

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 37 to 78 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 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 29 April 2008.

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 37 to 78 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 29 April 2008.

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 37 to 78. 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 Financial Reporting Standards in Malaysia 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 2007 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

See Huey Beng  
1495/03/09(J)

Kuala Lumpur, Malaysia  
29 April 2008

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

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

|   | Note | Group             |                          | Company           |                          |
|---|------|-------------------|--------------------------|-------------------|--------------------------|
|   |      | 2007<br>RM        | 2006<br>RM<br>(restated) | 2007<br>RM        | 2006<br>RM<br>(restated) |
| Revenue   | 3    | 74,659,500        | 51,405,493               | 28,215,412        | 20,412,629               |
| Cost of sales   | 3    | (31,616,090)      | (27,373,428)             | (6,898,819)       | (5,520,013)              |
| <b>Gross profit</b>   |      | <b>43,043,410</b> | <b>24,032,065</b>        | <b>21,316,593</b> | <b>14,892,616</b>        |
| Other income  | 4    | 25,771,346        | 20,650,962               | 14,541,265        | 11,151,330               |
| Administrative expenses   |      | (9,065,176)       | (8,545,563)              | (3,905,321)       | (3,902,972)              |
| Selling expenses  |      | (1,257,239)       | (1,328,410)              | (487,774)         | (583,751)                |
| Replanting expenses   |      | (772,306)         | (691,502)                | (178,881)         | (143,409)                |
| <b>Operating profit</b>   | 5    | <b>57,720,035</b> | <b>34,117,552</b>        | <b>31,285,882</b> | <b>21,413,814</b>        |
| Share of profit of associates   |      | 1,258,580         | 699,422                  | -                 | -                        |
| Share of loss of a jointly controlled entity  |      | (270,421)         | (39,201)                 | -                 | -                        |
| <b>Profit before taxation</b>   |      | <b>58,708,194</b> | <b>34,777,773</b>        | <b>31,285,882</b> | <b>21,413,814</b>        |
| Taxation  | 8    | (14,240,627)      | (8,690,758)              | (8,011,340)       | (6,101,368)              |
| <b>Profit for the year</b>  |      | <b>44,467,567</b> | <b>26,087,015</b>        | <b>23,274,542</b> | <b>15,312,446</b>        |
| Attributable to:  |      |                   |                          |                   |                          |
| Equity holders of the Company   |      | 38,162,944        | 22,272,699               | 23,274,542        | 15,312,446               |
| Minority interests  |      | 6,304,623         | 3,814,316                | -                 | -                        |
|   |      | <b>44,467,567</b> | <b>26,087,015</b>        | <b>23,274,542</b> | <b>15,312,446</b>        |
| <b>Earnings per stock unit attributable to equity holders of the Company (sen):</b> |      |                   |                          |                   |                          |
| Basic   | 9    | 54.36             | 31.88                    |                   |                          |
| Diluted   | 9    | 54.36             | 31.88                    |                   |                          |
| Net dividends per stock unit (sen)  | 10   | 18.25             | 11.52                    | 18.25             | 11.52                    |

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

**BALANCE SHEETS AS AT 31 DECEMBER 2007**

|   | Note | Group              |                          | Company            |                          |
|---|------|--------------------|--------------------------|--------------------|--------------------------|
|   |      | 2007<br>RM         | 2006<br>RM<br>(restated) | 2007<br>RM         | 2006<br>RM<br>(restated) |
| <b>ASSETS</b>   |      |                    |                          |                    |                          |
| <b>Non-current assets</b>                                   |      |                    |                          |                    |                          |
| Property, plant and equipment                               | 11   | 80,983,700         | 81,117,616               | 24,894,459         | 24,922,139               |
| Prepaid land lease payments                                 | 12   | 67,808,750         | 68,800,000               | 38,808,750         | 39,300,000               |
| Biological assets   | 13   | 68,200,000         | 48,200,000               | 34,100,000         | 27,100,000               |
| Investment in subsidiaries                                  | 14   | -                  | -                        | 132,145,228        | 115,175,794              |
| Investment in associates                                    | 15   | 10,339,006         | 8,521,441                | 4,664,304          | 3,012,142                |
| Investment in a jointly controlled entity                   | 16   | 16,336,158         | 16,682,799               | 8,449,210          | 8,449,210                |
| Other investments   | 17   | 9,423,144          | 8,930,720                | 2,053,541          | 1,983,451                |
|   |      | <u>253,090,758</u> | <u>232,252,576</u>       | <u>245,115,492</u> | <u>219,942,736</u>       |
| <b>Current assets</b>                                       |      |                    |                          |                    |                          |
| Inventories   | 18   | 1,984,234          | 1,453,020                | 332,395            | 110,092                  |
| Receivables   | 19   | 6,527,953          | 4,243,901                | 3,432,738          | 2,226,813                |
| Tax recoverable   |      | 541,543            | 334,680                  | -                  | -                        |
| Cash and bank balances                                      | 20   | 113,853,613        | 101,061,135              | 58,343,456         | 55,614,734               |
|   |      | <u>122,907,343</u> | <u>107,092,736</u>       | <u>62,108,589</u>  | <u>57,951,639</u>        |
| <b>TOTAL ASSETS</b>   |      | <u>375,998,101</u> | <u>339,345,312</u>       | <u>307,224,081</u> | <u>277,894,375</u>       |
| <b>EQUITY AND LIABILITIES</b>                               |      |                    |                          |                    |                          |
| <b>Equity attributable to equity holders of the Company</b> |      |                    |                          |                    |                          |
| Share capital   | 22   | 70,201,962         | 70,201,962               | 70,201,962         | 70,201,962               |
| Share premium   |      | 4,335,840          | 4,335,840                | 4,335,840          | 4,335,840                |
| Other reserves  | 23   | 62,337,642         | 60,808,536               | 125,093,212        | 107,122,381              |
| Retained profits  | 24   | 155,234,450        | 129,407,062              | 90,582,384         | 79,834,786               |
|   |      | <u>292,109,894</u> | <u>264,753,400</u>       | <u>290,213,398</u> | <u>261,494,969</u>       |
| <b>Minority interests</b>                                   |      | 48,955,888         | 43,531,842               | -                  | -                        |
| <b>Total equity</b>   |      | <u>341,065,782</u> | <u>308,285,242</u>       | <u>290,213,398</u> | <u>261,494,969</u>       |
| <b>Non-current liabilities</b>                              |      |                    |                          |                    |                          |
| Deferred tax liabilities                                    | 26   | 28,194,543         | 25,715,074               | 14,513,772         | 14,301,625               |
| <b>Current liabilities</b>                                  |      |                    |                          |                    |                          |
| Payables  | 21   | 5,676,756          | 4,374,969                | 1,811,248          | 1,428,392                |
| Provision for retirement benefits                           | 25   | -                  | 18,423                   | -                  | -                        |
| Taxation  |      | 1,061,020          | 951,604                  | 685,663            | 669,389                  |
|   |      | <u>6,737,776</u>   | <u>5,344,996</u>         | <u>2,496,911</u>   | <u>2,097,781</u>         |
| <b>Total liabilities</b>                                    |      | <u>34,932,319</u>  | <u>31,060,070</u>        | <u>17,010,683</u>  | <u>16,399,406</u>        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                         |      | <u>375,998,101</u> | <u>339,345,312</u>       | <u>307,224,081</u> | <u>277,894,375</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 2007**

| Group   | Attributable to Equity Holders of the Company |                        |   |  |  | Total       | Minority   | Total       |
|---|---|------------------------|---|--|--|-------------|------------|-------------|
|   | Non-Distributable                             |                        | Distributable   |  |  |             |            |             |
|   | Share<br>Capital<br>(Note 22)<br>RM           | Share<br>Premium<br>RM | Asset<br>Revaluation<br>Reserve –<br>Lands and<br>Biological<br>Assets<br>(Note 23)<br>RM | Foreign<br>Currency<br>Translation<br>Reserve<br>(Note 23)<br>RM | Retained<br>Profits<br>(Note 24)<br>RM | Total<br>RM | RM         | RM          |
| <b>At 1 January 2006</b>  | 69,411,962                                    | 3,767,040              | 20,650,038  | 2,279,803  | 113,074,680                            | 209,183,523 | 33,271,757 | 242,455,280 |
| Revaluation reserve of leasehold land realised (Note 2.4(a))                | -   | -                      | (1,732,293)   | -  | 1,732,293                              | -           | -          | -           |
| <b>At 1 January 2006 (restated)</b>   | 69,411,962                                    | 3,767,040              | 18,917,745  | 2,279,803  | 114,806,973                            | 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 reserve of leasehold land realised (Note 2.4(a))                | -   | -                      | (406,304)   | -  | 406,304                                | -           | -          | -           |
| Revaluation increase of lands   | -   | -                      | 38,491,193  | -  | -                                      | 38,491,193  | 6,978,896  | 45,470,089  |
| Foreign currency translation:   |   |                        |   |  |  |             |            |             |
| Associates  | -   | -                      | -   | 832,302  | -                                      | 832,302     | (20,624)   | 811,678     |
| Jointly controlled entity   | -   | -                      | -   | (190,461)  | -                                      | (190,461)   | (37,269)   | (277,730)   |
| Net income recognised directly in equity                                    | -   | -                      | 38,969,147  | 641,841  | 406,304                                | 40,017,292  | 7,103,588  | 47,120,880  |
| Profit for the year   | -   | -                      | -   | -  | 22,272,699                             | 22,272,699  | 3,814,316  | 26,087,015  |
| Total recognised income for the year  | -   | -                      | 38,969,147  | 641,841  | 22,679,003                             | 62,289,991  | 10,917,904 | 73,207,895  |
| Dividends (Note 10)   | -   | -                      | -   | -  | (8,078,914)                            | (8,078,914) | (657,819)  | (8,736,733) |
| Issue of ordinary shares pursuant to Employee Share Options Scheme ("ESOS") | 790,000                                       | 568,800                | -   | -  | -                                      | 1,358,800   | -          | 1,358,800   |
| <b>At 31 December 2006</b>  | 70,201,962                                    | 4,335,840              | 57,886,892  | 2,921,644  | 129,407,062                            | 264,753,400 | 43,531,842 | 308,285,242 |

\* The ESOS lapsed during financial year 2006

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

| Group   | <----- Attributable to Equity Holders of the Company -----> |                        |   |  |  | Total<br>RM        | Minority<br>Interests<br>RM | Total<br>Equity<br>RM |
|---|---|------------------------|---|--|--|--------------------|-----------------------------|-----------------------|
|   | <----- Non-Distributable ----->                             |                        | Distributable   |  |  |                    |                             |                       |
|   | Share<br>Capital<br>(Note 22)<br>RM                         | Share<br>Premium<br>RM | Asset<br>Revaluation<br>Reserve –<br>Lands and<br>Biological<br>Assets<br>(Note 23)<br>RM | Foreign<br>Currency<br>Translation<br>Reserve<br>(Note 23)<br>RM | Retained<br>Profits<br>(Note 24)<br>RM |                    |                             |                       |
| <b>At 1 January 2007</b>  | 70,201,962  | 4,335,840              | 69,622,283  | 2,921,644  | 118,301,942                            | 265,383,671        | 43,637,022                  | 309,020,693           |
| Changes in carrying value of biological assets recognised in profit or loss (Note 2.3(b)) | -   | -                      | (9,596,794)   | -  | 9,596,794                              | -                  | -                           | -                     |
| Underprovision of deferred tax on biological assets (Note 2.4(b))                         | -   | -                      | -   | -  | (630,271)                              | (630,271)          | (105,180)                   | (735,451)             |
| Revaluation reserve of leasehold land realised (Note 2.4(a))                              | -   | -                      | (2,138,597)   | -  | 2,138,597                              | -                  | -                           | -                     |
| <b>At 1 January 2007 (restated)</b>   | <b>70,201,962</b>   | <b>4,335,840</b>       | <b>57,886,892</b>   | <b>2,921,644</b>   | <b>129,407,062</b>                     | <b>264,753,400</b> | <b>43,531,842</b>           | <b>308,285,242</b>    |
| Changes in tax rates on opening balance of deferred tax                                   | -   | -                      | 626,769   | -  | -                                      | 626,769            | 139,611                     | 766,380               |
| Reversal of deferred tax arising from exemption of RPGT                                   | -   | -                      | 2,351,758   | -  | -                                      | 2,351,758          | 300,170                     | 2,651,928             |
| Revaluation reserve on leasehold land realised  | -   | -                      | (476,302)   | -  | 476,302                                | -                  | -                           | -                     |
| Foreign currency translation:   |   |                        |   |  |  |                    |                             |                       |
| Associates  | -   | -                      | -   | (907,115)  | -                                      | (907,115)          | (45,140)                    | (952,255)             |
| Jointly controlled entity   | -   | -                      | -   | (66,004)   | -                                      | (66,004)           | (10,216)                    | (76,220)              |
| Net income and expense recognised directly in equity                                      | -   | -                      | 2,502,225   | (973,119)  | 476,302                                | 2,005,408          | 384,425                     | 2,389,833             |
| Profit for the year   | -   | -                      | -   | -  | 38,162,944                             | 38,162,944         | 6,304,623                   | 44,467,567            |
| Total recognised income and expense for the year  | -   | -                      | 2,502,225   | (973,119)  | 38,639,426                             | 40,168,352         | 6,689,048                   | 46,857,400            |
| Dividends (Note 10)   | -   | -                      | -   | -  | (12,811,858)                           | (12,811,858)       | (1,265,002)                 | (14,076,860)          |
| <b>At 31 December 2007</b>  | <b>70,201,962</b>   | <b>4,335,840</b>       | <b>60,389,117</b>   | <b>1,948,525</b>   | <b>155,234,450</b>                     | <b>292,109,894</b> | <b>48,955,888</b>           | <b>341,065,782</b>    |

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 2007**

| Company   | <----- Non-Distributable ----->     |                        |   | Distributable  |  | Total<br>Equity<br>RM |
|---|-------------------------------------|------------------------|---|--|--|-----------------------|
|   | Share<br>Capital<br>(Note 22)<br>RM | Share<br>Premium<br>RM | Asset<br>Revaluation<br>Reserve –<br>Lands and<br>Biological<br>Assets<br>(Note 23)<br>RM | Asset<br>Revaluation<br>Reserve –<br>Investment<br>in<br>Subsidiaries<br>(Note 23)<br>RM | Retained<br>Profits<br>(Note 24)<br>RM |                       |
| <b>At 1 January 2006</b>  | 69,411,962                          | 3,767,040              | 11,375,863  | 36,066,052   | 71,284,251                             | 191,905,168           |
| Revaluation reserve of leasehold land realised<br>(Note 2.4(a)) | -                                   | -                      | (1,066,080)   | -  | 1,066,080                              | -                     |
| <b>At 1 January 2006 (restated)</b>                             | 69,411,962                          | 3,767,040              | 10,309,783  | 36,066,052   | 72,350,331                             | 191,905,168           |
| Changes in tax rates on opening balance of deferred tax         | -                                   | -                      | 632,116   | -  | -                                      | 632,116               |
| Revaluation reserve of leasehold land realised<br>(Note 2.4(a)) | -                                   | -                      | (250,923)   | -  | 250,923                                | -                     |
| Revaluation increase of investment in subsidiaries              | -                                   | -                      | -   | 43,257,091   | -                                      | 43,257,091            |
| Revaluation increase of lands                                   | -                                   | -                      | 17,108,262  | -  | -                                      | 17,108,262            |
| Net income recognised directly in equity                        | -                                   | -                      | 17,489,455  | 43,257,091   | 250,923                                | 60,997,469            |
| Profit for the year   | -                                   | -                      | -   | -  | 15,312,446                             | 15,312,446            |
| Total recognised income for the year                            | -                                   | -                      | 17,489,455  | 43,257,091   | 15,563,369                             | 76,309,915            |
| Dividends (Note 10)   | -                                   | -                      | -   | -  | (8,078,914)                            | (8,078,914)           |
| Issue of ordinary shares pursuant to ESOS                       | 790,000                             | 568,800                | -   | -  | -                                      | 1,358,800             |
| <b>At 31 December 2006</b>                                      | 70,201,962                          | 4,335,840              | 27,799,238  | 79,323,143   | 79,834,786                             | 261,494,969           |

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

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

| Company  | <----- Non-Distributable ----->     |                        |   | Distributable  |  | Total<br>Equity<br>RM |
|--|-------------------------------------|------------------------|---|--|--|-----------------------|
|  | Share<br>Capital<br>(Note 22)<br>RM | Share<br>Premium<br>RM | Asset<br>Revaluation<br>Reserve –<br>Lands and<br>Biological<br>Assets<br>(Note 23)<br>RM | Asset<br>Revaluation<br>Reserve –<br>Investment<br>in<br>Subsidiaries<br>(Note 23)<br>RM | Retained<br>Profits<br>(Note 24)<br>RM |                       |
| <b>At 1 January 2007</b>   | 70,201,962                          | 4,335,840              | 34,415,692  | 79,323,143   | 73,323,208                             | 261,599,845           |
| Changes in carrying value of biological assets<br>recognised in profit or loss (Note 2.3(b)) | -                                   | -                      | (5,299,451)   | -  | 5,299,451                              | -                     |
| Underprovision of deferred tax liability on biological<br>assets (Note 2.4(b))               | -                                   | -                      | -   | -  | (104,876)                              | (104,876)             |
| Revaluation reserve of leasehold land realised<br>(Note 2.4(a))                              | -                                   | -                      | (1,317,003)   | -  | 1,317,003                              | -                     |
| <b>At 1 January 2007 (restated)</b>  | <b>70,201,962</b>                   | <b>4,335,840</b>       | <b>27,799,238</b>   | <b>79,323,143</b>  | <b>79,834,786</b>                      | <b>261,494,969</b>    |
| Changes in tax rates on opening balance of deferred tax                                      | -                                   | -                      | 433,973   | -  | -                                      | 433,973               |
| Reversal of deferred tax arising from exemption of<br>RPGT                                   | -                                   | -                      | 852,338   | -  | -                                      | 852,338               |
| Revaluation reserve of leasehold land realised   | -                                   | -                      | (284,914)   | -  | 284,914                                | -                     |
| Revaluation increase of investment in subsidiaries   | -                                   | -                      | 16,969,434  | -  | -                                      | 16,969,434            |
| Net income recognised directly in equity   | -                                   | -                      | 17,970,831  | -  | 284,914                                | 18,255,745            |
| Profit for the year  | -                                   | -                      | -   | -  | 23,274,542                             | 23,274,542            |
| Total recognised income for the year   | -                                   | -                      | 17,970,831  | -  | 23,559,456                             | 41,530,287            |
| Dividends (Note 10)  | -                                   | -                      | -   | -  | (12,811,858)                           | (12,811,858)          |
| <b>At 31 December 2007</b>   | <b>70,201,962</b>                   | <b>4,335,840</b>       | <b>45,770,069</b>   | <b>79,323,143</b>  | <b>90,582,384</b>                      | <b>290,213,398</b>    |

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

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

|  | <b>Group</b> |                   | <b>Company</b> |                   |
|--|--------------|-------------------|----------------|-------------------|
|  | <b>2007</b>  | <b>2006</b>       | <b>2007</b>    | <b>2006</b>       |
|  | <b>RM</b>    | <b>RM</b>         | <b>RM</b>      | <b>RM</b>         |
|  |              | <b>(restated)</b> |                | <b>(restated)</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |              |                   |                |                   |
| Profit before taxation                                   | 58,708,194   | 34,777,773        | 31,285,882     | 21,413,814        |
| Adjustment for:  |              |                   |                |                   |
| Amortisation of prepaid land lease payments              | 991,250      | 849,911           | 491,250        | 438,490           |
| Depreciation of property, plant and equipment            | 817,185      | 751,895           | 191,355        | 175,229           |
| Gain on sale of property, plant and equipment            | (16,000)     | -                 | (16,000)       | -                 |
| Gain on sale of other investments                        | (1,581,148)  | (719,963)         | (733,753)      | (11,421)          |
| Gross dividend income                                    | (871,486)    | (755,237)         | (5,071,309)    | (2,434,664)       |
| Interest income  | (2,984,215)  | (3,120,325)       | (1,710,853)    | (1,675,033)       |
| Property, plant and equipment written off                | -            | 32,835            | -              | 30,773            |
| Provision for retirement benefits                        | -            | 13,747            | -              | -                 |
| Share of profit of associates                            | (1,258,580)  | (699,422)         | -              | -                 |
| Share of loss of a jointly controlled entity             | 270,421      | 39,201            | -              | -                 |
| Fair value adjustments of biological assets              | (20,000,000) | (14,497,164)      | (7,000,000)    | (7,019,696)       |
| Unrealised loss / (gain) on foreign exchange             | 43,181       | (1,451,715)       | 8,462          | (2,656)           |
| Write back of provision for retirement benefits          | -            | (439,329)         | -              | (48,287)          |
| Operating profit before working capital changes          | 34,118,802   | 14,782,207        | 17,445,034     | 10,866,549        |
| Increase in inventories                                  | (531,214)    | (442,852)         | (222,303)      | (83,721)          |
| Increase in receivables                                  | (2,218,714)  | (972,251)         | (1,213,168)    | (673,389)         |
| Increase in payables                                     | 1,301,786    | 1,167,264         | 382,856        | 344,662           |
| Cash generated from operations                           | 32,670,660   | 14,534,368        | 16,392,419     | 10,454,101        |
| Retirement benefits paid                                 | (18,423)     | (152,480)         | -              | (64,203)          |
| Taxes paid   | (8,328,409)  | (3,236,816)       | (5,147,848)    | (2,878,313)       |
| Net cash generated from operating activities             | 24,323,828   | 11,145,072        | 11,244,571     | 7,511,585         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |              |                   |                |                   |
| Capital distribution from quoted investments             | 58,507       | 135,374           | 26,000         | 42,500            |
| Investment in associates                                 | (1,652,162)  | (111,864)         | (1,652,162)    | (111,864)         |
| Investment in a jointly controlled entity                | -            | (16,949,730)      | -              | (8,449,210)       |
| Interest received  | 2,918,876    | 3,081,079         | 1,718,096      | 1,631,998         |
| Net dividends received from other investments            | 759,600      | 625,596           | 3,628,485      | 1,704,431         |
| Net dividends received from associate                    | 140,922      | 101,907           | 94,064         | 57,430            |
| Purchase of property, plant and equipment                | (683,269)    | (842,962)         | (163,675)      | (367,270)         |
| Purchase of other investments                            | (1,167,296)  | (3,925)           | (466,906)      | -                 |
| Proceeds from sale of property, plant and equipment      | 16,000       | -                 | 16,000         | -                 |
| Proceeds from sale of other investments                  | 2,197,513    | 1,289,719         | 1,104,569      | 70,010            |
| Placement of fixed deposits                              | (5,559)      | (8,918)           | (3,660)        | (7,061)           |
| Net cash generated from / (used in) investing activities | 2,583,132    | (12,683,724)      | 4,300,811      | (5,429,036)       |

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

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

|   | <b>Group</b>        |                    | <b>Company</b>      |                    |
|---|---------------------|--------------------|---------------------|--------------------|
|   | <b>2007</b>         | <b>2006</b>        | <b>2007</b>         | <b>2006</b>        |
|   | <b>RM</b>           | <b>RM</b>          | <b>RM</b>           | <b>RM</b>          |
|   |                     | <b>(restated)</b>  |                     | <b>(restated)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                     |                    |                     |                    |
| Dividends paid to shareholders of the Company                 | (12,811,858)        | (8,078,914)        | (12,811,858)        | (8,078,914)        |
| Dividends paid to minority interests                          | (1,265,002)         | (657,819)          | -                   | -                  |
| Proceeds from issue of shares pursuant to ESOS                | -                   | 1,358,800          | -                   | 1,358,800          |
| Net cash used in financing activities                         | <u>(14,076,860)</u> | <u>(7,377,933)</u> | <u>(12,811,858)</u> | <u>(6,720,114)</u> |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b> |                     |                    |                     |                    |
|   | 12,830,100          | (8,916,585)        | 2,733,524           | (4,637,565)        |
| <b>EFFECTS OF EXCHANGE RATE CHANGES</b>                       | (43,181)            | 1,451,715          | (8,462)             | 2,656              |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>         | <u>100,770,643</u>  | <u>108,235,513</u> | <u>55,438,601</u>   | <u>60,073,510</u>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 20)</b>     | <u>113,557,562</u>  | <u>100,770,643</u> | <u>58,163,663</u>   | <u>55,438,601</u>  |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**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, process 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 29 April 2008.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia. 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 October 2006 and 1 January 2007 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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

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

**(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.

**(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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(b) Associates (Contd.)**

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 management financial statements of the associates are used by the Group in applying the equity method. Where the dates of the management 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.

**(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.

Investment in jointly controlled entity is 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, investment in jointly controlled entity is 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(d) Revenue Recognition (Contd.)**

**(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**

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 lands are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold 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. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

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

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 the oil palms of the Group and of the Company which are measured at their fair value less estimated point-of-sale costs annually. The fair value of biological assets is determined by an independent valuer based on expected value in use of the biological assets.

The changes in fair value of the biological assets are recognised through profit or loss.

Previously, the changes in fair value were transferred to the assets revaluation reserve as described in Note 23(a).

**(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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(i) Foreign Currencies (Contd.)**

**(ii) Foreign Currency Transactions (Contd.)**

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

|                  | <b>2007</b> | <b>2006</b> |
|------------------|-------------|-------------|
|                  | <b>RM</b>   | <b>RM</b>   |
| Singapore Dollar | 2.31        | 2.32        |

**(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 translations; 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. The scheme, however, has been discontinued during the previous financial year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**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) Provisions**

Provisions 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 amounts of the Group's assets, other than inventories and biological 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 2007**

**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) Other investments**

Other investments are stated at cost less impairment losses. On the disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit and loss.

**(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 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.2 Summary of Significant Accounting Policies (Contd.)**

**(o) Leases**

**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

**(ii) Operating Leases – the Group as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

**2.3 Changes in Accounting Policies and Adoption of New and Revised Financial Reporting Standards (“FRS”)**

On 1 January 2007, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 October 2006 and 1 January 2007:

| <b>FRS and Amendments to FRS</b>  | <b>Effective for financial periods beginning on or after</b> |
|---|--|
| FRS 117 : Leases  | 1 October 2006   |
| FRS 124 : Related Party Disclosures   | 1 October 2006   |
| FRS 6 : Exploration for and Evaluation of Mineral Resources   | 1 January 2007   |
| Amendments to FRS 119 : Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures | 1 January 2007   |

The adoption of those FRSs that are relevant to the Group and the Company do not give rise to any significant effects on the financial statements of the Group and the Company, other than as discussed below:

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.3 Changes in Accounting Policies and Adoption of New and Revised Financial Reporting Standards (“FRS”) (Contd.)**

**(a) FRS 117 : Leases**

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group and the Company have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the amortised amount of the leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed in Note 2.5, certain comparatives have been reclassified. The effects on the balance sheets as at 31 December 2007 are set out in Note 2.3(c)(i). There were no effects on the income statements for the year ended 31 December 2007.

**(b) Changes in carrying value of biological assets recognised in profit or loss**

Previously, the changes in fair value of the biological assets were transferred to the asset revaluation reserve as described in Note 23(a).

During the year, the Group and the Company changed its accounting policy and accordingly, the changes in carrying value of biological assets are now recognised in profit or loss. This change in accounting policy has been accounted retrospectively and as disclosed in Note 2.5, certain comparatives have been restated. However, as permitted by FRS 108: Accounting Policies, Changes in Estimates and Errors, this change in accounting policy has been accounted for prospectively from 1 January 2006 as it is impracticable to determine the cumulative effect, at the beginning of 1 January 2006, of the change in accounting policy on all prior periods.

The effects on the Group’s and the Company’s income statements for the year ended 31 December 2007 are set out in Note 2.3(c)(ii). There were no effects on the Group’s and Company’s balance sheets as at 31 December 2007.

**(c) Summary of effects and changes arising from changes in accounting policies and adoption of new and revised FRSs**

The following tables provide estimates of the extent to which each of the line items in the balance sheets as at 31 December 2007 and income statements for the year ended 31 December 2007 is higher or lower than it would have been had the previous policy been applied in the current year:

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.3 Changes in Accounting Policies and Adoption of New and Revised Financial Reporting Standards (“FRS”) (Contd.)**

**(i) Effects on balance sheets as at 31 December 2007**

|                               | <b>Increase/(Decrease)</b><br><b>FRS 117</b><br><b>RM</b> |
|-------------------------------|---|
| <b>Group</b>                  |   |
| Property, plant and equipment | (67,808,750)  |
| Prepaid land lease payments   | 67,808,750  |
|                               | <hr/>   |
| <b>Company</b>                |   |
| Property, plant and equipment | (38,808,750)  |
| Prepaid land lease payments   | 38,808,750  |
|                               | <hr/>   |

**(ii) Effects on income statements for the year ended 31 December 2007**

|                | <b>Increase</b><br><b>Note 2.3(b)</b><br><b>RM</b> |
|----------------|--|
| <b>Group</b>   |  |
| Other income   | 20,000,000   |
| Taxation       | 5,000,000  |
|                | <hr/>  |
| <b>Company</b> |  |
| Other income   | 7,000,000  |
| Taxation       | 1,750,000  |
|                | <hr/>  |

**2.4 Prior year adjustments**

**(a) Revaluation reserve of leasehold land realised**

Prior to 1 January 2007, the revaluation reserve relating to leasehold land was not realised to retained earnings through equity.

Under FRS 116: Property, Plant and Equipment, the revaluation reserve relating to leasehold land should be realised through additional depreciation, arising from the upward revaluation of the leasehold land, in the subsequent years. Retrospective adjustments were made to recognise the revaluation reserve realised to retained earnings through equity and accordingly, certain comparatives have been restated, as disclosed in Note 2.5.

**(b) Underprovision of deferred tax liability on biological assets**

Prior to 1 January 2007, deferred tax liability of 5% had been provided on the revaluation of freehold land and biological assets as a whole.

However, the deferred tax liability on revaluation of freehold land and changes in fair value of biological assets should be provided at the rate of 5% and 26% respectively. Retrospective adjustments were made and as disclosed in Note 2.5, certain comparatives have been restated.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.5 Restatement of comparatives**

The following comparative amounts have been restated arising from the effects of adopting the new and revised FRSS, change in accounting policy and prior year adjustments:

**(i) Effects on balance sheets as at 1 January 2006**

|  | Previously<br>stated<br>RM | <----- Increase/(Decrease) -----> |                   |                   |                   | Restated<br>RM |
|--|----------------------------|-----------------------------------|-------------------|-------------------|-------------------|----------------|
|  |                            | Note 2.3(a)<br>RM                 | Note 2.3(b)<br>RM | Note 2.4(a)<br>RM | Note 2.4(b)<br>RM |                |
| <b>Group</b>   |                            |                                   |                   |                   |                   |                |
| Retained profits   | 113,074,680                | -                                 | -                 | 1,732,293         | -                 | 114,806,973    |
| Asset revaluation<br>reserve – lands<br>and biological<br>assets | 20,650,038                 | -                                 | -                 | (1,732,293)       | -                 | 18,917,745     |
| <b>Company</b>   |                            |                                   |                   |                   |                   |                |
| Retained profits   | 71,284,251                 | -                                 | -                 | 1,066,080         | -                 | 72,350,331     |
| Asset revaluation<br>reserve – lands<br>and biological<br>assets | 11,375,863                 | -                                 | -                 | (1,066,080)       | -                 | 10,309,783     |

**(ii) Effects on balance sheets as at 31 December 2006**

|  | Previously<br>stated<br>RM | <----- Increase/(Decrease) -----> |                   |                   |                   | Restated<br>RM |
|--|----------------------------|-----------------------------------|-------------------|-------------------|-------------------|----------------|
|  |                            | Note 2.3(a)<br>RM                 | Note 2.3(b)<br>RM | Note 2.4(a)<br>RM | Note 2.4(b)<br>RM |                |
| <b>Group</b>   |                            |                                   |                   |                   |                   |                |
| Property, plant<br>and equipment                                 | 149,917,616                | (68,800,000)                      | -                 | -                 | -                 | 81,117,616     |
| Prepaid land lease<br>payments                                   | -                          | 68,800,000                        | -                 | -                 | -                 | 68,800,000     |
| Retained profits   | 118,301,942                | -                                 | 9,596,794         | 2,138,597         | (630,271)         | 129,407,062    |
| Asset revaluation<br>reserve – lands<br>and biological<br>assets | 69,622,283                 | -                                 | (9,596,794)       | (2,138,597)       | -                 | 57,886,892     |
| Minority interests   | 43,637,022                 | -                                 | -                 | -                 | (105,180)         | 43,531,842     |
| Deferred tax<br>liabilities                                      | 24,979,623                 | -                                 | -                 | -                 | 735,451           | 25,715,074     |

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.5 Restatement of comparatives (Contd.)**

**(ii) Effects on balance sheets as at 31 December 2006 (Contd.)**

|   | Previously | <----- Increase/(Decrease) -----> |             |             |             | Restated   |
|---|------------|-----------------------------------|-------------|-------------|-------------|------------|
|   | stated     | Note 2.3(a)                       | Note 2.3(b) | Note 2.4(a) | Note 2.4(b) |            |
|   | RM         | RM                                | RM          | RM          | RM          | RM         |
| <b>Company</b>  |            |                                   |             |             |             |            |
| Property, plant and equipment                           | 64,222,139 | (39,300,000)                      | -           | -           | -           | 24,922,139 |
| Prepaid land lease payments                             | -          | 39,300,000                        | -           | -           | -           | 39,300,000 |
| Retained profits  | 73,323,208 | -                                 | 5,299,451   | 1,317,003   | (104,876)   | 79,834,786 |
| Asset revaluation reserve – lands and biological assets | 34,415,692 | -                                 | (5,299,451) | (1,317,003) | -           | 27,799,238 |
| Deferred tax liabilities                                | 14,196,749 | -                                 | -           | -           | 104,876     | 14,301,625 |

**(iii) Effects on income statements for the year ended 31 December 2006**

|   | Previously | <----- Increase/(Decrease) -----> |             |             |             | Restated   |
|---|------------|-----------------------------------|-------------|-------------|-------------|------------|
|   | stated     | Note 2.3(a)                       | Note 2.3(b) | Note 2.4(a) | Note 2.4(b) |            |
|   | RM         | RM                                | RM          | RM          | RM          | RM         |
| <b>Group</b>                                  |            |                                   |             |             |             |            |
| Depreciation of property, plant and equipment | 1,601,806  | (849,911)                         | -           | -           | -           | 751,895    |
| Amortisation of prepaid land lease payments   | -          | 849,911                           | -           | -           | -           | 849,911    |
| Other income                                  | 6,153,798  | -                                 | 14,497,164  | -           | -           | 20,650,962 |
| Taxation                                      | 4,921,497  | -                                 | 3,033,810   | -           | 735,451     | 8,690,758  |
| Minority interests                            | 2,052,936  | -                                 | 1,866,560   | -           | (105,180)   | 3,814,316  |
| <b>Company</b>                                |            |                                   |             |             |             |            |
| Depreciation of property, plant and equipment | 613,719    | (438,490)                         | -           | -           | -           | 175,229    |
| Amortisation of prepaid land lease payments   | -          | 438,490                           | -           | -           | -           | 438,490    |
| Other income                                  | 4,131,634  | -                                 | 7,019,696   | -           | -           | 11,151,330 |
| Taxation                                      | 4,276,247  | -                                 | 1,720,245   | -           | 104,876     | 6,101,368  |

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.6 Standards and Interpretations Issued but Not Yet Effective**

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

| <b>FRS, Amendments to FRS and Interpretations</b>  | <b>Effective for financial periods beginning on or after</b> |
|--|--|
| Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation                        | 1 July 2007  |
| FRS 107 – Cash Flow Statements   | 1 July 2007  |
| FRS 111 – Construction Contracts   | 1 July 2007  |
| FRS 112 – Income Taxes   | 1 July 2007  |
| FRS 118 – Revenue  | 1 July 2007  |
| FRS 120 – Accounting for Government Grants and Disclosure of Government Assistance   | 1 July 2007  |
| FRS 134 – Interim Financial Reporting  | 1 July 2007  |
| FRS 137 – Provisions, Contingent Liabilities and Contingent Assets   | 1 July 2007  |
| FRS 139 – Financial Instruments: Recognition and Measurement   | Deferred   |
| IC Interpretation 1: Changes in Existing Decommissioning, Restoration & Similar Liabilities  | 1 July 2007  |
| IC Interpretation 2: Members’ Shares in Co-operative Entities & Similar Instruments  | 1 July 2007  |
| IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds                | 1 July 2007  |
| IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical & Electronic Equipment             | 1 July 2007  |
| IC Interpretation 7: Applying the Restatement Approach under IAS 29 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies | 1 July 2007  |
| IC Interpretation 8: Scope of FRS 2  | 1 July 2007  |

The above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

**2.7 Significant Accounting Estimates**

**Key Sources of Estimation Uncertainty**

**(i) Fair value of biological assets**

The biological assets are measured at their fair value less estimated point-of-sale costs annually. This requires an estimation of the value in use of the biological assets.

In assessing value in use, the independent professional valuers are required to make an estimate of the expected future cash flows from the biological assets and also to choose a suitable discount rate in order to calculate to their present value of those cash flows. The details are as disclosed in Note 13.

**(ii) Carrying value of the investments in subsidiaries**

Investments in subsidiaries are classified as available-for-sale financial assets and carried at fair value.

The directors are of the opinion that the adjusted net tangibles assets of the subsidiaries which comprise the fair value of the biological assets, lands, quoted investments and other financial instruments, represents the fair value of the subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**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. OTHER INCOME**

|   | <b>Group</b>      |                   | <b>Company</b>    |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | <b>2007</b>       | <b>2006</b>       | <b>2007</b>       | <b>2006</b>       |
|   | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         |
| Fair value adjustments of biological assets (Note 13) | 20,000,000        | 14,497,164        | 7,000,000         | 7,019,696         |
| Dividend income:                                      |                   |                   |                   |                   |
| - Subsidiaries  | -                 | -                 | 4,672,120         | 2,173,363         |
| - Associates  | -                 | -                 | 114,712           | 71,788            |
| - Quoted investments:                                 |                   |                   |                   |                   |
| - in Malaysia   | 372,267           | 279,358           | 284,477           | 189,513           |
| - outside Malaysia                                    | 499,219           | 475,879           | -                 | -                 |
| Interest income                                       | 2,984,215         | 3,120,325         | 1,710,853         | 1,675,033         |
| Gain on sale of property, plant and equipment         | 16,000            | -                 | 16,000            | -                 |
| Gain on sale of other investments                     | 1,581,148         | 719,963           | 733,753           | 11,421            |
| Net foreign exchange gain                             | -                 | 1,451,634         | -                 | 2,630             |
| Miscellaneous   | 318,497           | 106,639           | 9,350             | 7,886             |
|   | <b>25,771,346</b> | <b>20,650,962</b> | <b>14,541,265</b> | <b>11,151,330</b> |

**5. OPERATING PROFIT**

Operating profit during the year is arrived at after charging/(crediting):

|   | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2007</b>  | <b>2006</b> | <b>2007</b>    | <b>2006</b> |
|   | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| Amortisation of prepaid land lease payments (Note 12)   | 991,250      | 849,911     | 491,250        | 438,490     |
| Auditors' remuneration                                  |              |             |                |             |
| - statutory audit                                       | 81,000       | 81,000      | 30,000         | 30,000      |
| - other services  | 8,000        | 70,500      | 8,000          | 70,500      |
| Depreciation of property, plant and equipment (Note 11) | 817,185      | 751,895     | 191,355        | 175,229     |
| Non-executive directors' remuneration (Note 6)          | 397,154      | 380,272     | 190,000        | 193,000     |
| Employee benefits expense (Note 7)                      | 10,506,149   | 9,394,687   | 3,537,253      | 3,277,598   |
| Net foreign exchange loss                               | 35,209       | -           | 620            | -           |
| Property, plant and equipment written off               | -            | 32,835      | -              | 30,773      |
| Provision for retirement benefit                        | -            | 13,747      | -              | -           |
| Rental  | -            | 24,840      | -              | -           |
| Write back of provision for retirement benefits         | -            | (439,329)   | -              | (48,287)    |

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**6. DIRECTORS' REMUNERATION**

|                                 | Group            |                  | Company        |                |
|---------------------------------|------------------|------------------|----------------|----------------|
|                                 | 2007<br>RM       | 2006<br>RM       | 2007<br>RM     | 2006<br>RM     |
| <b>Directors of the Company</b> |                  |                  |                |                |
| Executive directors:            |                  |                  |                |                |
| Fees                            | 132,954          | 135,000          | 56,954         | 59,000         |
| Salaries                        | 560,400          | 560,400          | 390,000        | 390,000        |
| Commission                      | 510,696          | 263,054          | 291,431        | 172,729        |
| Other emoluments                | 6,000            | 6,000            | 6,000          | 6,000          |
|                                 | <u>1,210,050</u> | <u>964,454</u>   | <u>744,385</u> | <u>627,729</u> |
| Non-executive directors:        |                  |                  |                |                |
| Fees                            | 242,000          | 240,500          | 168,000        | 168,000        |
| Salaries                        | 84,000           | 84,000           | -              | -              |
| Commission                      | 49,154           | 30,772           | -              | -              |
| Other emoluments                | 22,000           | 25,000           | 22,000         | 25,000         |
|                                 | <u>397,154</u>   | <u>380,272</u>   | <u>190,000</u> | <u>193,000</u> |
|                                 | <u>1,607,204</u> | <u>1,344,726</u> | <u>934,385</u> | <u>820,729</u> |

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

|                          | Number of Directors |           |
|--------------------------|---------------------|-----------|
|                          | 2007                | 2006      |
| Executive directors:     |                     |           |
| RM100,001 – RM150,000    | -                   | -         |
| RM250,001 – RM300,000    | -                   | 2         |
| RM300,001 – RM350,000    | 1                   | -         |
| RM350,001 – RM400,000    | 1                   | -         |
| RM400,001 – RM450,000    | -                   | 1         |
| RM500,001 – RM550,000    | 1                   | -         |
|                          | <u>3</u>            | <u>3</u>  |
| Non-executive directors: |                     |           |
| Below RM50,000           | 7                   | 7         |
| RM100,001 – RM150,000    | -                   | 1         |
| RM150,001 – RM200,000    | 1                   | -         |
|                          | <u>8</u>            | <u>8</u>  |
|                          | <u>11</u>           | <u>11</u> |

**7. EMPLOYEE BENEFITS EXPENSE**

|                               | Group             |                  | Company          |                  |
|-------------------------------|-------------------|------------------|------------------|------------------|
|                               | 2007<br>RM        | 2006<br>RM       | 2007<br>RM       | 2006<br>RM       |
| Wages and salaries            | 8,798,212         | 8,054,004        | 2,884,903        | 2,810,436        |
| Social security contributions | 47,630            | 42,464           | 9,161            | 8,265            |
| Employees Provident Fund      | 360,949           | 333,493          | 115,437          | 99,915           |
| Other staff related expenses  | 1,299,358         | 964,726          | 527,752          | 358,982          |
|                               | <u>10,506,149</u> | <u>9,394,687</u> | <u>3,537,253</u> | <u>3,277,598</u> |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,210,050 (2006: RM964,454) and RM744,385 (2006: RM627,729) respectively, as further disclosed in Note 6.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**8. TAXATION**

|   | <b>Group</b>      |                  | <b>Company</b>   |                  |
|---|-------------------|------------------|------------------|------------------|
|   | <b>2007</b>       | <b>2006</b>      | <b>2007</b>      | <b>2006</b>      |
|   | <b>RM</b>         | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        |
| Tax expense for the year:                                     |                   |                  |                  |                  |
| Malaysian income tax  | 8,331,513         | 4,712,818        | 6,513,776        | 4,327,834        |
| Foreign tax   | 26,119            | 58,783           | 20,648           | 14,358           |
|   | <u>8,357,632</u>  | <u>4,771,601</u> | <u>6,534,424</u> | <u>4,342,192</u> |
| (Over) / under provision in prior years:                      |                   |                  |                  |                  |
| Malaysian income tax  | (14,783)          | 240,488          | (21,542)         | (31,567)         |
|   | <u>8,342,849</u>  | <u>5,012,089</u> | <u>6,512,882</u> | <u>4,310,625</u> |
| Deferred tax (Note 26):                                       |                   |                  |                  |                  |
| Relating to origination and reversal of temporary differences | 6,611,478         | 3,690,333        | 1,786,515        | 1,803,473        |
| Relating to changes in tax rates                              | (589,202)         | 79,589           | (215,554)        | (13,850)         |
| (Over) / under provision in prior years                       | (124,498)         | (91,253)         | (72,503)         | 1,120            |
|   | <u>5,897,778</u>  | <u>3,678,669</u> | <u>1,498,458</u> | <u>1,790,743</u> |
|   | <u>14,240,627</u> | <u>8,690,758</u> | <u>8,011,340</u> | <u>6,101,368</u> |

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes. Taxation for other jurisdictions are calculated at the rates prevailing in those jurisdictions.

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:

|  | <b>2007</b>       | <b>2006</b>      |
|--|-------------------|------------------|
|  | <b>RM</b>         | <b>RM</b>        |
| <b>Group</b>   |                   |                  |
| Profit before taxation   | 58,708,194        | 34,777,773       |
| Taxation at Malaysian statutory tax rate of 27% (2006: 28%)                              | 15,851,212        | 9,737,776        |
| Effect of different tax rate in other country  | (25,080)          | (28,015)         |
| Income not assessable for tax purposes   | (771,370)         | (1,297,197)      |
| Expenses not deductible for tax purposes   | 181,150           | 234,232          |
| (Over) / under provision of income tax expenses in prior years                           | (14,783)          | 240,488          |
| Effect of changes in tax rates on opening balances of deferred tax                       | (94,309)          | 73,953           |
| Deferred tax recognised at different tax rates   | (494,893)         | 5,636            |
| Over provision of deferred tax expense in prior year                                     | (124,498)         | (91,253)         |
| Effect of share of profit of associates and share of loss of a jointly controlled entity | (266,802)         | (184,862)        |
| Tax expense for the year   | <u>14,240,627</u> | <u>8,690,758</u> |
| <b>Company</b>   |                   |                  |
| Profit before taxation   | 31,285,882        | 21,413,814       |
| Taxation at Malaysian statutory tax rate of 27% (2006: 28%)                              | 8,447,188         | 5,995,868        |
| Effect of different tax rate in other country  | (10,324)          | (5,743)          |
| Income not assessable for tax purposes   | (207,949)         | (3,934)          |
| Expenses not deductible for tax purposes   | 92,024            | 159,474          |
| Over provision of income tax expenses in prior years                                     | (21,542)          | (31,567)         |
| Effect of changes in tax rates on opening balances of deferred tax                       | (79,534)          | (15,395)         |
| Deferred tax recognised at different tax rates   | (136,020)         | 1,545            |
| (Over) / under provision of deferred tax expense in prior years                          | (72,503)          | 1,120            |
| Tax expense for the year   | <u>8,011,340</u>  | <u>6,101,368</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**9. EARNINGS PER STOCK UNIT**

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.

|  | <b>Group</b> |             |
|--|--------------|-------------|
|  | <b>2007</b>  | <b>2006</b> |
| Profit attributable to ordinary equity holders of the Company (RM) | 38,162,944   | 22,272,699  |
| Weighted average number of ordinary stock units in issue           | 70,201,962   | 69,857,858  |
| Basic earnings per stock unit (sen)                                | 54.36        | 31.88       |
| Diluted earnings per stock unit (sen)                              | 54.36        | 31.88       |

Diluted earnings per stock unit is similar to basic earnings per stock unit as there is no potential dilutive ordinary stock units outstanding as at end of the financial year.

**10. DIVIDENDS**

|   | <b>Dividends in respect of</b> |                  | <b>Dividends Recognised in</b> |                  |
|---|--------------------------------|------------------|--------------------------------|------------------|
|   | <b>Year</b>                    |                  | <b>Year</b>                    |                  |
|   | <b>2007</b>                    | <b>2006</b>      | <b>2007</b>                    | <b>2006</b>      |
|   | <b>RM</b>                      | <b>RM</b>        | <b>RM</b>                      | <b>RM</b>        |
| <b>Recognised during the year:</b>  |                                |                  |                                |                  |
| 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        |
| First interim dividend of 10% less 27% taxation, on 70,201,962 ordinary stock units, declared on 25 May 2007 and paid on 29 June 2007 (7.30 sen net per ordinary stock unit)            | 5,124,743                      | -                | 5,124,743                      | -                |
| Second interim dividend of 15% less 27% taxation, on 70,201,962 ordinary stock units, declared on 30 November 2007 and paid on 31 December 2007 (10.95 sen net per ordinary stock unit) | 7,687,115                      | -                | 7,687,115                      | -                |
|   | <u>12,811,858</u>              | <u>8,078,914</u> | <u>12,811,858</u>              | <u>8,078,914</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**11. PROPERTY, PLANT AND EQUIPMENT**

|                                 | Valuation <----- Cost -----> |                  |                         |   |                              |                                       | Total<br>RM       |
|---------------------------------|------------------------------|------------------|-------------------------|---|------------------------------|---------------------------------------|-------------------|
|                                 | Freehold<br>Lands<br>RM      | Buildings<br>RM  | Motor<br>Vehicles<br>RM | Office<br>Equipment<br>and<br>Furniture<br>and Fittings<br>RM | Plant and<br>Machinery<br>RM | Capital<br>Work-In-<br>Progress<br>RM |                   |
| <b>Group</b>                    |                              |                  |                         |   |                              |                                       |                   |
| <b>At 31 December 2007</b>      |                              |                  |                         |   |                              |                                       |                   |
| <b>Valuation / Cost</b>         |                              |                  |                         |   |                              |                                       |                   |
| At 1 January 2007               | 75,507,000                   | 6,339,756        | 3,318,557               | 377,713   | 11,169,880                   | -                                     | 96,712,906        |
| Additions                       | -                            | 10,503           | 304,850                 | 188,184   | 179,732                      | -                                     | 683,269           |
| Write off                       | -                            | (168,085)        | (187,805)               | (4,200)   | (169,681)                    | -                                     | (529,771)         |
| At 31 December 2007             | <u>75,507,000</u>            | <u>6,182,174</u> | <u>3,435,602</u>        | <u>561,697</u>  | <u>11,179,931</u>            | <u>-</u>                              | <u>96,866,404</u> |
| <b>Accumulated Depreciation</b> |                              |                  |                         |   |                              |                                       |                   |
| At 1 January 2007               | -                            | 4,495,263        | 2,865,475               | 297,769   | 7,936,783                    | -                                     | 15,595,290        |
| Charge for the year             | -                            | 134,508          | 159,212                 | 39,248  | 484,217                      | -                                     | 817,185           |
| Write off                       | -                            | (168,085)        | (187,805)               | (4,200)   | (169,681)                    | -                                     | (529,771)         |
| At 31 December 2007             | <u>-</u>                     | <u>4,461,686</u> | <u>2,836,882</u>        | <u>332,817</u>  | <u>8,251,319</u>             | <u>-</u>                              | <u>15,882,704</u> |
| <b>Net Carrying Amount</b>      |                              |                  |                         |   |                              |                                       |                   |
| At 31 December 2007             | <u>75,507,000</u>            | <u>1,720,488</u> | <u>598,720</u>          | <u>228,880</u>  | <u>2,928,612</u>             | <u>-</u>                              | <u>80,983,700</u> |

**NEGRI SEMBILAN OIL PALMS BERHAD (592D)**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

|                                 | Valuation               |                  | Cost                    |   |                              |                                       | Total<br>RM       |
|---------------------------------|-------------------------|------------------|-------------------------|---|------------------------------|---------------------------------------|-------------------|
|                                 | Freehold<br>Lands<br>RM | Buildings<br>RM  | Motor<br>Vehicles<br>RM | Office<br>Equipment<br>and<br>Furniture<br>and Fittings<br>RM | Plant and<br>Machinery<br>RM | Capital<br>Work-In-<br>Progress<br>RM |                   |
| <b>Group</b>                    |                         |                  |                         |   |                              |                                       |                   |
| <b>At 31 December 2006</b>      |                         |                  |                         |   |                              |                                       |                   |
| <b>Valuation / Cost</b>         |                         |                  |                         |   |                              |                                       |                   |
| At 1 January 2006               | 46,580,085              | 6,292,418        | 3,425,729               | 411,973   | 11,315,983                   | 1,097,687                             | 69,123,875        |
| 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              | -                | -                       | -   | -                            | -                                     | 28,926,915        |
| At 31 December 2006             | <u>75,507,000</u>       | <u>6,339,756</u> | <u>3,318,557</u>        | <u>377,713</u>  | <u>11,169,880</u>            | <u>-</u>                              | <u>96,712,906</u> |
| <b>Accumulated Depreciation</b> |                         |                  |                         |   |                              |                                       |                   |
| At 1 January 2006               | -                       | 4,586,841        | 3,133,412               | 324,693   | 8,946,460                    | -                                     | 16,991,406        |
| Charge for the year             | -                       | 126,532          | 146,802                 | 26,934  | 451,627                      | -                                     | 751,895           |
| Write off                       | -                       | (218,110)        | (414,739)               | (53,858)  | (1,461,304)                  | -                                     | (2,148,011)       |
| At 31 December 2006             | -                       | <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> |
| <b>Net Carrying Amount</b>      |                         |                  |                         |   |                              |                                       |                   |
| At 31 December 2006             | <u>75,507,000</u>       | <u>1,844,493</u> | <u>453,082</u>          | <u>79,944</u>   | <u>3,233,097</u>             | <u>-</u>                              | <u>81,117,616</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**11. PROPERTY, PLANT AND EQUIPMENT (CONTD)**

| Company                         | Valuation <----- Cost -----> |                 |                         |   |                              | Total<br>RM |
|---------------------------------|------------------------------|-----------------|-------------------------|---|------------------------------|-------------|
|                                 | Freehold<br>Land<br>RM       | Buildings<br>RM | Motor<br>Vehicles<br>RM | Office<br>Equipment<br>and<br>Furniture<br>and Fittings<br>RM | Plant and<br>Machinery<br>RM |             |
| <b>At 31 December 2007</b>      |                              |                 |                         |   |                              |             |
| <b>Valuation / Cost</b>         |                              |                 |                         |   |                              |             |
| At 1 January 2007               | 23,600,000                   | 2,077,373       | 1,164,884               | 124,007   | 568,922                      | 27,535,186  |
| Additions                       | -                            | 4,932           | 65,200                  | 60,969  | 32,574                       | 163,675     |
| Write off                       | -                            | -               | (93,196)                | -   | -                            | (93,196)    |
| At 31 December 2007             | 23,600,000                   | 2,082,305       | 1,136,888               | 184,976   | 601,496                      | 27,605,665  |
| <b>Accumulated Depreciation</b> |                              |                 |                         |   |                              |             |
| At 1 January 2007               | -                            | 1,170,563       | 877,507                 | 92,505  | 472,472                      | 2,613,047   |
| Charge for the year             | -                            | 63,078          | 84,020                  | 12,359  | 31,898                       | 191,355     |
| Write off                       | -                            | -               | (93,196)                | -   | -                            | (93,196)    |
| At 31 December 2007             | -                            | 1,233,641       | 868,331                 | 104,864   | 504,370                      | 2,711,206   |
| <b>Net Book Value</b>           |                              |                 |                         |   |                              |             |
| At 31 December 2007             | 23,600,000                   | 848,664         | 268,557                 | 80,112  | 97,126                       | 24,894,459  |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**11. PROPERTY, PLANT AND EQUIPMENT (CONTD)**

| Company                         | Valuation <-----       |                  | Cost ----->             |   |                              | Total<br>RM       |
|---------------------------------|------------------------|------------------|-------------------------|---|------------------------------|-------------------|
|                                 | Freehold<br>Land<br>RM | Buildings<br>RM  | Motor<br>Vehicles<br>RM | Office<br>Equipment<br>and<br>Furniture<br>and Fittings<br>RM | Plant and<br>Machinery<br>RM |                   |
| <b>At 31 December 2006</b>      |                        |                  |                         |   |                              |                   |
| <b>Valuation / Cost</b>         |                        |                  |                         |   |                              |                   |
| At 1 January 2006               | 15,181,408             | 2,235,602        | 1,103,946               | 148,601   | 1,303,900                    | 19,973,457        |
| 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              | -                | -                       | -   | -                            | 8,418,592         |
| At 31 December 2006             | <u>23,600,000</u>      | <u>2,077,373</u> | <u>1,164,884</u>        | <u>124,007</u>  | <u>568,922</u>               | <u>27,535,186</u> |
| <b>Accumulated Depreciation</b> |                        |                  |                         |   |                              |                   |
| At 1 January 2006               | -                      | 1,309,996        | 1,060,626               | 118,073   | 1,142,483                    | 3,631,178         |
| Charge for the year             | -                      | 60,352           | 63,510                  | 10,546  | 40,821                       | 175,229           |
| Write off                       | -                      | (199,785)        | (246,629)               | (36,114)  | (710,832)                    | (1,193,360)       |
| At 31 December 2006             | -                      | <u>1,170,563</u> | <u>877,507</u>          | <u>92,505</u>   | <u>472,472</u>               | <u>2,613,047</u>  |
| <b>Net Book Value</b>           |                        |                  |                         |   |                              |                   |
| At 31 December 2006             | <u>23,600,000</u>      | <u>906,810</u>   | <u>287,377</u>          | <u>31,502</u>   | <u>96,450</u>                | <u>24,922,139</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

- (a) The net book value of the freehold 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 previous 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 RM12,394,614 (2006: RM12,417,640) and RM1,751,851 (2006: RM1,593,694) respectively, which are still in use.

**12. PREPAID LAND LEASE PAYMENTS**

|                     | <b>Group</b>      |                   | <b>Company</b>    |                   |
|---------------------|-------------------|-------------------|-------------------|-------------------|
|                     | <b>2007</b>       | <b>2006</b>       | <b>2007</b>       | <b>2006</b>       |
|                     | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         |
| At 1 January        | 68,800,000        | 45,339,748        | 39,300,000        | 27,426,869        |
| Amortisation        | (991,250)         | (849,911)         | (491,250)         | (438,490)         |
| Revaluation surplus | -                 | 24,310,163        | -                 | 12,311,621        |
| At 31 December      | <u>67,808,750</u> | <u>68,800,000</u> | <u>38,808,750</u> | <u>39,300,000</u> |

**13. BIOLOGICAL ASSETS**

|                        | <b>Group</b>      |                   | <b>Company</b>    |                   |
|------------------------|-------------------|-------------------|-------------------|-------------------|
|                        | <b>2007</b>       | <b>2006</b>       | <b>2007</b>       | <b>2006</b>       |
|                        | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         |
| <b>At valuation</b>    |                   |                   |                   |                   |
| At 1 January           | 48,200,000        | 33,702,836        | 27,100,000        | 20,080,304        |
| Fair value adjustments | 20,000,000        | 14,497,164        | 7,000,000         | 7,019,696         |
| At 31 December         | <u>68,200,000</u> | <u>48,200,000</u> | <u>34,100,000</u> | <u>27,100,000</u> |

The biological assets were revalued on 31 December 2007 by Paul Khong Poh Yew, an executive director with Regroup Associates Sdn Bhd, an independent professional valuer.

The fair value of the biological assets is determined based on the value in use calculations using cash flow projections, covering a twenty five-year period. The discount rate used is based on the expected rate of return of the biological assets, determined by the independent professional valuer.

**14. INVESTMENT IN SUBSIDIARIES**

|                               | <b>Company</b>     |                    |
|-------------------------------|--------------------|--------------------|
|                               | <b>2007</b>        | <b>2006</b>        |
|                               | <b>RM</b>          | <b>RM</b>          |
| Unquoted shares, at valuation |                    |                    |
| At 1 January                  |                    |                    |
| Revaluation surplus           | 115,175,794        | 71,918,703         |
| At 31 December                | <u>16,969,434</u>  | <u>43,257,091</u>  |
|                               | <u>132,145,228</u> | <u>115,175,794</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**14. INVESTMENT IN SUBSIDIARIES (CONTD.)**

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

| Name of Company                  | Proportion of<br>Ownership Interest (%) |      | Principal Activities  |
|----------------------------------|---|------|---|
|                                  | 2007                                    | 2006 |   |
| Eng Thye Plantations Berhad      | 83.3                                    | 83.3 | To cultivate oil palms,<br>process and sell crude<br>palm oil and palm kernel |
| Timor Oil Palm Plantation Berhad | 58.0                                    | 58.0 |   |

**15. INVESTMENT IN ASSOCIATES**

|                                    | Group      |            | Company    |            |
|------------------------------------|------------|------------|------------|------------|
|                                    | 2007<br>RM | 2006<br>RM | 2007<br>RM | 2006<br>RM |
| Unquoted shares, at cost           |            |            |            |            |
| At 1 January                       | 4,152,510  | 4,040,646  | 3,012,142  | 2,900,278  |
| Increase during the year           | 1,652,162  | 111,864    | 1,652,162  | 111,864    |
| At 31 December                     | 5,804,672  | 4,152,510  | 4,664,304  | 3,012,142  |
| Share of post acquisition reserves | 2,943,792  | 1,826,134  | -          | -          |
| Currency translation differences   | 1,590,542  | 2,542,797  | -          | -          |
|                                    | 10,339,006 | 8,521,441  | 4,664,304  | 3,012,142  |

During the financial year, the Group and the Company further subscribed for ordinary shares in Huay Guan Investment Pte. Ltd. for a total cash subscription sum of RM1,652,162 pursuant to a rights issue of shares by Huay Guan Investment Pte. Ltd. on a pro-rata basis to its shareholders as disclosed in Note 27 to the financial statements.

Details of the associates are as follows:

| Name of Associate                | Proportion of<br>Ownership Interest (%) |       | Principal Activities  |
|----------------------------------|---|-------|---|
|                                  | 2007                                    | 2006  |   |
| Sin Thye Oil Mills Sdn. Bhd. #   | 50.0                                    | 50.0  | To process and sell crude palm oil<br>and palm kernel. The company<br>has not commenced operations. |
| Sin Thye Management Sdn. Bhd. #  | 30.0                                    | 30.0  | Provision of management and<br>advisory services and acting as an<br>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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**15. INVESTMENT IN ASSOCIATES (CONTD.)**

The summarised financial information of the associates are as follows:

|                               | <b>2007</b>       | <b>2006</b>      |
|-------------------------------|-------------------|------------------|
|                               | <b>RM</b>         | <b>RM</b>        |
| <b>Assets and liabilities</b> |                   |                  |
| Current assets                | 9,787,616         | 7,758,178        |
| Non-current assets            | 910,007           | 968,318          |
| Total assets                  | <u>10,697,623</u> | <u>8,726,496</u> |
| Current liabilities           | <u>358,617</u>    | <u>205,055</u>   |
| <b>Results</b>                |                   |                  |
| Revenue                       | 7,746,629         | 3,891,352        |
| Profit for the year           | <u>1,258,580</u>  | <u>699,422</u>   |

**16. INVESTMENT IN A JOINTLY CONTROLLED ENTITY**

|                                    | <b>Group</b>      |                   | <b>Company</b>   |                  |
|------------------------------------|-------------------|-------------------|------------------|------------------|
|                                    | <b>2007</b>       | <b>2006</b>       | <b>2007</b>      | <b>2006</b>      |
|                                    | <b>RM</b>         | <b>RM</b>         | <b>RM</b>        | <b>RM</b>        |
| Unquoted shares, at cost           | 16,949,730        | 16,949,730        | 8,449,210        | 8,449,210        |
| Share of post acquisition reserves | (309,622)         | (39,201)          | -                | -                |
|                                    | <u>16,640,108</u> | <u>16,910,529</u> | <u>8,449,210</u> | <u>8,449,210</u> |
| Currency translation differences   | (303,950)         | (227,730)         | -                | -                |
|                                    | <u>16,336,158</u> | <u>16,682,799</u> | <u>8,449,210</u> | <u>8,449,210</u> |

Details of the jointly controlled entity is as follows:

| <b>Name of Jointly Controlled Entity</b> | <b>Proportion of Ownership Interest (%)</b> |             | <b>Principal Activity</b> |
|--|---|-------------|---------------------------|
|  | <b>2007</b>                                 | <b>2006</b> |                           |
| Chin Thye Investment Pte. Ltd. * #       | 40.0**                                      | 40.0**      | Investment holding        |

\* Incorporated in the Republic of Singapore

# Audited by an affiliate of Ernst & Young

\*\* Includes interests held by subsidiaries

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

|  | <b>2007</b>       | <b>2006</b>       |
|--|-------------------|-------------------|
|  | <b>RM</b>         | <b>RM</b>         |
| <b>Assets and liabilities</b>          |                   |                   |
| Current assets                         | 14,136,198        | 16,682,799        |
| Non-current assets                     | 2,214,064         | -                 |
| Total assets                           | <u>16,350,262</u> | <u>16,682,799</u> |
| Current liabilities                    | <u>14,104</u>     | <u>-</u>          |
| <b>Results</b>                         |                   |                   |
| Revenue (other income)                 | 172,866           | 71,314            |
| Expenses                               | 443,287           | 110,515           |
| Share of capital commitments (Note 30) | <u>37,072,932</u> | <u>37,038,413</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**17. OTHER INVESTMENTS**

|                                    | <b>Group</b>      |                   | <b>Company</b>   |                  |
|------------------------------------|-------------------|-------------------|------------------|------------------|
|                                    | <b>2007</b>       | <b>2006</b>       | <b>2007</b>      | <b>2006</b>      |
|                                    | <b>RM</b>         | <b>RM</b>         | <b>RM</b>        | <b>RM</b>        |
| Quoted securities, at cost:        |                   |                   |                  |                  |
| In Malaysia                        | 5,529,499         | 3,176,580         | 2,053,541        | 1,983,451        |
| Outside Malaysia                   | 3,893,645         | 5,754,140         | -                | -                |
|                                    | <u>9,423,144</u>  | <u>8,930,720</u>  | <u>2,053,541</u> | <u>1,983,451</u> |
| Market value of quoted securities: |                   |                   |                  |                  |
| In Malaysia                        | 7,693,042         | 5,438,723         | 4,667,942        | 3,731,073        |
| Outside Malaysia                   | 11,610,112        | 10,286,735        | -                | -                |
|                                    | <u>19,303,154</u> | <u>15,725,458</u> | <u>4,667,942</u> | <u>3,731,073</u> |

**18. INVENTORIES**

|                  | <b>Group</b>     |                  | <b>Company</b> |                |
|------------------|------------------|------------------|----------------|----------------|
|                  | <b>2007</b>      | <b>2006</b>      | <b>2007</b>    | <b>2006</b>    |
|                  | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>      |
| At cost:         |                  |                  |                |                |
| Oil palm produce | 948,632          | 533,554          | -              | -              |
| Estate stores    | 1,035,602        | 919,466          | 332,395        | 110,092        |
|                  | <u>1,984,234</u> | <u>1,453,020</u> | <u>332,395</u> | <u>110,092</u> |

The cost of inventories recognised as an expense during the financial year in the income statements amounts to RM8,996,618 (2006:RM7,561,276)

**19. RECEIVABLES**

|  | <b>Group</b>     |                  | <b>Company</b>   |                  |
|--|------------------|------------------|------------------|------------------|
|  | <b>2007</b>      | <b>2006</b>      | <b>2007</b>      | <b>2006</b>      |
|  | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        |
| <b>Trade receivables</b>   |                  |                  |                  |                  |
| Third parties  | 3,181,265        | 1,788,378        | -                | -                |
| Subsidiary   | -                | -                | 408,228          | 225,656          |
| Other related corporation  | 2,337,781        | 1,378,542        | 2,337,781        | 1,378,542        |
| Company in which certain directors and substantial shareholders have interests | 399,263          | 301,026          | 399,263          | 301,026          |
|  | <u>5,918,309</u> | <u>3,467,946</u> | <u>3,145,272</u> | <u>1,905,224</u> |
| <b>Other receivables</b>   | 609,644          | 775,955          | 287,466          | 321,589          |
|  | <u>6,527,953</u> | <u>4,243,901</u> | <u>3,432,738</u> | <u>2,226,813</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**19. RECEIVABLES (CONTD.)**

**(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 (2006: 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.

**(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 29.

Other information on financial risks of other receivables are disclosed in Note 31.

**20. CASH AND CASH EQUIVALENTS**

|                              | <b>Group</b>       |                    | <b>Company</b>    |                   |
|------------------------------|--------------------|--------------------|-------------------|-------------------|
|                              | <b>2007</b>        | <b>2006</b>        | <b>2007</b>       | <b>2006</b>       |
|                              | <b>RM</b>          | <b>RM</b>          | <b>RM</b>         | <b>RM</b>         |
| Cash on hand and at banks    | 8,671,953          | 5,135,603          | 3,317,069         | 1,660,561         |
| Deposits with:               |                    |                    |                   |                   |
| Licensed banks               | 63,328,053         | 65,268,532         | 55,026,387        | 53,954,173        |
| Other financial institutions | 41,853,607         | 30,657,000         | -                 | -                 |
|                              | <u>105,181,660</u> | <u>95,925,532</u>  | <u>55,026,387</u> | <u>53,954,173</u> |
| Cash and bank balances       | <u>113,853,613</u> | <u>101,061,135</u> | <u>58,343,456</u> | <u>55,614,734</u> |

The fixed deposits with licensed banks of the Group and of the Company amounting to RM296,051 (2006: RM290,492) and RM179,793 (2006: RM176,133) respectively have been pledged to the banks for guarantee facilities provided to the Group and the Company. The Group's deposits with other financial institutions relate to placements with a foreign bank.

Other information on financial risks of cash and cash equivalents are disclosed in Note 31.

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

|  | <b>Group</b>       |                    | <b>Company</b>    |                   |
|--|--------------------|--------------------|-------------------|-------------------|
|  | <b>2007</b>        | <b>2006</b>        | <b>2007</b>       | <b>2006</b>       |
|  | <b>RM</b>          | <b>RM</b>          | <b>RM</b>         | <b>RM</b>         |
| Cash and bank balances                             | 113,853,613        | 101,061,135        | 58,343,456        | 55,614,734        |
| Less: Deposits pledged for bank guarantee facility | (296,051)          | (290,492)          | (179,793)         | (176,133)         |
| Cash and cash equivalents                          | <u>113,557,562</u> | <u>100,770,643</u> | <u>58,163,663</u> | <u>55,438,601</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
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**21. PAYABLES**

|   | <b>Group</b>     |                  | <b>Company</b>   |                  |
|---|------------------|------------------|------------------|------------------|
|   | <b>2007</b>      | <b>2006</b>      | <b>2007</b>      | <b>2006</b>      |
|   | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        |
| <b>Trade payables</b>                   |                  |                  |                  |                  |
| Third parties                           | 870,788          | 840,722          | 73,227           | 12,340           |
| Person connected with certain directors | 688,242          | 301,490          | 330,680          | 233,150          |
|   | <u>1,559,030</u> | <u>1,142,212</u> | <u>403,907</u>   | <u>245,490</u>   |
| <b>Other payables</b>                   |                  |                  |                  |                  |
| Accruals                                | 1,837,073        | 1,444,133        | 895,656          | 711,582          |
| Sundry payables                         | 2,280,653        | 1,788,624        | 511,685          | 471,320          |
|   | <u>4,117,726</u> | <u>3,232,757</u> | <u>1,407,341</u> | <u>1,182,902</u> |
|   | <u>5,676,756</u> | <u>4,374,969</u> | <u>1,811,248</u> | <u>1,428,392</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 (2006: 30 to 90 days).

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

The amounts due to company in which certain directors and substantial shareholders have interests and persons connected with certain directors and a substantial shareholder 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 29.

**22. SHARE CAPITAL**

|   | <b>Number of Ordinary</b>         |                   | <b>Amount</b>     |                   |
|---|-----------------------------------|-------------------|-------------------|-------------------|
|   | <b>Stock Units of RM1.00 Each</b> |                   | <b>2007</b>       | <b>2006</b>       |
|   | <b>2007</b>                       | <b>2006</b>       | <b>RM</b>         | <b>RM</b>         |
| Authorised                                | 150,000,000                       | 150,000,000       | 150,000,000       | 150,000,000       |
| Issued and fully paid:                    |                                   |                   |                   |                   |
| At 1 January                              | 70,201,962                        | 69,411,962        | 70,201,962        | 69,411,962        |
| Issued and fully paid-up during the year: |                                   |                   |                   |                   |
| Options exercised pursuant to ESOS        | -                                 | 790,000           | -                 | 790,000           |
| At 31 December                            | <u>70,201,962</u>                 | <u>70,201,962</u> | <u>70,201,962</u> | <u>70,201,962</u> |

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**23. OTHER RESERVES**

**(a) Assets revaluation reserve – lands and biological assets**

Previously, the asset revaluation reserve is used to record increases in the revaluation of freehold, 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. The asset revaluation reserve is now solely used to record the changes in carrying value arising from the revaluation of freehold and leasehold lands.

**(b) Assets revaluation reserve – investment in subsidiaries**

The assets revaluation reserve is used to record increases in the value of fair value 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.

**24. RETAINED PROFITS**

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

**25. PROVISION FOR RETIREMENT BENEFITS**

|   | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2007</b>  | <b>2006</b> | <b>2007</b>    | <b>2006</b> |
|   | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| At 1 January                                | 18,423       | 596,485     | -              | 112,490     |
| Recognised in the income statement (Note 5) | -            | 13,747      | -              | -           |
| Paid during the financial year              | (18,423)     | (152,480)   | -              | (64,203)    |
| Write back of provision (Note 5)            | -            | (439,329)   | -              | (48,287)    |
| At 31 December                              | -            | 18,423      | -              | -           |
| Current portion                             | -            | 18,423      | -              | -           |
| Non-current portion                         | -            | -           | -              | -           |
|   | -            | 18,423      | -              | -           |

**NOTES TO THE FINANCIAL STATEMENTS**  
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**26. DEFERRED TAXATION**

|   | <b>Group</b>      |                   | <b>Company</b>    |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | <b>2007</b>       | <b>2006</b>       | <b>2007</b>       | <b>2006</b>       |
|   | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         | <b>RM</b>         |
| At 1 January                                | 25,715,074        | 15,336,259        | 14,301,625        | 9,521,047         |
| Recognised in the income statement (Note 8) | 5,897,778         | 3,678,669         | 1,498,458         | 1,790,743         |
| Recognised in equity                        | (3,418,309)       | 6,700,146         | (1,286,311)       | 2,989,835         |
| At 31 December                              | <u>28,194,543</u> | <u>25,715,074</u> | <u>14,513,772</u> | <u>14,301,625</u> |

Presented after appropriate offsetting as follows:

|                          |                   |                   |                   |                   |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| Deferred tax assets      | -                 | -                 | -                 | -                 |
| Deferred tax liabilities | 28,194,543        | 25,715,074        | 14,513,772        | 14,301,625        |
|                          | <u>28,194,543</u> | <u>25,715,074</u> | <u>14,513,772</u> | <u>14,301,625</u> |

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

**Deferred Tax Liabilities of the Group:**

|                                    | <b>Property,<br/>Plant and<br/>Equipment<br/>RM</b> | <b>Revaluation<br/>of Lands<br/>and<br/>Biological<br/>Assets<br/>RM</b> | <b>Total<br/>RM</b> |
|------------------------------------|---|--|---------------------|
| At 1 January 2007                  | 428,570   | 26,586,234   | 27,014,804          |
| Recognised in the income statement | 48,070  | 4,549,978  | 4,598,048           |
| Recognised in equity               | -   | (3,418,309)  | (3,418,309)         |
| At 31 December 2007                | <u>476,640</u>                                      | <u>27,717,903</u>  | <u>28,194,543</u>   |
| At 1 January 2006                  | 572,981   | 16,280,453   | 16,853,434          |
| Recognised in the income statement | (144,411)   | 3,605,635  | 3,461,224           |
| Recognised in equity               | -   | 6,700,146  | 6,700,146           |
| At 31 December 2006                | <u>428,570</u>                                      | <u>26,586,234</u>  | <u>27,014,804</u>   |

**Deferred Tax Assets of the Group:**

|                                    | <b>Provision<br/>for<br/>Retirement<br/>Benefits<br/>RM</b> | <b>Tax Losses<br/>and<br/>Unabsorbed<br/>Capital<br/>Allowances<br/>RM</b> | <b>Total<br/>RM</b> |
|------------------------------------|---|--|---------------------|
| At 1 January 2007                  | (4,790)   | (1,294,940)  | (1,299,730)         |
| Recognised in the income statement | 4,790   | 1,294,940  | 1,299,730           |
| At 31 December 2007                | <u>-</u>  | <u>-</u>   | <u>-</u>            |
| 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>  |

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**26. DEFERRED TAXATION (CONTD.)**

**Deferred Tax Liabilities of the Company:**

|                                    | <b>Property,<br/>Plant and<br/>Equipment<br/>RM</b> | <b>Revaluation<br/>of Lands<br/>and<br/>Biological<br/>Assets<br/>RM</b> | <b>Total<br/>RM</b> |
|------------------------------------|---|--|---------------------|
| At 1 January 2007                  | 257,349   | 14,044,276   | 14,301,625          |
| Recognised in the income statement | (28,455)  | 1,526,913  | 1,498,458           |
| Recognised in equity               | -   | (1,286,311)  | (1,286,311)         |
| At 31 December 2007                | <u>228,894</u>                                      | <u>14,284,878</u>  | <u>14,513,772</u>   |
| At 1 January 2006                  | 245,911   | 9,306,633  | 9,552,544           |
| Recognised in the income statement | 11,438  | 1,747,808  | 1,759,246           |
| Recognised in equity               | -   | 2,989,835  | 2,989,835           |
| At 31 December 2006                | <u>257,349</u>                                      | <u>14,044,276</u>  | <u>14,301,625</u>   |

**Deferred Tax Assets of the Company:**

|                                    | <b>Provision<br/>for<br/>Retirement<br/>Benefits<br/>RM</b> |
|------------------------------------|---|
| At 1 January 2006                  | (31,497)  |
| Recognised in the income statement | <u>31,497</u>   |
| At 31 December 2006                | <u>-</u>  |

**27. SIGNIFICANT EVENT**

During the financial year, the Group and the Company further subscribed for ordinary shares, in Huay Guan Investment Pte. Ltd. for a total cash subscription sum of RM1,652,162 pursuant to a rights issue of shares by Huay Guan Investment Pte. Ltd. on a pro-rata basis to its shareholders.

**28. SEGMENT INFORMATION**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
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**29. RELATED PARTY DISCLOSURE**

|  | <b>Group</b> |             | <b>Company</b> |             |
|--|--------------|-------------|----------------|-------------|
|  | <b>2007</b>  | <b>2006</b> | <b>2007</b>    | <b>2006</b> |
|  | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| Related corporation in which certain directors and substantial shareholders have interest: |              |             |                |             |
| - Sale of oil palm produce   | 20,673,193   | 14,555,379  | 20,673,193     | 14,555,379  |
| Associate in which certain directors and substantial shareholders have interest:           |              |             |                |             |
| - Management fee   | 54,282       | 54,282      | 22,295         | 22,295      |
| Person connected with certain directors and substantial shareholders have interest:        |              |             |                |             |
| - Purchase of fertilisers  | 3,576,095    | 2,821,727   | 1,959,749      | 1,272,597   |
| Companies in which certain directors and substantial shareholders have interest:           |              |             |                |             |
| - Agency fee   | 42,000       | 42,000      | 12,000         | 12,000      |
| - Sale of oil palm produce   | 2,577,787    | 2,385,925   | 743,885        | 2,385,925   |
| - Purchase of oil palm produce   | 265,547      | 426,293     | -              | -           |
| Subsidiary in which certain directors and substantial shareholders have interest:          |              |             |                |             |
| - Sale of oil palm produce   | -            | -           | 6,798,333      | 3,471,325   |

The directors are of the opinion that all the transactions above have been entered into in the normal course of business.

**Compensation of key management personnel (“KMP”)**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

**Total KMPs’ remuneration (including Board of Directors)**

|       | <b>Group</b> |             | <b>Company</b> |             |
|-------|--------------|-------------|----------------|-------------|
|       | <b>2007</b>  | <b>2006</b> | <b>2007</b>    | <b>2006</b> |
|       | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| Total | 1,607,204    | 1,344,726   | 934,385        | 820,729     |

For the details of Board of Directors’ remuneration, please refer to Note 6.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**30. CAPITAL COMMITMENTS**

|   | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2007</b>  | <b>2006</b> | <b>2007</b>    | <b>2006</b> |
|   | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| Capital expenditure   |              |             |                |             |
| Approved and contracted for:  |              |             |                |             |
| Capital and investment outlay in jointly controlled entity          | 33,450,270   | 33,450,270  | 16,750,790     | 16,750,790  |
| Share of capital commitments of jointly controlled entity (Note 16) | 37,072,932   | 37,038,413  | 18,536,466     | 18,519,207  |

**31. 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.

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:

|                            | <b>WAEIR</b> | <b>Less than one month</b> | <b>More than one month but less than three months</b> | <b>More than three months but less than six months</b> | <b>More than six months but less than one year</b> | <b>More than one year</b> | <b>Total</b> |
|----------------------------|--------------|----------------------------|---|--|--|---------------------------|--------------|
|                            | <b>%</b>     | <b>RM</b>                  | <b>RM</b>   | <b>RM</b>  | <b>RM</b>  | <b>RM</b>                 | <b>RM</b>    |
| <b>At 31 December 2007</b> |              |                            |   |  |  |                           |              |
| Group                      | 2.7624       | 56,040,796                 | 48,854,999  | 141,332  | 144,533  | -                         | 105,181,660  |
| Company                    | 2.9808       | 27,047,580                 | 27,804,014  | 151,123  | 59,670   | -                         | 55,062,387   |
| <b>At 31 December 2006</b> |              |                            |   |  |  |                           |              |
| 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   |

**NOTES TO THE FINANCIAL STATEMENTS**  
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**31. 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:

|                     | <b>Cash and<br/>Bank<br/>Balances<br/>RM</b> | <b>Non-current<br/>Investments<br/>RM</b> | <b>Total<br/>RM</b> |
|---------------------|--|---|---------------------|
| Singapore Dollars   |  |   |                     |
| At 31 December 2007 | 42,942,122                                   | 3,893,645                                 | 46,835,767          |
| At 31 December 2006 | 31,228,529                                   | 5,754,140                                 | 36,982,669          |

**(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 19 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:

|                         | <b>Group</b>                       |                           | <b>Company</b>                     |                           |
|-------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|
|                         | <b>Carrying<br/>amounts<br/>RM</b> | <b>Fair values<br/>RM</b> | <b>Carrying<br/>amounts<br/>RM</b> | <b>Fair values<br/>RM</b> |
| <b>Financial Assets</b> |                                    |                           |                                    |                           |
| <b>31 December 2007</b> |                                    |                           |                                    |                           |
| Other investments:      |                                    |                           |                                    |                           |
| Quoted investments      | 9,423,144                          | 19,303,154                | 2,053,541                          | 4,667,942                 |
| <b>31 December 2006</b> |                                    |                           |                                    |                           |
| Other investments:      |                                    |                           |                                    |                           |
| Quoted investments      | 8,930,720                          | 15,725,458                | 1,983,451                          | 3,731,073                 |

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 April 2008

|                       |                                       |
|-----------------------|---------------------------------------|
| 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   | : 3,012                               |

### Distribution schedule of issued and paid-up share capital as at 30 April 2008

| No. of Holders | %             | Holdings                                     | Total Holdings    | %             |
|----------------|---------------|--|-------------------|---------------|
| 21             | 0.70          | Less than 100                                | 748               | *             |
| 583            | 19.36         | 100 to 1,000                                 | 506,586           | 0.72          |
| 1,965          | 65.24         | 1,001 to 10,000                              | 7,242,115         | 10.32         |
| 410            | 13.61         | 10,001 to 100,000                            | 10,487,460        | 14.94         |
| 32             | 1.06          | 100,001 to less than 5% of the issued shares | 13,264,044        | 18.89         |
| 1              | 0.03          | 5% and above of the issued shares            | 38,701,009        | 55.13         |
| <b>3,012</b>   | <b>100.00</b> |  | <b>70,201,962</b> | <b>100.00</b> |

### Substantial shareholders (excluding bare trustees) as shown in the register of substantial shareholders as at 30 April 2008.

| 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 |
| Tai Chuan Company (Private) Limited | -                           | -     | 38,701,009                  | 55.13 |

### (A) Interests of directors in the stock units of the Company as at 30 April 2008.

| 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 | 59,785                      | 0.09  |
| 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 @<br>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 April 2008.

#### (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 @<br>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 @<br>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 April 2008. (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 | 13,544,000                         | 64.50 |
| Wong Aun Phui                                    | -                                  | -    | -                                  | -     |
| Goh Pock Ai                                      | -                                  | -    | -                                  | -     |
| 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 @<br>Gho Tju Kiong | -                                  | -    | -                                  | -     |
| 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                                     | -                                  | - | 6,000,000                          | 100.00 |
| Wong Aun Phui                                    | -                                  | - | -                                  | -      |
| Goh Pock Ai                                      | -                                  | - | -                                  | -      |
| Goh Beng Hwa @ Gho Bin Hoa                       | -                                  | - | -                                  | -      |
| Gho Lian Chin                                    | -                                  | - | 6,000,000                          | 100.00 |
| Sio Sit Po                                       | -                                  | - | -                                  | -      |
| Goh Yeok Beng                                    | -                                  | - | -                                  | -      |
| Dato' Ong Bok Lim                                | -                                  | - | -                                  | -      |
| Keong Choon Keat                                 | -                                  | - | -                                  | -      |
| Goh Wei Lei                                      | -                                  | - | -                                  | -      |
| Goh Tju Kiang @ Gho Tju Kiang @<br>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 April 2008**

| Name   | No. of Stock Units | %     |
|--|--------------------|-------|
| 1. Tiong Thye Company Berhad   | 38,701,009         | 55.13 |
| 2. Nam Heng Oil Mill Company Sdn. Berhad   | 2,360,000          | 3.36  |
| 3. Ong Swee Heoh   | 1,991,689          | 2.84  |
| 4. Goh Beng Hwa @ Gho Bin Hoa  | 1,010,513          | 1.44  |
| 5. Wong Aun Phui   | 645,850            | 0.92  |
| 6. HDM Nominees (Asing) Sdn Bhd<br>Kim Eng Securities Pte Ltd for Sio Sit Po                         | 482,466            | 0.69  |
| 7. Mayban Securities Nominees (Asing) Sdn Bhd<br>UOB-Kay Hian Pte Ltd for Sio Sit Min                | 442,313            | 0.63  |
| 8. Mayban Securities Nominees (Asing ) Sdn Bhd<br>OCBC Securities Private Limited for Chew Eng Chong | 433,741            | 0.62  |
| 9. Goh Pock Ai   | 401,100            | 0.57  |
| 10. Goh Yeok Beng  | 400,000            | 0.57  |
| 11. HDM Nominees (Asing) Sdn Bhd<br>UOB Kay Hian Pte Ltd for Goh Eng Chew @ Gho Kim Tjin             | 400,000            | 0.57  |
| 12. Mayban Securities Nominees (Asing) Sdn Bhd<br>UOB-Kay Hian Pte Ltd for Sio Leh Koen              | 396,503            | 0.56  |
| 13. Affin Nominees (Asing) Sdn Bhd<br>UOB Kay Hian Pte Ltd for Oen Loe Ien                           | 379,504            | 0.54  |
| 14. Lee San Ming @ Lee Lay Eng   | 300,000            | 0.43  |
| 15. Guan Brothers Realty Sdn Bhd   | 300,000            | 0.43  |
| 16. Wong Taek Boon @ Guan Taek Boon  | 271,200            | 0.39  |
| 17. HDM Nominees (Asing) Sdn Bhd<br>UOB Kay Hian Pte Ltd for Lee Beng Wah                            | 263,351            | 0.38  |
| 18. Hup Lee Bakery Sdn Bhd   | 247,500            | 0.35  |
| 19. Nam Heng Oil Mill Company Sdn. Berhad  | 240,000            | 0.34  |
| 20. Chew Huaipin Sdn Bhd   | 231,000            | 0.33  |
| 21. Lim Kian Huat  | 224,100            | 0.32  |
| 22. Ng Poh Cheng   | 208,800            | 0.30  |
| 23. Lim Sian Yew And Sons Sdn Berhad   | 204,250            | 0.29  |
| 24. Seah Mok Khoon   | 200,000            | 0.28  |
| 25. Teo Leng Heng  | 188,000            | 0.27  |
| 26. Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for DFA Emerging Markets Fund                         | 167,600            | 0.24  |
| 27. Ooi Aik Theam  | 158,000            | 0.22  |
| 28. Thiam Loy Sdn Bhd  | 129,800            | 0.18  |
| 29. Yeo Khee Huat  | 127,000            | 0.18  |
| 30. Public Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Yap Qwee Beng               | 122,800            | 0.17  |
|  | 51,628,089         | 73.54 |

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

**LIST OF PROPERTIES AS AT 31 DECEMBER 2007**

| Location   | Tenure                                 | Size<br>Hectares | Description  | Net book value as at<br>31 December 2007<br>RM'000 |
|--|--|------------------|--|--|
| Ladang Senama<br>Lot 594, 607, 947<br>Mukim of Jelai,<br>Daerah Jempol<br>Negeri Sembilan Darul Khusus<br>(Date of acquisition: 8.1.1950,<br>14.4.1930 & 5.4.1930)   | Freehold                               | 942              | Oil palm estate  | 27,025 <sup>*a</sup>                               |
| Ladang Ibam<br>PT 5419<br>Mukim of Bebar, Daerah Pekan<br>Pahang Darul Makmur<br>(Date of acquisition: 10.3.1988)  | Leasehold<br>(Expires on<br>9.3.2087)  | 2,180            | Oil palm estate  | 70,333 <sup>*a</sup>                               |
| Ladang Gula<br>Lot PT1668, 2124, 2126, 2127,<br>2150, 2151, 2794, 2795, 2831,<br>4583, 8418, 4351, 4352, 6721,<br>8950, 10035<br>Mukim of Kuala Kurau and<br>Bagan Serai, Daerah Kerian<br>Perak Darul Ridzuan<br>(Date of acquisition: 10.9.1959) | Freehold                               | 2,584            | Oil palm estate with<br>mill<br>(Approximate age of<br>mill: 41 years) | 67,402 <sup>*a</sup>                               |
| Lot 1009, 1010, 1011, 1012,<br>1237, 1374<br>Mukim of Sungai Tinggi<br>Daerah Larut & Matang<br>Perak Darul Ridzuan<br>(Date of acquisition: 11.4.1988)  | )<br>)<br>)<br>)<br>)<br>) Freehold    | 13.81            | Agricultural land  | 1,507 <sup>*a</sup>                                |
| Lot 2670, 2671<br>Mukim of Batu Kurau<br>Daerah Larut & Matang<br>Perak Darul Ridzuan<br>(Date of acquisition: 1.10.1988)  | )<br>)<br>)<br>)<br>)                  |                  |  |  |
| Ladang Maran<br>Lot PT 2/2273<br>Mukim of Luit<br>Daerah Maran<br>Pahang Darul Makmur<br>(Date of acquisition: 25.1.1967)  | Leasehold<br>(Expires on<br>24.1.2066) | 1,964            | Oil palm estate with<br>mill<br>(Approximate age of<br>mill: 34 years) | 46,497 <sup>*a</sup>                               |

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

**LIST OF PROPERTIES AS AT 31 DECEMBER 2007**

(a) Net book value as at 31 December 2007 are as follows: -

|                            | Valuation     | Valuation<br>Prepaid<br>Land<br>Lease | Valuation<br>Biological<br>Assets | Valuation<br>Lands and<br>Biological<br>Assets | Cost<br>Buildings | Lands and<br>Biological<br>Assets and<br>Buildings |
|----------------------------|---------------|---------------------------------------|-----------------------------------|--|-------------------|--|
|                            | RM'000        | RM'000                                | RM'000                            | RM'000   | RM'000            | RM'000   |
| Ladang Senama              | 23,600        | -                                     | 3,400                             | 27,000   | 25                | 27,025   |
| Ladang Ibam                | -             | 38,809                                | 30,700                            | 69,509   | 824               | 70,333   |
| Ladang Gula                | 50,400        | -                                     | 16,600                            | 67,000   | 402               | 67,402   |
| Freehold agricultural land | 1,507         | -                                     | -                                 | 1,507  | -                 | 1,507  |
| Ladang Maran               | -             | 29,000                                | 17,500                            | 46,500   | 469               | 46,969   |
|                            | <u>75,507</u> | <u>67,809</u>                         | <u>68,200</u>                     | <u>211,516</u>                                 | <u>1,720</u>      | <u>213,236</u>                                     |

An independent firm of professional registered valuers, Messrs. Regroup Associates Sdn Bhd had carried out valuations of the Group's freehold and leasehold lands (prepaid land lease payments) 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.

The biological assets were revalued on 31 December 2007 by an independent firm of professional registered valuers, Messrs. Regroup Associates Sdn Bhd. The changes in carrying value of biological assets are now recognised in profit or loss. Subsequent revaluations will be made at each financial year-end 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 2007 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 2007: -

|   | RM                |
|---|-------------------|
| Sale of oil palm produce by the Company to Seong Thye Plantations Sdn. Bhd., a related corporation in which the substantial shareholders (Tiong Thye Company Berhad, Tai Chuan Company Pte Ltd, Goh Eng Chew and Gho Lian Chin) and several directors (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>20,673,193</u> |
| Sale of oil palm produce by the Company to Chin Teck Plantations Berhad, a company in which the substantial shareholders (Tiong Thye Company Berhad, Tai Chuan Company Pte Ltd, Goh Eng Chew and Gho Lian Chin) and several directors (Goh Eng Chew, Wong Aun Phui, Goh Pock Ai, Goh Beng Hwa @ Gho Bin Hoa, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Sio Sit Po, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin) have interests. | <u>743,885</u>    |
| Agency fees paid to Tat Lee Commodities Pte. Ltd., a company incorporated in the Republic of Singapore, in which the substantial shareholders (Goh Eng Chew and Gho Lian Chin) and several directors (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 the substantial shareholders (Tiong Thye Company Berhad, Tai Chuan Company Pte Ltd, Goh Eng Chew and Gho Lian Chin) and several directors (Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong, Gho Bun Tjin) 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 a substantial shareholder (Goh Eng Chew) and several directors (Goh Eng Chew, Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong)  |                   |
| By the Company  | 1,959,749         |
| By Timor Oil Palm Plantation Berhad   | 731,826           |
| By Eng Thye Plantations Berhad  | <u>884,520</u>    |

(b) Sanctions and /or penalties

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

(c) Non-audit fees paid to external auditors for the financial year ended 31 December 2007

During the financial year ended 31 December 2007, non-audit fees paid or payable to the external auditors amounted to RM8,000.

**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 Sixth 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, 20 June 2008 at 2.30 pm and at any adjournment thereof.

| Resolutions |   | For | Against |
|-------------|---|-----|---------|
| 1.          | To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 December 2007 and the Auditors' Report thereon.                                 |     |         |
| 2.          | To approve the directors' fees for the financial year ended 31 December 2007 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) Goh Wei Lei   |     |         |
| 4.          | (i) Keong Choon Keat  |     |         |
| 5.          | (ii) Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong  |     |         |
| 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 Dato' Ong Bok Lim as director pursuant to Section 129(6) of the Companies Act, 1965   |     |         |
| 10.         | To re-appoint auditors and authorise the directors to fix their remuneration.   |     |         |
| 11.         | 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: -                |     |         |
|             | (I) Chin Teck Plantations Berhad  |     |         |
|             | (II) Seong Thye Plantations Sdn Bhd   |     |         |
|             | (III) Sin Thye Management Sdn Bhd   |     |         |
|             | (IV) Tat Lee Commodities Private Limited  |     |         |
|             | (V) Kai Lee Company   |     |         |
| 12.         | Proposed amendments to articles of association  |     |         |

(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 |  |
|-------------------------|--|

**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.