

annual report
2006

new platform for **growth**



全利資源有限公司
QL RESOURCES BERHAD
(428915-X)

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Principal Activities

QL today is a diversified resource and agricultural-based group with three (3) core principal activities: Marine Products Manufacturing, Crude Palm Oil Milling and Integrated Livestock Farming.

Marine Products Manufacturing

These consist of full upstream & downstream processes such as fishmeal, surimi, surimi-based products manufacturing and deep sea fishing.

QL is the largest fishmeal manufacturer in Malaysia. QL is also the largest producer of surimi in Asia and a leading producer of surimi-based products in Malaysia.



Integrated Livestock Farming Activities

Mainly consists of distribution of animal feed raw materials and poultry farming.

QL is a leading poultry egg producer in Malaysia. QL has three (3) layer farms in East Malaysia and two (2) layer farms in Peninsular Malaysia, one (1) in Nilai, Negeri Sembilan and one (1) in Rawang, Selangor with total daily production of 1,200,000 eggs.

The company also owns an integrated broiler farm in Tawau, Sabah.

QL is also a leading distributor of animal feed raw material trade such as corn and soya bean meal throughout Malaysia.



Crude Palm Oil Milling Activities

The principal activity of this division is Crude Palm Oil (CPO) milling. The Group has two (2) independent CPO mills servicing small estates in the vicinity of the mill. The mills are located near Tawau and Kunak.

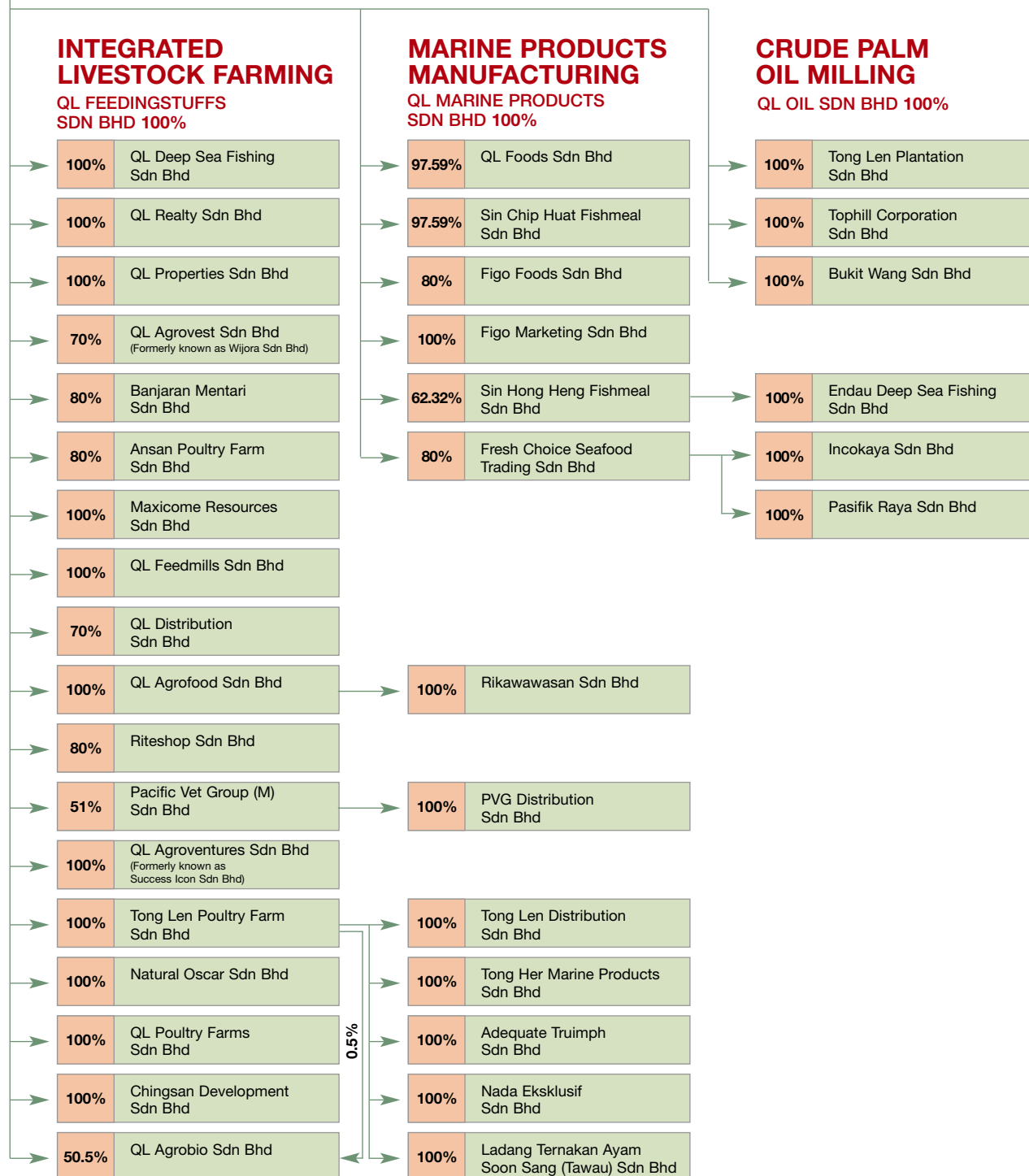
Currently, the Group owns about 3,000 acres of oil palm estate. Each CPO mill has the capacity for processing 40 metric tonnes of fresh fruit bunches of oil palm per hour.



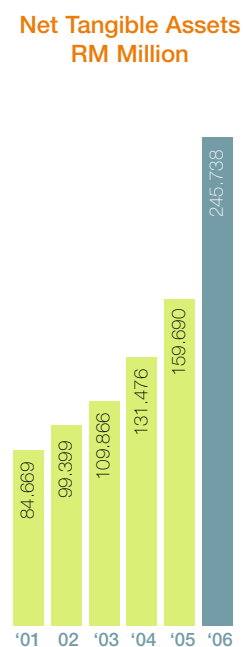
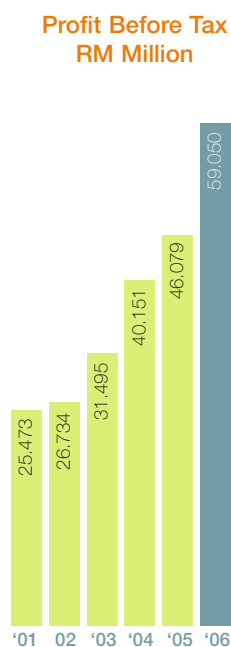
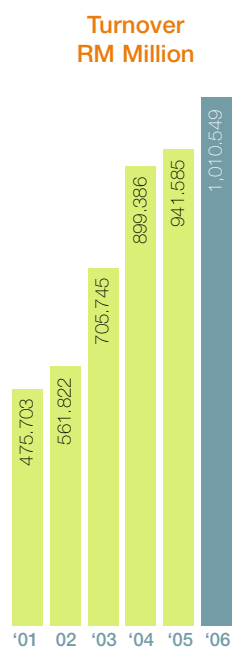
Group Corporate Structure

QL RESOURCES BERHAD

(428915-X)



Six Years Financial Summary



	2001 RM MIL	2002 RM MIL	2003 RM MIL Restated	2004 RM MIL	2005 RM MIL	2006 RM MIL
Turnover	475.703	561.822	705.745	899.386	941.585	1,010.549
Profit Before Tax	25.473	26.734	31.495	40.151	46.079	59.050
Profit After Tax After Minority Interest	16.603	18.045	18.723	26.885	36.117	48.343
Total Assets	244.701	310.838	388.003	443.921	484.475	583.143
Net Tangible Assets	84.669	99.399	109.866	131.476	159.690	245.738
Profit as % of Turnover						
- Before Tax	5.35	4.76	4.46	4.46	4.89	5.84
- After Tax	3.50	3.21	2.65 *	2.99	3.83	4.78
Earnings Per Share (sen) - Basic #	8	9	9	13	18	24 ^
Net Tangible Assets Per Share (sen)	211.7	165.7	183.1	219.1	106.46	111.70
Paid-up Share Capital	40.000	60.000	60.000	60.000	75.000	110.000
No. of Share in Issue	40.000	60.000	60.000	60.000	150.000	220.000

* Restated to comply with MASB 25.

Adjusted for share split in 2005 and bonus issue in 2005 and 2006.

^ Adjusted for share placements in 2006.

Corporate Information

Board of Directors

Tengku Dato' Zainal Rashid
Bin Tengku Mahmood
Chairman/Independent Non-Executive Director

Chia Song Kun
Managing Director

Chia Seong Pow
Executive Director

Chia Seong Fatt
Executive Director

Chia Song Kooi
Executive Director

Chia Song Swa
Executive Director

Chia Mak Hooi
Executive Director

Chieng Ing Huong, Eddy
Senior Independent Non-Executive Director

Teh Kim Teh
Independent Non-Executive Director

Company Secretary

Ng Geok Ping
(MAICSA 7013090)

Auditors

KPMG
Chartered Accountants
Wisma KPMG, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

Audit Committee

Tengku Dato' Zainal Rashid
Bin Tengku Mahmood
Chairman/Independent Non-Executive Director

Chia Song Kun
Non-Independent Executive Director

Chieng Ing Huong, Eddy
Senior Independent Non-Executive Director

Teh Kim Teh
Independent Non-Executive Director

Nomination Committee

Tengku Dato' Zainal Rashid
Bin Tengku Mahmood
Chairman, Independent Non-Executive Director

Chieng Ing Huong, Eddy
Senior Independent Non-Executive Director

Remuneration Committee

Tengku Dato' Zainal Rashid
Bin Tengku Mahmood
Chairman, Independent Non-Executive Director

Chia Song Kun
Non-Independent Executive Director

Chieng Ing Huong, Eddy
Senior Independent Non-Executive Director

Registered Office

No 16A, Jalan Astaka U8/83
Bukit Jelutong
40150 Shah Alam
Selangor Darul Ehsan
Tel: 03-7801 2288
Fax: 03-7801 2228

Principal Bankers

Bumiputra-Commerce Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad

Registrars

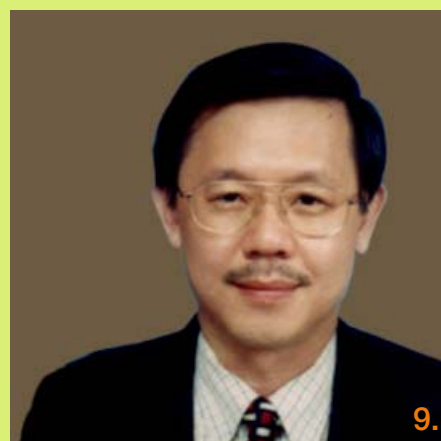
Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7784 3922
Fax: 03-7784 1988

Stock Exchange Listing

Main Board of
Bursa Malaysia Securities Berhad



Board of Directors



1. **Tengku Dato' Zainal Rashid Bin Tengku Mahmood** Chairman 2. **Chia Song Kun** Managing Director
3. **Chia Seong Pow** Executive Director 4. **Chia Seong Fatt** Executive Director 5. **Chia Song Kooi** Executive Director
6. **Chia Song Swa** Executive Director 7. **Chia Mak Hooi** Executive Director 8. **Chieng Ing Huang, Eddy** Senior
Independent Non-Executive Director 9. **Teh Kim Teh** Independent, Non-Executive Director

Directors' Profile

Tengku Dato' Zainal Rashid Bin Tengku Mahmood, age 67, Malaysian, is the Chairman & Independent Non-Executive Director of the Company since 3 January 2000.

He has been in business over the last 40 years in the fields of trading, transportation (shipping, land, air and logistics), insurance and tourism. Yang Mulia Tengku has an MBA from Syracuse University, USA. He began his business career with the Harper Gilfillan Group (a diversified British organisation) in the early 1960's and retired as the Group Managing Director of Harper Wira Sdn. Bhd. Currently, the Executive Chairman of K-Line Maritime (Malaysia) Sdn. Bhd., a Malaysian-Japanese joint-venture company with K-Line Tokyo, one of the biggest Japanese shipping company. He also sits on the boards of several other companies. Apart from managing various companies, Yang Mulia Tengku is also actively involved in the affairs of maritime related organisations.

He was the Chairman of the International Shipowners Association of Malaysia (ISOA) and past president of I.C.H.C.A. Malaysian chapter. He also sat on the Boards of Klang and Kuantan Port Authorities for more than a decade.

In addition to maritime bodies, Yang Mulia Tengku is also an active participant in the affairs of Chambers of Commerce. He was the immediate past President of the Malaysian International Chamber of Commerce and Industry (MICCI) and a Vice-President of the National Chamber of Commerce and Industry of Malaysia (NCCIM). At the Asean level, he is Malaysia Chairman of the Asean Chambers of Commerce and Industry. Yang Mulia Tengku also sits on the board of MIDA, a Council Member of the Malaysia-India Business Council and the Malaysian Norway Business Council.

Yang Mulia Tengku Dato' Zainal Rashid is also the Honorary Consul of Norway.

He attended all the 3 board of directors' meetings held for the financial year.

He has no family relationship with any Director and/or major shareholders of QL. He has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

Mr Chia Song Kun, age 56, Malaysian, is the Managing Director of the Company since 3 January 2000.

He graduated with a Bachelor of Science (Honours) degree majoring in Mathematics from University of Malaya in 1972 and obtained a Master degree in Business Administration in 1988 from the same university.

He is the founder member of QL Group, was appointed as the Managing Director of QL Feedingstuffs Sdn. Bhd. on 22 June 1987. He is overall in charge of the Group's operations.

He started his career in 1973 as a tutor in the University of Malaya and subsequently joined Institut Teknologi Mara, Shah Alam, as a lecturer where he served for 11 years until 1984.

Mr Chia Song Kun incorporated CBG Holdings Sdn. Bhd. (currently, one of QL Group's substantial shareholders) in 1984 to commence the business of distributing fishmeal and other feed-meal raw materials.

Together with the help of his family members, he has successfully nurtured, developed and transformed the QL Group into a diversified agricultural based Group with an annual turnover of more than RM1 billion.

He is also a founder member and a Non-Executive Director of Inti Universal Holdings Berhad, a company listed on the Bursa Malaysia Securities Berhad. The Company is one of the leading private colleges in Malaysia. He is also a Non-Executive Director of Eita Holdings Sdn. Bhd., a group of companies which is involved in the trading of electrical, information technology and business automation products.

Mr Chia Song Kun is the brother to Mr Chia Song Swa and Mr Chia Song Kooi. He is also the brother-in-law to Mr Chia Seong Pow and Mr Chia Seong Fatt. He is the Director and substantial shareholder of CBG Holdings Sdn. Bhd., which is the major shareholder of QL.

He attended all the 3 board of directors' meetings held for the financial year.

He has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

Mr Chia Seong Pow, age 50, Malaysian, is an Executive Director of the Company since 3 January 2000.

He graduated from Tuanku Abdul Rahman College with a diploma in Building Technology.

He is one of the founder members of QL Group. He joined CBG Holdings Sdn. Bhd., a substantial shareholder of QL, as Marketing Director in 1984. He has more than 21 years of experience in the livestock and food industry covering layer farming, manufacturing, trading and shipping.

Currently, Mr Chia Seong Pow is mainly in charge of regional merchanting trade in food grains. Besides that, he is also in charge of new business developments. He is also a Non-Executive Director of the Eita Holdings Sdn. Bhd. group of companies which is involved in the trading of electrical, information technology and business automation products.

A majority of the Group's new expansion programmes were initiated by him.

He is the younger brother to Mr Chia Seong Fatt. Both of them are brothers-in-law to Mr. Chia Song Kun. He is the director and substantial shareholder of Farsathy Holdings Sdn. Bhd., which is a major shareholder of QL.

He attended all the 3 board of directors' meetings held for the financial year.

Mr Chia Seong Pow has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

Mr Chia Seong Fatt, age 50, Malaysian, is an Executive Director of the Company since 3 January 2000.

He obtained his B.Sc. Honours degree in chemistry from University of London in 1979. He practised as an industrial chemist for 3 years before he pursued further studies in University Malaya.

In 1984, he graduated from University of Malaya with a Master degree in Business Administration.

He served for seven years as Managing Director in Sri Tawau Farming Sdn. Bhd., a company involved in layer farming. The Company is an associated company of Lay Hong Berhad, a company listed on the Second Board of the Bursa Malaysia Securities Berhad.

In 1991, he was appointed as Managing Director of Tong Len Poultry Farm Sdn. Bhd. a subsidiary of QL to take charge of its operations in Tawau. In January 1996, he was appointed as Executive Director of QL Feedingstuffs Sdn. Bhd. in charge of layer farm and CPO milling operations. In view of the restructuring of the QL Group, he has resigned as a Director of QL Feedingstuffs Sdn. Bhd. However, he is still in charge of layer, broiler farm and CPO milling operations in Tawau.

He is the elder brother to Mr Chia Seong Pow. Both of them are brothers-in-law to Mr Chia Song Kun. He has indirect interest by virtue of his and his wife's interests in Farsathy Holdings Sdn. Bhd., a major shareholder of QL.

He attended all the 3 board of directors' meetings held for the financial year.

Mr Chia Seong Fatt has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

Mr Chia Song Kooi, age 46, Malaysian, is an Executive Director of the Company since 3 January 2000.

He holds a bachelor of Agricultural Science from University Putra Malaysia (1985).

He began his career with Ancom Berhad, a company listed on the Main Board of the Bursa Malaysia Securities Berhad as a Marketing Executive for agro-chemical products and eventually headed the Product and Market Development Division in 1987.

He joined QL Feedingstuffs Sdn. Bhd. as an Executive Director on 21 September 1988. He has 17 years experience in farm management and in trading of raw materials for farm use. He is currently the Secretary General of Sabah Livestock Poultry Association. In view of the restructuring of the QL Group, he has resigned as a Director of QL Feedingstuffs Sdn. Bhd. He is overall in charge of the Group's Kota Kinabalu operations.

Mr Chia Song Kooi is the brother to Mr Chia Song Kun and Mr Chia Song Swa. He has indirect interest by virtue of his interest in CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all the 3 board of directors' meetings held for the financial year.

Mr Chia Song Kooi has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

Mr Chia Song Swa, age 46, Malaysian, is an Executive Director of the Company since 3 January 2000.

He holds a degree in Chemistry and Statistics from the University of Campbell, USA.

He started his career at Genting Berhad, a company listed on the Bursa Malaysia Securities Berhad as a Management Trainee in 1984 and served for 2 years.

In 1987 he joined QL Feedingstuffs Sdn. Bhd. as a sales executive. He was appointed as a Director of QL Feedingstuffs Sdn. Bhd. in 22 June 1987. At present, he is an Executive Director in charge of sales and logistics function at QL Feedingstuffs Sdn. Bhd. As a result of his 18 years experience in feed raw material distribution, he has helped the Company to establish a very strong distribution network.

He is the brother to Mr Chia Song Kun and Mr Chia Song Kooi. He has indirect interest by virtue of his interest in CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all the 3 board of directors' meetings held for the financial year.

Mr Chia Song Swa has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

Mr Chia Mak Hooi, age 41, Malaysian, is an Executive Director of the Company.

He graduated from Arizona State University, USA with a degree in Accounting and Finance in 1988.

He began his career with a local audit firm in Los Angeles for 1 year. Subsequently, he joined Concept Enterprises Inc. USA as an Assistant Accountant for 2 years.

After returning from the USA in 1991, with his exposure in USA, he joined QL Feedingstuffs Sdn. Bhd. as a Finance Manager in charge of accounts, tax and audit planning and corporate financial management and liaised with bankers for banking facilities. In 1996, he was appointed as a Director of QL Feedingstuffs Sdn. Bhd. Currently he is the Finance Director of the EITA Holdings Sdn. Bhd. group of companies which is involved in the trading of electrical, information technology and business automation products.

He is the nephew to Mr Chia Song Kun, Mr Chia Song Swa and Mr Chia Song Kooi. He has indirect interest by virtue of his interest in CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all the 3 board of directors' meetings held for the financial year.

Mr Chia Mak Hooi has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

Mr Eddy Chieng Ing Huong, age 48, Malaysian, is a Senior Independent and Non-Executive Director of the Company since 24 December 2001. He is a member of Audit, Nomination and Remuneration Committees.

Mr Chieng graduated in 1980 from the University of New South Wales, Australia with a Bachelor of Commerce Degree with Merit in Accounting, Finance and Information Systems. He is qualified as a Chartered Accountant in 1981 and he is a member of the Institute of Chartered Accountants, Australia. He is also a Chartered Accountant registered with the Malaysian Institute of Accountants since 1983.

He has extensive senior management and working experience in both Malaysia and Australia. He is the Founder/Director and substantial shareholder of Nationwide Express Courier Services Berhad, a company listed on the Main Board of the Bursa Malaysia Securities Berhad.

Since March 1999, he is the Senior Vice President-Business Development of Hwang-DBS Securities Berhad which is involved in stockbroking, corporate finance and equity research. Other than being the Managing Director of his private group of companies, Mr Chieng is also the Chairman of Selangor Dredging Berhad and a Director of Esthetics International Group Berhad. He was previously the Independent and Non-Executive Directors of Ancom Berhad and Nylex (Malaysia) Berhad respectively and a Director of Asia Poly Holdings Berhad.

He attended all the 3 board of directors' meetings held for the financial year.

He does not have any family relationship with any director and/or major shareholder of the Company. Mr Chieng has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

Mr Teh Kim Teh, age 52, Malaysian, is an Independent Non-Executive Director of the Company since 4 December 2003.

He graduated from the University of The West of England and obtained LL.B (Honours) Degree in law. He also obtained a Certificate For Legal Practice in Malaysia and was called to the Malaysian Bar in 1991.

He is an associate of The Malaysian Association of The Institute of Chartered Secretaries and Administrators.

He was a Company Secretary cum Management Consultant before working as a law lecturer in various colleges.

He was an Independent Director of Audrey International (M) Berhad from 1999 to 2001 and presently the principal partner of Messrs Teh Kim Teh, Salina & Co., advocates & solicitors.

He currently sits on the Board of several other private limited companies.

He attended all the 3 board of directors' meetings held for the financial year.

He has no family relationship with any director and/or major shareholder of the Company.

Mr Teh Kim Teh has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

Dear valued shareholders

I am pleased to report that throughout financial year 2006 the Group has continued to perform credibly, extending our long established track record of delivering reasonably good financial results year after year. This has been achieved largely through the continuation of organic growth and an ongoing focus on margin management, cost control and working capital efficiency. Our diversified activities and geographical spread has again provided resilience to our results.

Financial results and dividends

The Group's revenue reached a milestone of RM1.01 billion up 7% on last year and pre-tax profit of RM59.05 million up 28% on last year. Earnings per share were 23.91 sen (2005: 18.06 sen) representing a growth of 32.3%. The Board is recommending a final dividend of 9 sen per share. The proposed final dividend is 20.0% higher than the 2005 final dividend.



Tengku Dato' Zainal Rashid
Bin Tengku Mahmood
Chairman

...we continue to focus on improving the performance of all our businesses...



These acquisitions are focus to strengthen our opportunities for geographic expansion and to drive growth.

Recognitions

In December 2005, our Managing Director, Mr. Chia Song Kun was selected by The Edge magazine as one of the TOP 20 CEOs in Malaysia they most admired.

In a May 2006 survey by The Edge Magazine of Top 100 listed companies that gave the best returns, QL was ranked as follows:

- No.13 out of the Top100 over 5 years
- No.15 out of the Top100 over 3 years
- No.27 out of the Top100 over 1 year
- No.2 in the Consumer Sector over 5 years.

We are humbled by these recognitions.

Outlook

The strength and diversity of the Group has enabled us to deliver another year of strong financial performance. Going forward, we continue to focus on improving the performance of all our businesses through our commitment to consistently delivering superior customer service, our expertise in margin management and our drive for further productivity savings and synergies.

Appreciation

Finally, my thanks go to my fellow directors as well as to our excellent staff, to our business partners, and to you, our shareholders, for all your support. The last six years have seen exceptional rates of earnings growth across the group and we hope to sustain these rates of growth going forward.

Tengku Dato' Zainal Rashid Bin Tengku Mahmood
Chairman

Corporate governance

QL regularly undertakes thorough reviews of the Group's internal control systems and is committed to strengthen our governance processes and structure in our quest for the highest standard of corporate governance.

Acquisitions

The Group completed the following major acquisitions during the year:

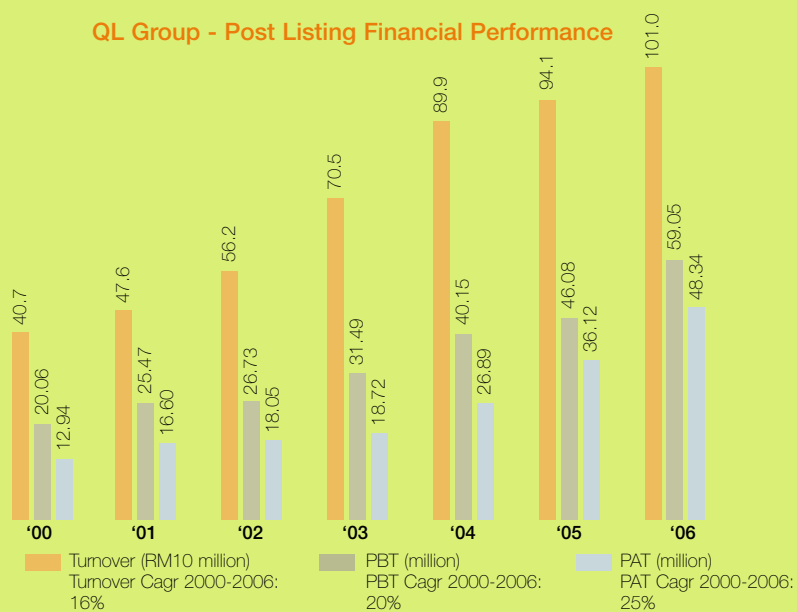
- 80% equity interests in Ansan Poultry Farm Sdn Bhd and;
- 80% equity interests in Fresh Choice Seafood Trading Sdn Bhd.

Group Managing Director's 2006 Report



We have a common understanding of QL's corporate culture and values and have increasingly adopted measures to reinforce our corporate culture and to further manage risks.

QL Group - Post Listing Financial Performance



Chia Song Kun
Managing Director



Delivering Results

The financial year 2006 was a highly eventful year for QL. We have to deal with the impact of Avian Flu threat, rising world-wide crude oil prices, volatile commodities market and yet looking back on last year, we have managed to sail through these uncertain time. I said last year that 2006 would be a year where operating environment will be no less demanding and challenging but nevertheless we expect to achieve satisfactory results. I am pleased to report that we have continued to achieve satisfactory results.

Majority of QL's board members are full working executive directors and have hands-on management style. We have a common understanding of QL's corporate culture and values and have increasingly adopted measures to reinforce our corporate culture and to further manage risks. Setting demanding standards and managing risks of our business units has been a key element of QL in continuing to delivering satisfactory results.

Our business is broad-based with geographical spread and has world-wide market potential. It is a proven resource-based business model that delivers satisfactory results.

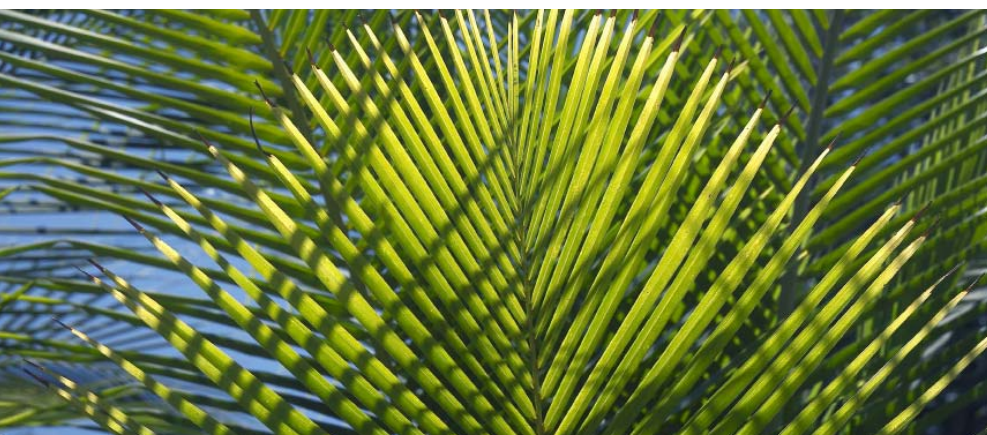
2006 Performance

The 2006 results speak for themselves. Let me highlight the results just a little:

Sales were up 7%, growing faster than last year of 5%. Profits were up 28% to RM59m, with pre-tax margin rising to 5.8% against last year of 4.9%, helped by our efforts to maintain margins against background of escalating costs.

Each business contributed to the growth except for Crude palm oil milling activities. Marine-based manufacturing activities posted records, with sales up 47% to RM190m and profits up 35% to RM27m. Integrated livestock farming activities also posted credible results, with sales up 3% to RM620m and profits up 53% to RM24m.

	Turnover CAGR	PBT CAGR	PAT after Mi CAGR
FY2000 to FY2006	%	%	%
Marine products manufacturing	29	29	32
CPO milling	15	4	14
Integrated livestock farming	14	19	21
Overall	16	20	25



Our business is broad-based with geographical spread and has world-wide market potential.



We're pleased with our financial progress and what it means for the value of our shareholders. But, as always with QL, we hope that our growth stories will continue.

Investing for Organic Growth

Last year's growth was possible as a result of acquisitions as well as organic growth. Capital expenditure of more than RM100 million over last two years in our marine-based and integrated livestock activities, has further increased production capacities and downstream activities as well as giving bigger geographical spread to our operations.

QL Share Price Performance Relative to Bursa Malaysia Index



After QL's share placement in February 2006 which raised RM49million, our long term debt to equity at the year end stands at 26% (2005: 40%). Stronger cash flow generation and our increased confidence in the medium-term outlook for QL business, has led to our decision to increase the final dividend to 9 sen per share. This represents an increase of 20% over the previous year and sets a higher level from which the Group's progressive dividend policy will continue.

Further growth by acquisition

While we recognise that acquisitions undertaken in the current uncertain global economic environment carry obvious risks, we continue to believe that opportunities exist in the prevailing markets to create significant immediate and future value for QL. We remain focused on our rigorous requirements for any potential acquisition and we are confident of our inherent discipline in assessing prospective acquisition targets.

The future

We remain committed to the continuous improvement of all aspects of our performance as a business. We believe that barring unforeseen circumstances, shareholder value will continue to grow in 2007.

Our success is rooted in our business model and how we manage our diversified resource-based business, as well as the enormous dedication of every member of our team. I sincerely thank all QL employees.

I am also grateful for the opportunity to lead this company and appreciate the support I have received. I believe we are on track to meet our goals and to make QL a leading Malaysian resource-based agribusiness.

Chia Song Kun

Managing Director



Audit Committee Report

Membership

The present members of the Audit Committee comprise:-

Tengku Dato' Zainal Rashid Bin Tengku Mahmood
Chairman/Independent Non-Executive Director

Mr. Chia Song Kun
Member/Non- Independent Executive Director

Mr. Chieng Ing Huong, Eddy
Member/Senior Independent Non-Executive Director

Mr Teh Kim Teh
Member/Independent Non-Executive Director

Attendance at Meetings

During the year, the Committee held three (3) meetings, and one (1) meeting was by way of circular with the consent of all the Committee members. Details of attendance of the Committee members are as follows:

Name of member	Number of meetings attended
Tengku Dato' Zainal Rashid Bin Tengku Mahmood	3
Mr. Chia Song Kun	3
Mr. Chieng Ing Huong, Eddy	3
Mr Teh Kim Teh	3

The Finance Director, Group Accountant and Risk Management Manager were present by invitation in all the meetings. The Secretary to the Committee is the Company Secretary.

Summary of Activities during the Financial Year

The main activities undertaken by the Committee were as follows:

- Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response.
- Reviewed the internal audit department's resources requirements, programme and plan for the financial year under review.
- Reviewed the internal audit reports, which highlighted the risk issues, recommendations and management's response.
- Reviewed the risk assessment reports, which highlighted the risk rating, residual risk treatment options, the recommended action plans and management's response.
- Reviewed the audited financial statements of the Group prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the

provisions of the Companies Act 1965 and the applicable approved accounting standards approved by the MASB.

- Reviewed the Group's compliance in particular the quarterly and year end financial statements with the Listing Requirements of the Bursa Malaysia, MASB and other relevant legal and regulatory requirements.
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the Group Accountant and Finance Director.
- Reviewed the related party transactions entered into by the Group.

Internal audit function

The Company has outsourced its internal audit function to an independent professional consulting firm together with the Risk Management Manager, which is tasked with the aim of providing assurance to the Audit Committee and the Board on the adequacy and effectiveness of the internal control systems and risk management in the Company. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

TERMS OF REFERENCE

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

1. Memberships

The Committee shall be appointed by the Board of Directors of the Company from amongst the Board and shall consist of not less than three (3) members, majority of which shall comprise of Independent Directors. At least one member must be a member of the Malaysian Institute of Accountants or eligible for membership.

In the event of any vacancy in an audit committee resulting in the non compliance with the above, the Board shall, within 3 months of that event, fill the vacancy.

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Director.

The terms of office and performance of an audit committee and each of its members should be reviewed by the Board at least once every three years.

2. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It shall have resources which are required to perform its duties. It is

authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. It shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. Functions of the Committee:

- (a) To oversee all matters relating to external audit including the review with the external auditor the audit plan, their audit report and their evaluation of the system of internal controls;
- (b) To review and report on the assistance given by the employees of the company to the external auditor;
- (c) To review and report 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;
- (d) To review and report the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (e) To review and report the quarterly and year end financial statements prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements'
- (f) To review and highlight any related party transaction and conflict of interest situation that may arise within the company or group;
- (g) To recommend the appointment of external auditors, audit fee and any question of resignation or dismissal;
- (h) Undertake such other responsibilities as may be agreed to by the Committee and the Board; and
- (i) To report its findings to the Board and if necessary to the Bursa Malaysia Securities Berhad.

4. Attendance at Meetings

The company must ensure that other Directors and employees attending any particular Audit Committee

meeting only at the Audit Committee's invitation, specific to the relevant meeting. However, at least once a year the Committee shall meet with external auditors.

The company secretary shall be the secretary of the Committee.

5. Procedure of the Committee:

- (a) The internal and external auditors and members of the Committee may call for the Audit Committee meeting which they deem necessary.
- (b) The notice of such meetings shall be given at least 7 days before the meetings.
- (c) The voting and proceedings of such meetings shall be on show of hands. The Chairman shall have a casting vote.
- (d) The minutes shall be kept by the secretarial department and shall be available for inspection during working hours at the request of the Directors and members.
- (e) The Committee shall cause minutes to be duly entered in books provided for the following purpose:-
 - (i) of all appointments of members;
 - (ii) of the names of members and invitees such as other Directors, and employees present at all meetings of the Committee;
 - (iii) of all actions, resolutions and proceedings at all meetings of committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting in which case the minutes shall be confirmed as correct by a member or members present at the succeeding meeting who was or were also present at the preceding meeting. Such minutes shall be conclusive evidence without further proof of the facts thereon stated; and
 - (iv) of all other orders made by the members of the Committee.

6. Quorum

A majority of members present must be Independent Directors and shall form the quorum of the Committee.

7. Frequency of Meetings

Meetings shall be held at least every quarter in a calendar year. The external auditor may request a meeting if they consider one necessary.

Corporate Governance Statement

The Board of Directors of QL Resources Berhad recognises the importance of adopting high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is therefore committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in the Malaysian Code of Corporate Governance.

A. BOARD OF DIRECTORS

(a) Board Responsibilities

The Company is led by an experience and dynamic Board. It has a balanced board composition with effective Independent Directors. The Board plays a pivotal role in the stewardship of the Group and ultimately enhancing shareholders value. To fulfill this role, the Board is responsible for the following:-

- Reviewing and adopting a strategic plan for the Company.
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed.
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks.
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management.
- Maintaining shareholder and investor relations for the Company.

- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

(b) Board Meetings

During the financial year ended 31 March 2006, the Board met on three (3) occasions and 29 circular resolutions were passed; where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions and the business plan and direction of the Group.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting to enable them to obtain explanations, where necessary to allow them to effectively discharge their responsibilities. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

(c) Board balance

As at the date of this statement, the Board consists of nine members; comprising one Independent Non-Executive Chairman, six Executive Directors and two Independent Non-Executive Directors. A brief profile of each Director is presented on pages 6 to 8 of this annual report. The Directors have wide ranging experience and all have occupied or currently occupying senior positions both in the public and private sectors. The Board has appointed Mr Chieng Ing Huong, Eddy as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

Details of each existing Director's meeting attendances are as follows:

Name of Director	Designation	Attendance
Tengku Dato' Zainal Rashid Bin Tengku Mahmood	Independent Non-Executive Chairman	3/3
Chia Song Kun	Managing Director	3/3
Chia Seong Pow	Executive Director	3/3
Chia Seong Fatt	Executive Director	3/3
Chia Song Swa	Executive Director	3/3
Chia Song Kooi	Executive Director	3/3
Chia Mak Hooi	Executive Director	3/3
Chieng Ing Huong, Eddy	Senior Independent Non-Executive	3/3
Teh Kim Teh	Independent Non-Executive	3/3

The concept of independence adopted by the Board is in tandem with the definition of an independent director in Section 1.01 of the Listing Requirements of the Bursa Malaysia. The key elements for fulfilling the criteria are the appointment of an independent director who is not a member of management (a non-executive director) and who is free of any relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two directors or one-third of the Board of the Company, whichever is the higher, are independent directors.

The Executive Directors in particular, are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgment to the decision making of the Board and provide a capable check and balance for the Executive Directors. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

There is a clear division of responsibilities at the head of the company to ensure a balance of authority and power. The Board is led by Tengku Dato' Zainal Rashid Bin Tengku Mahmood as the Independent Non-Executive Chairman and the executive management of the Company is led by Mr Chia Song Kun, the Group Managing Director.

(d) Supply of Information

Notice of meetings, setting out the agenda and accompanied by the relevant Board papers are provided to the Directors in a timely manner so that, if necessary, clarification or additional information can be sought.

The Board has access to all information in relation to the Group whether as a full Board or in their individual capacity to assist them in the furtherance of their duties. Besides direct access to management staff,

the company secretary is also made available to render their independent views and advice to the Board. In addition, the Directors, if necessary, may also seek professional advice, at the Company's expenses, if required. The Directors may also consult the Chairman and other Board members prior to seeking any independent professional advice.

(e) Appointments to the Board

The Board of Directors delegates certain responsibilities to the Board Committees, namely an Executive Committee, an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Management Committee in order to enhance business and operational efficiency as well as efficacy. The Nomination and Remuneration Committee were established on 18 February 2002 to assist the Board in the execution of its duties. Prior to the establishment of these committees, their functions were assumed by the Board as a whole.

The Executive Committee of the Company was established on December 2004 interalia, to deliberate on issues relating to any proposed capital investments, business ventures and other policy matters related to the Group's business, for recommendation to the Board for their approval.

The Audit Committee of the Board has been in place since January 1999. It presently comprises three Independent Non-Executive Directors and the Managing Director. Its terms of reference and a summary of its activities are set out on page 17 to 19 of this Annual Report.

The Nomination Committee comprised the following members during the year:

Tengku Dato' Zainal Rashid Bin Tengku Mahmood
- Chairman, Independent Non-Executive Director

Mr Chieng Ing Huong, Eddy
- Senior Independent Non-Executive Director

The Committee consists entirely of Non-Executive Directors, all of whom are independent.

The Nomination Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations as to the appointment of new Directors and review the contribution of each

individual Director on an annual basis. The Committee also keeps under review the Board structure, size and composition as well as considering the Board succession planning. This Committee has reviewed the annual assessment of the Directors' performance as a whole and individually and will recommend to the Board its findings for further action.

The Risk Management Committee which were established on April 2002 is primarily responsible for the adequacy and integrity of systems of internal control in accordance with the Malaysian Code of Corporate Governance.

The Directors undergoes training to equip themselves to effectively discharge its duties as a Director and for that purpose he ensures that he attends such training programmes. All the Directors have fulfilled the requirement to accumulate 72 CEP points for the

years 2003 and 2004. For the year under review, the Directors have undergone continuous training which they deem relevant to keep abreast on issues facing the changing business environment.

(f) Re-election

The Articles of Association of the Company provide that one third of the Board members are required to retire at every Annual General Meeting and be subject to re-election by shareholders. Newly appointed Directors shall hold office until the next annual general meeting and shall be subject to re-election by the shareholders. The Articles of Association provided that all Directors shall retire once every three years.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act, 1965.

Training Programmes, Seminar and Briefings attended by Directors in 2005.

	Seminar/Course	Organiser	Duration
1	Premier Business Management Program	Harvard Club of Malaysia	3 days
2	Strategic Brand Management	Harvard Club of Malaysia	1 day
3	Understanding the methods of share and business valuation	Bursatra Sdn. Bhd.	1/2 day
4	New Investment Instruments (Hedge Funds, Structured Products, ASB & Viatical Settlement etc)	International Business Consulting Sdn. Bhd.	1 day
5	International Currency Risk Management Another Asian Crisis Possible	International Business Consulting Sdn. Bhd.	1 day
6	Financial Reporting and Analysis	CPA Malaysia	2 days
7	Sectorial Analysis of Bursa Malaysia & Investment Strategies	Securities Commission	1 day
8	Tax Audit & Investigation in Malaysia	Kancil Academy Sdn. Bhd.	2 days
9	Enhancing Corporate Governance in Mergers & Acquisitions	Kancil Academy Sdn. Bhd.	1 day
10	Rationalisation of Tax Incentives as inputs for 2007 Budget	Ministry of Finance	1 day
11	Dialogue on the new EU Generalised Systems of Preference (GSP) and what it offers Malaysia	Malaysian International Trade and Industry	1 day

B. DIRECTORS' REMUNERATION**(a) Remuneration Committee**

The members of the Remuneration Committee during the year were:

Tengku Dato' Zainal Rashid Bin Tengku Mahmood
- Chairman, Independent Non-Executive Director

Mr Chieng Ing Huong, Eddy
- Senior Independent Non-Executive Director

Mr Chia Song Kun
- Managing Director

The Remuneration Committee is responsible for reviewing and recommending the remuneration framework for Directors' as well as the remuneration packages of Executive Directors to the Board. None of the Executive Directors participated in any way in determining their individual remuneration.

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

(b) Details of the Directors' remuneration

The aggregate remuneration of Directors of the Company are as follows:

Subject Aggregate Remuneration	Executive Directors RM	Non-Executive Directors RM
• Directors' fees	446,800	138,000
• Salaries	1,542,780	-
• Allowance	14,800	6,000
• Bonuses	1,597,554	-
• Benefits in kind based on an estimated money value	90,438	-
Total	3,692,372	144,000

Band (RM)	No. of Directors	No. of Directors
50,000 and below	-	2
50,001 - 100,000	-	1
400,001 - 450,000	2	-
550,001 - 600,000	1	-
600,001 - 650,000	1	-
650,001 - 700,000	1	-
950,001 - 1,000,000	1	-

C. SHAREHOLDERS

The Company recognises the importance of communicating with its shareholders and does this through the annual report, Annual General Meeting, analyst meetings and announcements via Bursa Malaysia. The Company is currently setting up a website to enable an active dialogue with its investors and shareholders with the intention of giving investors and shareholders as clear and complete a picture of the Company's performance and position as possible. Additionally, a press conference is held immediately after the AGM where the Managing Director advises the press of the resolutions passed, and answers questions on the Group. The Chairman and the Executive Director are also present at the press conference to clarify and explain any issue.

An analyst briefing has been arranged by the Company. The Company also responded to the fund managers, institutional investors and investment analysts and members of the media upon request, to brief them on key events of the Company. Investors' and analysts' feedback is sought to ensure principal issues are being effectively communicated and shareholders' objectives are known.

D. ACCOUNTABILITY AND AUDIT

(a) Financial reporting

The Board aims to present a balanced and understandable assessment of the Company's and the Group's position and prospects in the various financial reports to the shareholders, investors and regulatory authorities. The assessment is primarily provided in the annual report through the Chairman's Statement, the audited financial statements and the quarterly results announcement.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

The Directors are also required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended.

Directors' responsibility statement in respect of the preparation of the audited financial statements is set out on page 23 of this annual report.

(b) Internal controls

The Statement on Internal Control furnished on page 24 of the annual report provides an overview of the state of internal controls within the Group.

(c) Relationship with the Auditors

The Company through the Audit Committee, has an appropriate and transparent relationship with the external auditors. In the course of audit of the Group's operation the external auditors have highlighted to the Audit Committee and the Board, matters that requires the Board's attention.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 16 to 17 of the annual report.

E. OTHER INFORMATION

(a) Recurrent Related Party Transactions (RRPT) of revenue nature

The shareholders of the Company approved the Proposed Shareholders' Mandate for RRPT of revenue nature during its Extraordinary General Meeting (EGM) held on 26 August 2005.

The Company is also seeking shareholders approval to renew and additional Shareholders' Mandate for RRPT in the forthcoming EGM. The details of the RRPT entered into or to be entered by the Company or its subsidiaries with related parties are included in the Circular to Shareholders.

(b) Non-audit fee

The amount of non-audit fees charged for the financial year ended 31 March 2006 is RM78,596.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Bursa Malaysia Listing Requirements, the following additional information is provided:-

During the financial year under review, except for the share placements there were no:

- i) share buybacks;
- ii) options, warrants or convertible securities exercised;
- iii) American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) programme sponsored by the Company;
- iv) sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies;
- v) material variance between the results for the financial year and the unaudited results previously announced;
- vi) profit guarantees given by the Company;
- vii) material contracts between the Company and its subsidiaries that involve directors' or major shareholders' interests, except as those disclose on RRPT transactions;
- viii) contract of loans between the Company and its subsidiaries that involve directors' or major shareholders' interests;
- ix) revaluation policy on landed properties.

Statement of Directors' Responsibilities

Directors are required by Company Law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

In preparing those financial statements, the Directors have:

- adopted suitable accounting policies and then apply them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' shareholdings (as at 30 June 2006)

Name of directors	Direct	No. of shares held		%
		%	Indirect	
Tengku Dato' Zainal Rashid				
Bin Tengku Mahmood	750,000	0.34	-	-
Chia Song Kun	125,000	0.06	101,078,014 *	45.94
Chia Seong Pow	150,000	0.06	28,856,117 #	13.12
Chia Song Kooi	50,000	0.02	100,388,014 **	45.63
Chia Seong Fatt	90,000	0.04	28,756,117 ##	13.07
Chia Song Swa	50,000	0.02	100,138,014 **	45.52
Chia Mak Hooi	100,000	0.04	101,061,014 @	45.94
Chieng Ing Huong, Eddy	-	-	-	-
Teh Kim Teh	-	-	-	-

Notes:

* Deemed interest via his and his spouse's interest in CBG Holdings Sdn. Bhd. and his spouse's and children's shares in QL.

** Deemed interest via CBG Holdings Sdn. Bhd. and his spouse's shares in QL.

Deemed interest via his and his spouse's shareholding in Farsathy Holdings Sdn. Bhd. and his spouse's shares in QL.

Deemed interest via his and his spouse's shareholding in Farsathy Holdings Sdn. Bhd.

@ Deemed interest via his and his father's interest in CBG Holdings Sdn. Bhd. and his father's and spouse's shares in QL.

Statement on Internal Control

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements, the Board of Directors of QL Resources Berhad is pleased to provide the following statement on internal control on the state of internal control of the Group comprising QL Resources Berhad and its subsidiaries for the financial year ended 31 March 2006, which has been prepared in accordance with the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by the Bursa Malaysia.

Board Responsibility

The Board acknowledges its responsibility for maintaining a sound system of internal control, and for reviewing its adequacy and integrity. However, the Board recognises that reviewing of the Group's system of internal controls is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing this objective, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. In striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal controls.

Internal Control

The Group's system of internal controls comprises the following key elements:

- **Organisational structure and accountability levels**
Key responsibilities and lines of accountability within the Group are defined, with clear reporting lines up to the Senior Management of the Group and to the Board of Directors of the QL Resources Berhad. The Group's delegation of authority sets out the decisions that need to be taken and the appropriate authority levels of Management including matters that require Board approval.
- **Strategic business planning processes**
Business planning and budgeting is undertaken bi-annually, to establish plans and targets against which performance is monitored.
- **Reporting and review**
The Group's management teams carry out monthly monitoring and review of financial results and forecasts for all businesses within the Group, including monitoring and reporting thereon, of performance against the operating plans and annual budgets. The Group's management teams communicate regularly to monitor operational and financial performance as well as formulate action plans to address any areas of concern.

- **Control procedures**

Operating Procedures Manuals that set out the certain policies and procedures are maintained by certain companies in the Group, to ensure clear accountabilities and standard control procedures are in place.

Internal Audit

Internal audits are carried out by an independent professional services firm to review the adequacy and integrity of the internal control systems of certain business units during the financial year ended 31 March 2006. The internal audit team had completed the review of certain internal controls for selected subsidiaries in the Group and had highlighted to the executive and operational management on areas for improvement. The reports are submitted to the Audit Committee, which reviews the findings with management at the Audit Committee Meeting. In assessing the adequacy and effectiveness of the system of internal controls of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and the necessary recommendations or changes.

Risk Management

The Board have formalised a Risk Management framework that projects the Group's desire to identify, evaluate and manage significant business risks. The Risk Management Committee had carried out its duties in accordance with the Group's Risk Management Policies and Procedures.

The Committee had monitored and reviewed the Risk Management plan and activities and had reported to the Audit Committee on a quarterly basis. Risk management is firmly established in the Group's management system and is the responsibility of every employee. The Audit Committee had, on a quarterly basis, performed formal reviews on the adequacy and integrity of the system of internal controls.

The Group's risk management framework ensures that significant risks are continuously identified and that instituted controls are appropriate and effectively applied by the Management to achieve acceptable exposures consistent with the Group's risk management practices.

Associated company

The Group's system of internal controls does not cover associated company.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 March 2006. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

Financial Statements

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Directors' Report

for the year ended 31 March 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2006.

Principal activities

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 30 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Net profit for the year	48,343	33,663

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 7.5 sen per ordinary share of RM0.50 each less tax totaling RM8,100,000 in respect of the year ended 31 March 2005 on 27 September 2005.

The Directors recommend a final dividend of 9 sen per ordinary share of RM0.50 each less tax totaling RM14,256,000 in respect of the year ended 31 March 2006.

Directors of the Company

Directors who served since the date of the last report are:

Tengku Dato' Zainal Rashid bin Tengku Mahmood
Chia Song Kun
Chia Seong Pow
Chia Seong Fatt
Chia Song Kooi
Chia Song Swa
Chia Mak Hooi
Chieng Ing Huong
Teh Kim Teh

Directors' interests

The holdings and deemed holdings in the ordinary shares of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares				At 31.3.2006
	At 1.4.2005	Bonus issue	Bought	Sold	
Shareholdings in which Directors have direct interests in the Company					
Tengku Dato' Zainal Rashid bin Tengku Mahmood	187,500	62,500	-	-	250,000
Chia Song Kun	37,500	25,000	62,500	-	125,000
Chia Seong Pow	37,500	22,500	50,000	-	110,000
Chia Seong Fatt	37,500	22,500	30,000	-	90,000
Chia Song Kooi	37,500	12,500	-	-	50,000
Chia Song Swa	37,500	12,500	-	-	50,000
Chia Mak Hooi	37,500	12,500	50,000	-	100,000
Shareholdings in which Directors have indirect interests in the Company					
Chia Song Kun	74,273,385	25,048,129	1,756,500	-	101,078,014
Chia Seong Pow	21,175,338	7,148,779	532,000	-	28,856,117
Chia Seong Fatt	21,175,338	7,128,779	452,000	-	28,756,117
Chia Song Kooi	73,765,885	24,886,129	1,736,000	-	100,388,014
Chia Song Swa	73,725,885	24,823,629	1,588,500	-	100,138,014
Chia Mak Hooi	74,030,885	25,029,629	2,000,500	-	101,061,014

The above Directors are deemed to have interests in shares of all subsidiaries disclosed in Note 30 to the financial statements to the extent that the Company has an interest. Details of their deemed shareholdings in non-wholly owned subsidiaries are shown in Note 30.1 to the financial statements.

The other Directors, Chieng Ing Huong and Teh Kim Teh, holding office at 31 March 2006 did not have any interest in the ordinary shares of the Company and of its related companies during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company and its related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who may be deemed to derive a benefit by virtue of certain trading transactions in the ordinary course of business between related companies and firms as well as companies in which certain Directors have interest and persons connected to Directors as disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Significant events during the year

The significant events during the year are as disclosed in Note 31 to the financial statements.

Significant event subsequent to balance sheet date

The significant event subsequent to balance sheet date is as disclosed in Note 32 to the financial statements.

Issue of shares and debentures

During the financial year, the Company undertook the following:

- (i) Bonus issue of 50,000,000 new ordinary shares of RM0.50 each on the basis of one (1) new ordinary share of RM0.50 each for every three (3) existing ordinary shares held. The issuance of bonus shares totalling RM25,000,000 was capitalised from the retained profits of the Company; and
- (ii) Private placement of 20,000,000 ordinary shares of RM0.50 each at an issue price of RM2.47.

These new shares rank pari passu in all respects with the existing shares in issue of the Company.

There were no debentures issued during the year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the Group's and in the Company's financial statements misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 March 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

Chia Song Kun

Chia Mak Hooi

Shah Alam,

Date: 20 July 2006

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 33 to 73 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Chia Song Kun

Chia Mak Hooi

Shah Alam,

Date: 20 July 2006

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Chia Mak Hooi**, the Director primarily responsible for the financial management of QL Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 73 are, to the best of my knowledge and belief, 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 in Klang on 20 July 2006.

Chia Mak Hooi

Before me:

Report of the Auditors

to the members of QL Resources Berhad

We have audited the financial statements set out on pages 33 to 73. The preparation of the financial statements is 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 approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 March 2006 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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 audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Ow Peng Li
Partner
Approval Number: 2666/09/07(J)

Kuala Lumpur,

Date: 20 July 2006

Balance Sheets

at 31 March 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Property, plant and equipment	3	300,568	239,207	4	6
Investment in subsidiaries	4	-	-	131,414	73,263
Investment in an associate	5	3,762	3,715	-	-
Other investments	6	103	113	-	-
Intangible assets	7	496	89	-	-
Trade and other receivables	9	-	-	11,338	-
Deferred tax assets	16	215	-	-	-
Goodwill on consolidation		2,583	-	-	-
		307,727	243,124	142,756	73,269
Current assets					
Inventories	8	114,952	77,167	-	-
Trade and other receivables	9	131,336	143,064	31,918	17,528
Tax recoverable		3,143	790	74	55
Cash and cash equivalents	10	25,985	20,330	355	110
		275,416	241,351	32,347	17,693
Current liabilities					
Trade and other payables	11	59,997	51,329	13,611	13,828
Borrowings	12	161,907	171,602	625	-
Taxation		1,149	1,812	-	-
		223,053	224,743	14,236	13,828
Net current assets		52,363	16,608	18,111	3,865
		360,090	259,732	160,867	77,134
Financed by:					
Capital and reserves					
Share capital	13	110,000	75,000	110,000	75,000
Reserves	14	138,018	83,980	41,492	2,134
		248,018	158,980	151,492	77,134
Negative goodwill on consolidation		799	799	-	-
Minority shareholders' interests	15	20,746	15,302	-	-
Long term and deferred liabilities					
Borrowings	12	65,587	63,714	9,375	-
Deferred tax liabilities	16	24,940	20,937	-	-
		90,527	84,651	9,375	-
		360,090	259,732	160,867	77,134

The financial statements were approved and authorised for issue by the Board of Directors on 20 July 2006.

The notes set out on pages 39 to 73 form an integral part of, and should be read in conjunction with, these financial statements.

Income Statements

for the year ended 31 March 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	17	1,010,549	941,585	37,853	10,418
Operating profit	17	69,402	54,699	36,905	9,453
Interest expense	19	(11,290)	(8,994)	(249)	-
Interest income	20	336	127	405	-
Share of profits of an associate		602	247	-	-
Profit before taxation		59,050	46,079	37,061	9,453
Tax expense	21	(7,651)	(7,893)	(3,398)	(2,744)
Profit after taxation		51,399	38,186	33,663	6,709
Less: Minority interests		(3,056)	(2,069)	-	-
Net profit for the year		48,343	36,117	33,663	6,709
Earnings per ordinary share (sen)	22	24	18		
Dividends per ordinary share - net (sen)					
- excluding proposed final dividend	23	-	-	-	-
- including proposed final dividend	23	6.48	5.40	6.48	5.40

The notes set out on pages 39 to 73 form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Changes in Equity

for the year ended 31 March 2006

Group	Note	Non-distributable Share premium			Sub-Total	Total
		Share capital	Share premium	Retained profits		
		RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2004		60,000	1,907	67,792	69,699	129,699
Issuance of shares						
- Bonus issue		15,000	-	(15,000)	(15,000)	-
Expenses not recognised in income statement						
- Share issue expenses		-	(356)	-	(356)	(356)
Net profit for the year		-	-	36,117	36,117	36,117
Dividends - 2004 final	23	-	-	(6,480)	(6,480)	(6,480)
At 31 March 2005		75,000	1,551	82,429	83,980	158,980
Issuance of shares						
- Bonus issue		25,000	-	(25,000)	(25,000)	-
- Private Placement		10,000	39,400	-	39,400	49,400
Expenses not recognised in income statement						
- Share issue expenses		-	(605)	-	(605)	(605)
Net profit for the year		-	-	48,343	48,343	48,343
Dividends - 2005 final	23	-	-	(8,100)	(8,100)	(8,100)
At 31 March 2006		110,000	40,346	97,672	138,018	248,018
Note 13						
Company						
At 1 April 2004		60,000	1,907	15,354	17,261	77,261
Issuance of shares						
- Bonus issue		15,000	-	(15,000)	(15,000)	-
Expenses not recognised in income statement						
- Share issue expenses		-	(356)	-	(356)	(356)
Net profit for the year		-	-	6,709	6,709	6,709
Dividends - 2004 final	23	-	-	(6,480)	(6,480)	(6,480)
At 31 March 2005		75,000	1,551	583	2,134	77,134
Issuance of shares						
- Bonus issue		25,000	-	(25,000)	(25,000)	-
- Private placement		10,000	39,400	-	39,400	49,400
Expenses not recognised in income statement						
- Share issue expenses		-	(605)	-	(605)	(605)
Net profit for the year		-	-	33,663	33,663	33,663
Dividends - 2005 final	23	-	-	(8,100)	(8,100)	(8,100)
At 31 March 2006		110,000	40,346	1,146	41,492	151,492
Note 13				Note 14		

The notes set out on pages 39 to 73 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statements

for the year ended 31 March 2006

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	59,050	46,079	37,061	9,453
Adjustments for:				
Amortisation of trademarks	4	4	-	-
Depreciation	20,408	16,817	2	1
Dividend income	(3)	(2)	(37,100)	(9,700)
Gain on disposal of property, plant and equipment	(915)	(980)	-	-
Gain on disposal to minority interest	-	(270)	-	-
Gain on disposal of investment	(15)	-	-	-
Gain on foreign exchange - unrealised	(98)	-	-	-
Interest expense	11,290	8,994	249	-
Interest income	(336)	(127)	(405)	-
Impairment losses on property, plant and equipment	28	-	-	-
Loss on disposal of property held for resale	-	35	-	-
Provision for diminution in value of property held for resale	732	183	-	-
Property, plant and equipment written off	133	64	-	-
Share of profits of an associate	(602)	(247)	-	-
Operating profit/(loss) before working capital changes	89,676	70,550	(193)	(246)
(Increase)/Decrease in working capital:				
Inventories	(32,577)	3,378	-	-
Trade and other receivables	15,316	(19,037)	(41,668)	1,141
Trade and other payables	3,029	7,236	(217)	8,250
Bills payable	(11,412)	(14,747)	-	-
Cash generated from/(used in) operations	64,032	47,380	(42,078)	9,145
Income taxes paid	(7,790)	(5,641)	(50)	(94)
Interest paid	(5,680)	(5,205)	(249)	-
Interest received	336	127	405	-
Net cash generated from/(used in) operating activities	50,898	36,661	(41,972)	9,051

		Group		Company	
	Note	2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Acquisition from minority interest		(62)	(6,580)	-	-
Additional investment in associates		-	(1,146)	-	-
Additional investment in subsidiary		-	-	(20,000)	(7,500)
Acquisition of subsidiaries (Note 33)		(12,548)	-	-	(1,655)
Decrease in pledged fixed deposits placed with licensed banks		20	-	-	-
Proceeds from disposal of property, plant and equipment		4,476	1,429	-	-
Purchase of property, plant and equipment	(i)	(63,586)	(46,041)	-	-
Proceeds from disposal of investments		30	-	-	-
Purchase of intangible assets		(411)	(4)	-	-
Dividend received from subsidiaries		-	-	33,733	6,984
Dividend received from associates		387	65	-	-
Dividend received from quoted shares		3	2	-	-
Net cash (used in)/generated from investing activities		(71,691)	(52,275)	13,733	(2,171)
Cash flows from financing activities					
Advances to subsidiaries		-	-	(22,211)	-
Share issue expenses		(605)	(356)	(605)	(356)
Contribution from minority shareholders		5,249	-	-	-
Dividend paid to minority shareholders		(4,697)	(904)	-	-
Dividend paid to shareholders of the Company		(8,100)	(6,480)	(8,100)	(6,480)
Interest paid		(5,727)	(3,803)	-	-
Net repayment of hire purchase liabilities		(2,135)	(1,547)	-	-
Net repayment of finance lease liabilities		(457)	(459)	-	-
Net (repayment)/proceeds from loans and other borrowings		(7,231)	21,116	10,000	-
Proceeds from issuance of shares		49,400	-	49,400	-
Net cash generated from/(used in) financing activities		25,697	7,567	28,484	(6,836)
Net increase/(decrease) in cash and cash equivalents		4,904	(8,047)	245	44
Cash and cash equivalents at beginning of year		13,786	21,833	110	66
Cash and cash equivalents at end of year	(iii)	18,690	13,786	355	110

*Note to the cash flow statements**(i) Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM69,514,000 (2005 - RM48,534,000) of which RM5,811,000 (2005 - RM1,812,000) and Nil (2005 - RM667,000) was acquired by means of hire purchases and finance lease respectively.

(ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	22,024	16,256	355	110
Deposits placed with licensed banks	3,961	4,054	-	-
Bank overdrafts	(7,295)	(6,524)	-	-
	18,690	13,786	355	110

*(iii) Non cash transactions**Investing activities*

During the financial year, the Company increased its investment in its subsidiaries by RM58,151,000 (2005 - RM9,150,000) of which RM38,151,000 (2005 - Nil) was through capitalisation of debts.

Financing activities

During the financial year, the Company undertook bonus issue of 50,000,000 new ordinary shares of RM0.50 each on the basis of one (1) new ordinary share of RM0.50 each for every three (3) existing ordinary shares held. The issuance of bonus shares totaling RM25,000,000 was capitalised from the retained profits of the Company.

The notes set out on pages 39 to 73 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statements

1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds, if any, are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group's financial statements. The difference between the acquisition cost and the fair value of the subsidiaries' net assets is reflected as goodwill or negative goodwill on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

(d) Property, plant and equipment

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

1. Summary of significant accounting policies (Cont'd)**(d) Property, plant and equipment (Cont'd)*****Depreciation***

Freehold land and capital work-in-progress are not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases, which range from thirty (30) to nine hundred and ninety nine years (999) while buildings are depreciated on a straight line basis over the shorter of 50 years or the lease period. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Farm buildings	8 1/3%
Fishing boat and equipment	5% - 20%
Plant and machinery	5% - 25%
Furniture, fittings and equipment	8% - 20%
Office improvements and renovation	10% - 20%
Motor vehicles	15% - 20%

Certain subsidiaries depreciate its property, plant and equipment by writing off the costs less estimated residual value over the term of their estimated useful lives. There is no material effect on the financial statements as a result of this difference in accounting policy.

(e) Plantation development expenditure

New planting expenditure which include land clearing, planting, field upkeep and maintenance of oil palms plantings to maturity are capitalised as plantation development expenditure and it is not amortised. Oil palm plantings are considered mature 30 months after the date of planting. Expenditures incurred after maturing of crops are charged to the income statement. Estate overhead expenditure is apportioned to revenue and plantation development expenditure on the basis of the proportion of mature and immature areas.

Net income from scout harvesting prior to maturity is offset against plantation development expenditure.

Replanting expenditure is written off during the period in which it is incurred.

(f) Investments

Investments in subsidiaries and associate are stated at cost in the Company less impairment losses, if any.

Other long term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

(g) Intangible assets

Trademarks are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Trademarks are amortised on a straight line basis over its estimated useful life of not more than 25 years.

(h) Goodwill/Negative goodwill on consolidation

Goodwill/Negative goodwill on consolidation represents the difference of the cost of the acquisition and the fair value of the net identifiable assets acquired and is stated at cost, and for goodwill, less accumulated impairment losses where applicable. Goodwill and negative goodwill on consolidation are not amortised.

1. Summary of significant accounting policies (Cont'd)

(i) Inventories

Raw materials, manufactured inventories, trading inventories and spares and consumables are stated at the lower of cost and net realisable value with first-in-first-out being the main basis for cost, except for a subsidiary where trading inventories are stated at the lower of cost and net realisable value with standard cost being the main basis for costs adjusted for variances which approximate actual cost on the first-in-first-out basis. The cost of raw materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition. For manufactured inventories and trading inventories, cost consists of raw materials, direct labour, an appropriate portion of fixed and variable production overheads and other incidental costs.

Retailed inventories are stated at the lower of cost and net realisable value. Cost of retailed inventories comprises the weighted average cost of merchandise derived at by using the Retailed Inventory Method. Weighted average cost includes related charges incurred in purchasing such merchandise.

Livestock comprises pullets and layers and is valued at the lower of amortised cost and net realisable value. Cost includes cost of the pullet plus all attributable costs including relevant overheads in nursing the pullet to the point of lay. Thereafter the cost is amortised over its estimated economic life of the layers of approximately 58 weeks. Net realisable value is defined as the aggregate income expected to be generated from total eggs to be produced per layer and sales proceeds from the disposal of the ex-layer less expenses expected to be incurred to maintain the layer.

(j) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at year end.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Liabilities

Borrowings and trade and other payables are stated at cost.

(m) Employee benefits

(i) Short term employee benefits

Wages, salaries and bonuses are recognised as expenses 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, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

1. Summary of significant accounting policies (Cont'd)**(n) Impairment**

The carrying amount of assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries and associates), 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. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(o) Capitalisation of borrowing costs

Borrowing costs incurred on capital work-in-progress and plantation development expenditure are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use and when the asset is ready for use or the plantings attain maturity. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing cost applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific project, in which case the actual borrowing cost incurred on that borrowing will be capitalised.

(p) Hire purchases

Property, plant and equipment acquired under hire purchase arrangements are capitalised at their purchase cost and depreciated on the same basis as owned assets. The total amount payable under hire purchase agreements are included as hire purchase liabilities.

Finance charges are allocated to the income statement over the hire purchase periods to give a constant periodic rate of interest over the remaining period of the hire purchase liabilities.

(q) Finance lease

Leases in which the Group assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine, if not, the Group's incremental borrowing rate is used.

1. Summary of significant accounting policies (Cont'd)

(r) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(s) Foreign currency

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

	2006	2005
USD1.00	RM3.75	RM3.80
AUD1.00	RM2.79	RM2.95
SGD1.00	RM2.29	RM2.28
EUR1.00	RM4.52	RM4.95
JPY1.00	RM0.03	RM0.04
PESO100.00	RM7.00	RM7.00
GBP1.00	RM6.52	-

(t) Revenue

(i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Dividend income

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

(iii) Management fee

Management fee is recognised on an accrual basis.

1. Summary of significant accounting policies (Cont'd)

(u) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets.

(v) Financing costs

Financing costs comprise interest payable on borrowings. All interest and other costs incurred in connection with borrowings are expensed as incurred, other than borrowing costs directly attributable to the capital work-in-progress and plantation development expenditure which are capitalised, as disclosed in Note 1 (o).

(w) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(x) Derivative financial instruments

The Group uses derivative financial instruments, namely forward foreign exchange contracts, to hedge its exposure to foreign exchange risks arising from operational activities.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

2. Financial risk management objectives and policies

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and marked to market at balance sheet date. Any profit or loss is recognised in the income statement.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the Group's business development. The Group has clear defined guidelines and written risk management policies on foreign currency risk, interest rate risk, credit risk, liquidity and cash flow risk. The Group operates within clearly defined guidelines that are approved by the Board and do not engage in speculative transactions.

The Group enters into derivative instruments, principally forward foreign currency exchange contracts to reduce exposure to fluctuations in foreign exchange rates. While the risk of market rates may change subsequent to acquisition, such changes are generally offset by the opposite effects on items being hedged. The Group do not trade in derivative instruments. The notional amounts of derivatives summarised in the notes to the financial statements do not represent amount exchanged by the parties and thus are not a measurement of the Group's exposure for its use of derivative financial instruments.

Derivative financial instruments are not recognised in the financial statements on inception. The purpose of entering into these derivatives is to minimise losses and to preserve the value of confirmed contracts.

Credit risk

Financial instruments contain an element of risk of the counterparties being unable to meet their obligations. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group and Company do not have any significant exposure to any individual counterparty. The Group and Company have credit policy in place to ensure that transactions are conducted with creditworthy counter parties.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and Company are represented by the carrying amount of each financial assets.

2. Financial risk management objectives and policies (Cont'd)

Interest rate risk

The Group is exposed to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate.

Interest rate risk mainly arises from the Group's borrowings.

The Group adopts a policy of managing this risk through the use of fixed and floating rates debts and financial instruments. The Group does not use interest rate swaps as hedging instrument. The Group's interests bearing assets are mainly placed in short term deposits with reputable financial institutions and they are not held for speculation purposes.

Foreign currency risk

The Group is exposed to foreign currency risk arising from transactions in foreign currencies. The currencies giving rise to this risk are primarily in US Dollars, Australian Dollars, Singapore Dollars, EURO, Japanese Yen, Peso and Sterling Pound.

It is the Group's policy to enter into forward foreign currency contracts to hedge against exposures to exchange rate fluctuations.

Liquidity risk

The Group and Company actively manage its cash flows so as to ensure effective working capital within the Group and Company. The Group and Company strive to maintain available bank facilities of a reasonable level to its overall debt position.

3. Property, plant and equipment

Group	At			Written		Acquisition of	At
Cost	1.4.2005	Additions	Disposals	off	Transfer	subsidiaries	31.3.2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	10,974	617	(170)	-	2,108	5,800	19,329
Long term leasehold land	31,512	4,415	(1,330)	-	-	-	34,597
Short term leasehold land	3,967	-	-	-	-	-	3,967
Buildings and improvements	45,949	9,204	(1,700)	-	5,520	3,359	62,332
Farm buildings	33,021	681	-	-	869	521	35,092
Fishing boat and equipment	3,705	3,913	-	-	2,045	-	9,663
Plant and machinery	105,201	30,464	(104)	(65)	12,552	5,333	153,381
Furniture, fittings and equipment	20,551	4,741	(300)	(342)	31	267	24,948
Office improvements and renovation	2,313	575	(2)	(78)	-	-	2,808
Motor vehicles	22,555	4,021	(858)	-	-	697	26,415
Plantation development expenditure	13,154	-	-	(50)	-	-	13,104
Capital work-in-progress	20,200	10,883	-	-	(23,125)	-	7,958
	313,102	69,514	(4,464)	(535)	-	15,977	393,594

3. Property, plant and equipment (Cont'd)

	At 1.4.2005	Charge for the year	Disposals	Written off	Impairment losses	At 31.3.2006
<i>Accumulated depreciation</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Long term leasehold land	1,328	350	(9)	-	-	1,669
Short term leasehold land	996	163	-	-	-	1,159
Buildings and improvements	5,368	1,512	(190)	-	-	6,690
Farm buildings	10,532	2,213	-	-	-	12,745
Fishing boat and equipment	133	447	-	-	-	580
Plant and machinery	36,146	10,157	(35)	(22)	-	46,246
Furniture, fittings and equipment	7,172	2,361	(55)	(308)	-	9,170
Office improvements and renovation	912	288	-	(72)	28	1,156
Motor vehicles	11,308	2,917	(614)	-	-	13,611
	73,895	20,408	(903)	(402)	28	93,026

	Net book value at		Depreciation charge
	31.3.2006	31.3.2005	31.3.2005
Group	RM'000	RM'000	RM'000
Freehold land	19,329	10,974	-
Long term leasehold land	32,928	30,184	359
Short term leasehold land	2,808	2,971	145
Buildings and improvements	55,642	40,581	1,220
Farm buildings	22,347	22,489	2,097
Fishing boat and equipment	9,083	3,572	133
Plant and machinery	107,135	69,055	7,869
Furniture, fittings and equipment	15,778	13,379	2,045
Office improvements and renovation	1,652	1,401	279
Motor vehicles	12,804	11,247	2,670
Plantation development expenditure	13,104	13,154	-
Capital work-in-progress	7,958	20,200	-
	300,568	239,207	16,817

Company	RM'000
Furniture and fitting	
Cost	
At 1 April 2005 / 31 March 2006	11
Accumulated depreciation	
At 1 April 2005	5
Charge for the year	2
At 31 March 2006	7
Net book value	
At 31 March 2006	4
At 31 March 2005	6
Depreciation charge for the year ended 31 March 2005	1

3. Property, plant and equipment (Cont'd)

Borrowing costs

The following borrowing costs incurred during the year are capitalised under property, plant and equipment:

	Group	
	2006	2005
	RM'000	RM'000
Plantation development expenditure		
- Term loan interest at 1.50% above BLR (2005 - 1.50% above BLR per annum)	-	14
Capital work-in-progress at 5.17% per annum	117	-
	117	14

Security

The short term and long term freehold and leasehold land together with buildings and palm oil mill of certain subsidiaries with total cost of RM13,097,000 (2005 - RM29,802,000) have been charged to banks to secure banking facilities granted to the respective subsidiaries.

The freehold land and buildings of a subsidiary costing RM899,000 (2005 - RM2,289,000) are pending discharge as security by the bank.

Titles

Long term leasehold land with cost of RM140,000 (2005 - RM140,000) is held under native title in the name of a third party in trust for certain subsidiaries.

The titles to certain long term leasehold land of a subsidiary stated at cost of RM170,000 (2005 - RM157,000) are in the process of being transferred into the name of the subsidiary.

The land title of a freehold land of a subsidiary valued at RM48,000 (2005 - RM48,000) is pending issuance by the authorities.

Assets under hire purchase

Included in property, plant and equipment of the Group are assets acquired under hire purchase agreements with the following net book value:

	Group	
	2006	2005
	RM'000	RM'000
Group		
Plant and machinery	8,472	1,275
Motor vehicles	2,792	3,457
Renovation	152	178
Furniture, fittings and office equipment	309	48
Computer equipment	-	13
	11,725	4,971

Assets under finance lease

Included in plant and equipment of the Group are furniture, fittings and equipment acquired under finance lease with net book value of RM808,000 (2005 - RM1,257,000).

3. Property, plant and equipment (Cont'd)

Capital work-in-progress

Capital work-in-progress is in respect of the ongoing construction of buildings and installation of plant and machinery of certain subsidiaries.

4. Investment in subsidiaries

	Company	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost	131,414	73,263

During the financial year, the Company increase its investment in the subsidiaries by RM58,151,000 (2005 - RM9,150,000) of which RM38,151,000 (2005 - Nil) was through capitalisation of debts.

Details of the Company's subsidiaries are shown in Note 30.

5. Investment in an associate

	Group	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost	2,496	2,496
Share of post-acquisition reserves		
At 1 April 2005/2004	1,219	1,106
Net profit for the years	434	178
Dividend received	(387)	(65)
	1,266	1,219
	3,762	3,715
Represented by:		
Group's share of net assets other than goodwill	3,762	3,715

The details of the associate are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest (%)	
			2006	2005
Indahgrains Logistics Sdn. Bhd.	Operating of warehouse and warehouse management	Malaysia	29.87	29.87

6. Other investments

	Group	
	2006	2005
	RM'000	RM'000
At cost:		
Quoted shares	58	73
Unquoted shares	45	40
	103	113
Market values of quoted investments		
Quoted shares	59	62

Investment in quoted shares is not written down as the Directors are of the view that the diminution in their value is temporary.

7. Intangible assets

	Group	
	2006	2005
	RM'000	RM'000
Trademarks		
Cost		
At 1 April 2005 / 2004	104	100
Additions	411	4
At 31 March	515	104
Accumulated amortisation		
Balance at 1 April 2005 / 2004	15	11
Amortisation charge for the year	4	4
Balance at 31 March	19	15
Net book value		
At 31 March	496	89

8. Inventories

	Group	
	2006	2005
	RM'000	RM'000
At costs		
Raw materials	19,511	15,421
Livestock	12,722	10,153
Manufactured, trading and retailed inventories	82,719	51,593
	114,952	77,167

9. Trade and other receivables

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current:					
Trade receivables		102,457	104,511	-	-
Less: Allowance for doubtful debts		(9,629)	(8,205)	-	-
Subsidiaries	9.1	92,828	96,306	-	-
Other receivables, deposits and prepayment	9.2	-	-	31,889	17,504
	9.3	38,508	46,758	29	24
Non-current:		131,336	143,064	31,918	17,528
Subsidiaries	9.2	-	-	11,338	-
		131,336	143,064	43,256	17,528

9.1 Trade receivables

Included in the trade receivables of the Group are the following amounts due from related parties.

	Group	
	2006 RM'000	2005 RM'000
A person connected with a Director of a subsidiary	163	125
Companies in which Directors of certain subsidiaries have interest	1,078	624
	1,241	749

During the year, doubtful debts written off against allowance for doubtful debts made previously in the Group amounted to RM668,000 (2005 - RM297,000).

9.2 Subsidiaries

	Company	
	2006 RM'000	2005 RM'000
Current	31,889	17,504
Non-current	11,338	-
	43,227	17,504

The amount due from subsidiaries of the Company is in respect of advances, unsecured, interest free with no fixed term of repayment except for:

- (i) RM17,000,000 (2005 - Nil) which is subject to interest of 5% per annum with a fixed terms of repayment of 3 years;
- (ii) RM5,211,000 (2005 - Nil) which is subject to interest of 5% per annum and repayable on demand; and
- (iii) RM10,000,000 (2005 - Nil) which is subject to interest of 5.75% per annum and repayable on demand.

9. Trade and other receivables (Cont'd)

9.3 Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group are:

- (i) trade advances made to suppliers of certain subsidiaries amounting to RM15,437,000 (2005 - RM14,828,000) to secure the constant source of raw material supplies for the manufacturing activities. The amount is net of allowance for doubtful debts, unsecured, interest free and repayment is substantially made through the supply of raw materials.
- (ii) advances payment to suppliers of a subsidiary for the purchase of goods amounting to RM8,564,000 (2005 - RM16,143,000).
- (iii) recoveries from suppliers net of allowance for doubtful debts amounting to RM645,000 (2005 - RM1,794,000).
- (iv) property held for resale of RM3,003,000 (2005 - RM3,735,000) which arose from the settlement of trade receivables by way of exchange of property. It is the Group's intention to realise the property for cash in due course.
- (v) deposits paid for purchase of property, plant and equipment amounting to RM1,465,000 (2005 - RM2,510,000).
- (vi) balance owing from purchaser on disposal of property, plant and equipment of one of the subsidiaries amounting to Nil (2005 - RM846,000).
- (vii) deposits paid for acquisition of a company amounting to RM400,000 (2005 - Nil).

9.4 The currency exposure profile of trade receivables and other receivables denominated in Ringgit equivalents, is as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	120,325	140,269	43,256	17,528
US Dollars	10,122	2,517	-	-
Singapore Dollars	270	183	-	-
Japanese Yen	619	95	-	-
	131,336	143,064	43,256	17,528

10. Cash and cash equivalents

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	22,024	16,256	355	110
Deposits placed with licensed banks	3,961	4,074	-	-
	25,985	20,330	355	110

Included in the Group's fixed deposits in 2005 were RM20,000 which were pledged to licensed banks as security for bank guarantee facilities and had been excluded as cash and cash equivalents in the cash flow statements.

11. Trade and other payables

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	11.1	41,200	40,054	-	-
Other payables and accrued expenses		18,797	11,275	271	95
Subsidiaries	11.2	-	-	13,340	13,733
		59,997	51,329	13,611	13,828

11.1 Included in trade payables of the Group are the following amounts due to associate and related parties.

	Group	
	2006 RM'000	2005 RM'000
Associate	582	-
A firm in which certain Directors of a subsidiary has interest	68	-
Companies in which Directors of certain subsidiaries have interest	412	400
	1,062	400

11.2 The amount due to subsidiary of the Company is non-trade in nature, interest free and unsecured with no fixed terms of repayment.

11.3 The currency exposure profile of trade payables and other payables denominated in Ringgit equivalents, is as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	58,775	47,438	13,611	13,828
US Dollars	643	3,159	-	-
Singapore Dollars	15	87	-	-
Australian Dollars	185	420	-	-
EURO	13	-	-	-
Sterling	366	225	-	-
	59,997	51,329	13,611	13,828

12. Borrowings

		Group		Company	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
Current:					
Term loans	- secured	3,157	6,007	-	-
	- unsecured	15,562	15,550	625	-
Bank overdrafts	- secured	2,715	1,164	-	-
	- unsecured	4,580	5,360	-	-
Bills payable	- secured	4,235	1,601	-	-
	- unsecured	129,360	140,025	-	-
Hire purchase liabilities		2,026	1,499	-	-
Finance lease liabilities		272	396	-	-
		161,907	171,602	625	-
Non-current:					
Term loans	- secured	7,526	11,740	-	-
	- unsecured	53,213	50,269	9,375	-
Hire purchase liabilities		4,732	1,256	-	-
Finance lease liabilities		116	449	-	-
		65,587	63,714	9,375	-
		227,494	235,316	10,000	-

Terms and debt repayment schedule

Group	Total	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured term loans - variable at 1.25% to 3.00% (2005 - 1.75% to 2.00%) above BLR and Cost of Fund	10,053	2,711	4,488	2,854	-
Secured term loans - fixed at 3.75% to 6.45% (2005 - 3.75% to 5.92%) per annum	630	446	29	155	-
Unsecured term loans - variable at 1.00% to 1.50% (2005 - 1.00% to 2.00%) above BLR or Cost of Fund	14,653	4,213	5,319	5,121	-
Unsecured term loans - fixed at 4.00% to 6.80% (2005 - 4.00% to 7.14%) per annum	54,122	11,349	15,252	25,753	1,768
Secured bank overdrafts - variable at 1.50% to 1.75% (2005 - 1.25% to 1.50%) above BLR	2,715	2,715	-	-	-
Unsecured bank overdrafts - variable at 1.00% to 2.00% (2005 - 1.50% to 2.00%) above BLR	4,580	4,580	-	-	-
Secured bills payable - variable at 2.00% to 4.48% (2005 - 3.25% to 4.39%) per annum	4,235	4,235	-	-	-
Unsecured bills payable - variable at 2.91% to 5.10% (2005 - 2.50% to 4.80%) per annum	129,360	129,360	-	-	-
Hire purchase liabilities - fixed at 3.20% to 7.52% (2005 - 3.20% to 7.96%) per annum	6,758	2,026	1,135	3,597	-
Finance lease liabilities - fixed at 4.04% to 4.80% (2005 - 4.04% to 4.80%) per annum	388	272	116	-	-
	227,494	161,907	26,339	37,480	1,768
Company					
Unsecured term loans - fixed at 5.75% per annum	10,000	625	5,000	4,375	-

12. Borrowings (Cont'd)*Hire purchase liabilities*

Hire purchase liabilities are payable as follows:

	Payments 2006	Interest 2006	Principal 2006	Payments 2005	Interest 2005	Principal 2005
<i>Group</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Less than one year	2,394	(368)	2,026	1,683	(184)	1,499
Between one and five years	5,386	(654)	4,732	1,352	(96)	1,256
	7,780	(1,022)	6,758	3,035	(280)	2,755

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Payments 2006	Interest 2006	Principal 2006	Payments 2005	Interest 2005	Principal 2005
<i>Group</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Less than one year	315	(43)	272	450	(54)	396
Between one and five years	135	(19)	116	526	(77)	449
	450	(62)	388	976	(131)	845

Security**Group***Term loans**Secured*

The term loans are secured by way of:

- (i) fixed charges over the landed properties of certain subsidiaries;
- (ii) fixed and floating charges over assets of certain subsidiaries; and
- (iii) corporate guarantee by a subsidiary and the Company.

Unsecured

The term loans are supported by way of:

- (i) corporate guarantee by a subsidiary and the Company;
- (ii) a negative pledge on all assets of certain subsidiaries; and
- (iii) a letter of undertaking by a subsidiary not to divest its interest in one of the subsidiaries.

12. Borrowings (Cont'd)

Significant covenants for certain term loans granted to the Group:

- (i) maximum gearing of 2 times at all times; and
- (ii) minimum interest cover ratio of 2 times at all times.

Bank overdrafts

Secured

The bank overdrafts secured by way of:

- (i) fixed charges over landed properties of certain subsidiaries;
- (ii) corporate guarantee by the Company; and
- (iii) a charge on the subsidiaries' properties.

Unsecured

The bank overdrafts are supported by way of:

- (i) a negative pledge on all assets of a subsidiary; and
- (ii) corporate guarantee by a subsidiary and the Company.

Bills payable

Secured

Bills payable are secured by way of:

- (i) fixed and floating charges over assets of certain subsidiaries; and
- (ii) corporate guarantee by the Company.

Unsecured

Bills payable are supported by way of:

- (i) corporate guarantee by a subsidiary and the Company;
- (ii) a negative pledge on all assets of a subsidiary;
- (iii) general security agreement relating to goods; and
- (iv) trade financing general agreement.

Company

Term loans

Unsecured

The term loans are supported by way of a negative pledge over the assets of the Company.

13. Share capital

	Group and Company	
	2006	2005
	RM'000	RM'000
Ordinary shares of RM0.50 each:		
Authorised	200,000	200,000
Issued and fully paid		
At 1 April 2005/2004	75,000	60,000
Issued during the year:		
- Bonus issue	25,000	15,000
- Private placement	10,000	-
At 31 March	110,000	75,000

During the financial year, the Company undertook the following:

- (i) Bonus issue of 50,000,000 new ordinary shares of RM0.50 each on the basis of one (1) new ordinary share of RM0.50 each for every three (3) existing ordinary shares held. The issuance of bonus shares totaling RM25,000,000 was capitalised from the retained profits of the Company; and
- (ii) Private placement of 20,000,000 ordinary shares of RM0.50 each at an issue price of RM2.47.

These new shares rank pari passu in all respects with the existing shares in issue of the Company.

14. Reserves

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 March 2006 if paid out as dividends.

15. Minority shareholders' interests

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries, net of their share of subsidiaries goodwill/negative goodwill on consolidation.

16. Deferred tax liabilities

The amounts, determined after appropriate offsetting, are as follows:

	Group	
	2006	2005
	RM'000	RM'000
Deferred tax assets	(215)	-
Deferred tax liabilities	24,940	20,937
	24,725	20,937

16. Deferred tax liabilities (Cont'd)

Deferred tax assets and liabilities are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group	
	2006	2005
	RM'000	RM'000
Property, plant and equipment		
- capital allowances	24,053	18,987
- revaluation	2,734	2,780
Provisions	(759)	(95)
Unabsorbed capital allowances	(165)	(311)
Unutilised tax losses	(1,135)	(281)
Other temporary differences	(3)	(143)
	24,725	20,937
No deferred tax assets have been recognised for the following items:		
Deductible temporary differences	621	5,917
Unabsorbed capital allowances	(4,122)	8,267
Unutilised tax losses	11,707	2,925
	8,206	17,109

The above deferred tax asset items do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which certain subsidiaries can utilise the benefits.

17. Operating profit

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Revenue - sale of goods	1,010,546	941,583	-	-
- dividends	3	2	37,100	9,700
- management fee	-	-	753	718
Cost of sales	1,010,549 (877,717)	941,585 (836,160)	37,853 -	10,418 -
Gross profit	132,832	105,425	37,853	10,418
Distribution costs	(15,116)	(12,919)	-	-
Administration expenses	(48,245)	(41,012)	(948)	(965)
Other operating expenses	(4,558)	(2,144)	-	-
Other operating income	4,489	5,349	-	-
Operating profit	69,402	54,699	36,905	9,453

17. Operating profit (Cont'd)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Operating profit is arrived at after crediting:				
Allowance for doubtful debts written back	324	665	-	-
Bad debts recovered	8	-	-	-
Gain on disposal of property, plant and equipment	915	980	-	-
Gain on foreign exchange - realised	1,226	72	-	-
Gain on foreign exchange - unrealised	98	-	-	-
Gain on disposal of investment	15	-	-	-
Gain on disposal to minority interest	-	270	-	-
Dividend from subsidiaries				
- gross	-	-	12,026	9,700
- tax exempt	-	-	25,074	-
Dividend from quoted shares				
- gross	2	1	-	-
- tax exempt	1	1	-	-
Insurance claims	1,241	1,257	-	-
Rental of equipment	12	12	-	-
Rental of premises	138	98	-	-
and after charging:				
Auditors' remuneration				
- current	266	201	18	17
- under provision in prior years	20	2	4	-
Amortisation of trademarks	4	4	-	-
Allowance for doubtful debts - trade	2,416	1,545	-	-
Bad debts written off	266	212	-	-
Company's Directors				
- remuneration	3,440	3,269	6	6
- fees	585	557	306	306
Subsidiaries' Directors				
- remuneration	4,582	3,669	-	-
- fees	310	256	-	-
Depreciation	20,408	16,817	2	1
Hire of plant and machinery	10	6	-	-
Impairment losses on property, plant and equipment	28	-	-	-
Loss on foreign exchange - realised	330	56	-	-
Loss on disposal of property held for resale	-	35	-	-
Property, plant and equipment written off	133	64	-	-
Provision for diminution in value of property held for resale	732	183	-	-
Rental of land and buildings	2,089	1,247	-	-
Rental of office premises	790	965	-	-
Rental of equipment	54	167	-	-
Rental of plant and machinery	122	-	-	-

The estimated monetary value of Directors' benefits-in-kind of the Group is RM90,438 (2005 - RM61,750).

18. Employee information

	Group	
	2006	2005
	RM'000	RM'000
Staff costs	53,232	40,780

Staff costs include contributions to Employees Provident Fund of RM3,514,000 (2005 - RM2,866,000) for the Group.

The number of employees of the Group (including executive Directors) at the end of the year was 3,557 (2005 - 2,968).

19. Interest expense

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Term loans	5,211	3,499	249	-
Bank overdrafts	465	408	-	-
Bills payable	5,215	4,789	-	-
Hire purchase liabilities	329	223	-	-
Finance lease liabilities	70	67	-	-
Others	-	8	-	-
	11,290	8,994	249	-

20. Interest income

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	336	127	54	-
Subsidiaries	-	-	351	-
	336	127	405	-

21. Tax expense

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- current year	4,945	5,504	3,443	2,716
- (over)/under provision in prior year	(165)	232	(45)	28
- real property gains tax	-	43	-	-
	4,780	5,779	3,398	2,744
Deferred tax expense				
- origination and reversal of temporary differences	2,703	2,045	-	-
Tax expense on share of profits of an associate	168	69	-	-
Total	7,651	7,893	3,398	2,744

21. Tax expense (Cont'd)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Reconciliation of effective tax expense				
Profit before taxation	59,050	46,079	37,061	9,453
Income tax using Malaysian tax rates	16,534	12,903	10,377	2,647
Non-deductible expenses	1,888	725	87	69
Tax exempt income	(308)	(334)	(7,021)	-
Tax incentives	(7,709)	(6,988)	-	-
Effect of temporary differences not recognised	(2,493)	1,534	-	-
Other items	(96)	(222)	-	-
	7,816	7,618	3,443	2,716
(Over)/under provision in prior year	(165)	232	(45)	28
Real property gains tax	-	43	-	-
Tax expense	7,651	7,893	3,398	2,744

22. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit for the year of RM48,343,000 (2005 - RM36,117,000) and the weighted average number of ordinary shares in issue during the year of 202,192,000 (2005 - adjusted for bonus issue: 200,000,000).

The basic earnings per ordinary share for 2005 has been restated and adjusted to incorporate the effect of the bonus issue during the year.

23. Dividends

	Group and Company	
	2006	2005
	RM'000	RM'000
Final paid:		
2005 - 7.5 sen per ordinary share of RM0.50 each less tax		
(2004 - 6 sen per ordinary share of RM0.50 each less tax)	8,100	6,480

Proposed final dividend for the financial year ended 31 March 2006

The proposed final dividend for the year ended 31 March 2006 of 9 sen less tax totaling RM14,256,000 has not been accounted for in the financial statements of the Group and of the Company as at 31 March 2006. It will be recognised in the financial statements upon approval by shareholders at the forthcoming Annual General Meeting.

23. Dividends (Cont'd)***Dividends per ordinary share - net***

The calculation of dividends per ordinary share is based on the dividends for the financial year ended 31 March 2006 and the number of ordinary shares in issue of 220,000,000 (2005 - 150,000,000).

	2006 RM'000	2005 RM'000	2006 Sen per share	2005
Proposed final dividend	14,256	8,100	6.48	5.40
Dividends including proposed final dividend for the year	14,256	8,100	6.48	5.40

24. Segmental information

Segment information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Marine-products manufacturing	Manufacture and sale of fishmeal, surimi and surimi based products.
Crude palm oil milling	Crude palm oil milling and small scale oil palm cultivation.
Integrated livestock farming	Distribution of animal feed raw materials, poultry farming, food related products and sundry trading activities.

The inter-segment transactions have been entered into in the normal course of business and have been established under negotiated terms.

The Group operates predominantly in Malaysia and accordingly, information by geographical location on the Group's operation is not presented.

24. Segmental information (Cont'd)

	Marine-Products Manufacturing		Crude Palm Oil Milling		Integrated Livestock Farming		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Business Segments										
Revenue from external customers	190,595	129,269	199,196	207,817	620,758	604,499	-	-	1,010,549	941,585
Inter-segment revenue	-	-	479	363	705	715	(1,184)	(1,078)	-	-
Total revenue	190,595	129,269	199,675	208,180	621,463	605,214	(1,184)	(1,078)	1,010,549	941,585
Segment result	30,372	21,353	8,991	11,337	30,987	22,974	-	-	70,350	55,664
Unallocated expenses									(948)	(965)
Operating profit									69,402	54,699
Interest expense									(11,290)	(8,994)
Interest income									336	127
Share of profits of an associate									602	247
Profit before taxation									59,050	46,079
Tax expense									(7,651)	(7,893)
Profit after taxation									51,399	38,186
Minority interests									(3,056)	(2,069)
Net profit for the year									48,343	36,117
Segment assets									547,319	459,497
Share of net assets in an associate	184,371	128,283	85,412	81,670	277,536	249,544	-	-	3,762	3,715
Unallocated assets									32,062	21,263
Total assets									583,143	484,475
Segment liabilities	10,369	9,257	12,661	13,945	36,696	28,032	-	-	59,726	51,234
Unallocated liabilities									253,854	258,160
Total liabilities									313,580	309,394
Capital expenditure	46,923	31,489	2,409	1,752	20,182	15,293	-	-	69,514	48,534
Depreciation and amortisation	8,373	5,488	4,631	4,512	7,408	6,867	-	-	20,412	16,867
Non-cash expenses other than depreciation and amortisation	310	224	51	7	4,722	1,773	-	-	5,083	2,004

25. Contingent liabilities - unsecured

	Company	
	2006	2005
	RM'000	RM'000
Guarantees and contingencies relating to borrowings of:		
- subsidiaries	463,631	359,712

26. Commitments

	Group	
	2006	2005
	RM'000	RM'000
Capital commitments:		
Property, plant and equipment		
Authorised but not contracted for	4,308	1,677
Contracted but not provided for in the financial statements	6,821	8,982
Investment		
Contracted but not provided for in the financial statements	-	11,400
	11,129	22,059

27. Operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2006	2005
	RM'000	RM'000
Less than one year	574	569
Between one and five years	266	408
	840	977

The subsidiary leases retail outlets and equipment under operating lease. The leases typically run for an initial period of three years with an option to renew the leases after the expiry date for another three years.

28. Related parties***Identity of related parties***

The Group has a controlling related party relationship with its subsidiaries (Note 30) and the substantial shareholders of the Company.

The Group also has a related party relationship with its Directors and the close members of their families.

28. Related parties (Cont'd)

Significant related party transactions other than that disclosed elsewhere in the financial statements are as follows:

	Group	
	2006	2005
	RM'000	RM'000
With a firm in which Chia Teow Guan, Chia Song Phuan, Chia Song Pou, Cheah Yaw Song, Directors of certain subsidiaries have interests Sin Teow Fatt Trading Co.: Purchases	958	1,110
With persons connected to Cheah Yaw Song and Cheah Juw Teck, Directors of certain subsidiaries Cheah Joo Kiang: Sales	(1,789)	(1,394)
With companies in which Dr Ng Siew Thiam, Chia Song Kun, Chia Song Phuan, Chia Teow Guan, Cheah Yaw Song, Chia Soon Hooi, Chia Seong Fatt, Chia Song Swa, Chia Song Kooi, Chia Kah Chuan and Chia Chew Tick, Directors of certain subsidiaries have interests Success Portfolio Sdn. Bhd.: Sales	(3,394)	(3,620)
Fusipim Sdn. Bhd.: Sales	(1,164)	(901)
MB Agriculture (Sandakan) Sdn. Bhd.: Sales	(3,316)	(2,664)
MB Agriculture (Sabah) Sdn. Bhd.: Sales	(9,486)	(6,228)
Keang Huat Trading Sdn. Bhd.: Purchases	1,437	92

28. Related parties (Cont'd)

Significant related party transactions other than that disclosed elsewhere in the financial statements are as follows:

	Group	
	2006	2005
	RM'000	RM'000
Perikanan Sri Tanjung Sdn. Bhd.:		
Purchases	1,128	926
Timurikan Terengganu Sdn. Bhd.:		
Sales	(439)	(5)
Purchases	855	880
Arena Dijaya Sdn. Bhd.:		
Sales	(1,918)	-

	Company	
	2006	2005
	RM'000	RM'000
Subsidiaries		
Net dividend received	(33,733)	(6,984)
Management fee income	(753)	(718)
Interest income	(351)	-

	Group	
	2006	2005
	RM'000	RM'000
Associates		
Net dividend received	(387)	-
Management fee income	(78)	-

Balances with subsidiaries, associates and related parties at the balance sheet date are as disclosed in Note 9 and Note 11.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

29. Financial instruments

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	2006				2005			
	Effective interest rate per annum		Effective interest rate per annum		Effective interest rate per annum		Effective interest rate per annum	
	%	RM'000	Within 1 year	1-5 years	%	RM'000	Within 1 year	1-5 years
			RM'000	RM'000		RM'000	RM'000	RM'000
Financial assets								
Deposits placed with licensed banks	2.90	3,961	3,961	-	2.61	4,074	4,074	-
Financial liabilities								
Secured fixed rate term loans *	3.83	630	446	155	5.48	2,524	1,782	742
Secured variable rate term loans	7.08	10,053	10,053	-	6.74	12,428	12,428	-
Unsecured fixed rate term loans	4.85	54,122	11,349	41,005	5.72	56,553	13,710	40,199
Unsecured variable rate term loans	5.82	14,653	14,653	-	6.70	9,266	9,266	-
Secured bank overdrafts	8.07	2,715	2,715	-	7.30	1,164	1,164	-
Unsecured bank overdrafts	7.65	4,580	4,580	-	7.22	5,360	5,360	-
Secured bills payables	4.03	4,235	4,235	-	3.46	1,601	1,601	-
Unsecured bills payables	3.39	129,360	129,360	-	3.27	140,025	140,025	-

* The effective interest rate on certain secured fixed rate term loans of certain subsidiaries amounting to Nil (2005 - RM2,795,000) is not available as their interest rate is subject to change upon expiry of the Funds for Small Medium Industries ("FSMI") and 3F Funds ("3F") scheme and the said loans have no fixed terms of repayment.

Company	2006				2005			
	Effective interest rate per annum		Effective interest rate per annum		Effective interest rate per annum		Effective interest rate per annum	
	%	RM'000	Within 1 year	1-5 years	%	RM'000	Within 1 year	1-5 years
			RM'000	RM'000		RM'000	RM'000	RM'000
Financial assets								
Advances to subsidiaries	5.99	17,000	5,662	11,338	-	-	-	-
Financial liabilities								
Unsecured fixed rate term loan	4.84	10,000	625	9,375	-	-	-	-

The effective interest rate on other advances to subsidiaries is not available as the advances have no fixed terms of repayment.

29. Financial instruments (Cont'd)

Fair values

Recognised financial instruments

At balance sheet date, the carrying amounts of trade and other receivables, trade and other payables and short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

The fair value of the fixed rate long term loan and advances to subsidiaries have been determined by discounting the relevant cash flows using the current interest rates for similar instruments at the balance sheet date.

Group	2006 Carrying amount RM'000	2006 Fair value RM'000	2005 Carrying amount RM'000	2005 Fair value RM'000
Financial liabilities				
Secured fixed rate term loans	630	546	2,524	2,462
Unsecured fixed rate term loans	54,122	39,719	56,553	52,868
Company				
Financial assets				
Advances to subsidiaries	17,000	15,007	-	-
Financial liabilities				
Unsecured fixed rate term loan	10,000	8,172	-	-

The fair values on certain secured term loan balances of certain subsidiaries cannot be established as their interest rate is subject to change upon expiry of the FSMI and 3F scheme and the said loans have no fixed terms of repayment.

Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 March 2006 are:

Group	2006 RM'000	2005 RM'000
Forward foreign exchange contracts		
- contractual value	6,735	94
- unrealised loss	(63)	-
	6,672	94

The above forward foreign exchange contracts have maturity of less than 12 months.

30. Subsidiaries

The principal activities of the subsidiaries and the interest of QL Resources Berhad are as follows:-

Name of Company	Principal activities	Effective ownership interest (%)	
		2006	2005
QL Feedingstuffs Sdn. Bhd. and its subsidiaries	Investment holding, distribution of animal feed raw materials and food grain	100.00	100.00
QL Agrofood Sdn. Bhd. and its subsidiary	Layer farming, processing, sale of animal feed, animal feed raw materials, lubricants and foodstuffs	100.00	100.00
Rikawawasan Sdn. Bhd.	Deep sea fishing	100.00	-
QL Feedmills Sdn. Bhd.	Processing, sale of animal feed and property holding	100.00	100.00
QL Poultry Farms Sdn. Bhd.	Layer farming	100.00	100.00
QL Properties Sdn. Bhd.	Property holding	100.00	100.00
QL Realty Sdn. Bhd.	Property holding	100.00	100.00
Pacific Vet Group (M) Sdn. Bhd. and its subsidiary	Investment holding	51.00	51.00
PVG Distribution Sdn. Bhd.	Distributors of feed supplements, animal health products, agricultural products and retailing of pets and pet supplies	51.00	51.00
Maxincome Resources Sdn. Bhd.	Distribution of lubricants oil	100.00	98.67
Chingsan Development Sdn. Bhd.	Dormant	100.00	100.00
Natural Oscar Sdn. Bhd.	Dormant	100.00	100.00
QL Agrovest Sdn. Bhd. (formerly known as Wijora Sdn. Bhd.)	Dormant	70.00	70.00
Banjaran Mentari Sdn. Bhd.	Layer farming, feed milling and distribution of animal feed raw materials	80.00	80.00
QL Distribution Sdn. Bhd.	Marketing and distribution of "FMCG" products	70.00	70.00
QL Deep Sea Fishing Sdn. Bhd.	Deep sea fishing	100.00	100.00

30. Subsidiaries (Cont'd)

The principal activities of the subsidiaries and the interest of QL Resources Berhad are as follows:-

Name of Company	Principal activities	Effective ownership interest (%)	
		2006	2005
Tong Len Poultry Farm Sdn. Bhd. and its subsidiaries	Investment holding, layer farming and feedmeal manufacturing	100.00	100.00
Tong Her Marine Products Sdn. Bhd.	Property holding	100.00	100.00
Adequate Triumph Sdn. Bhd.	Property holding	100.00	100.00
Tong Len Distribution Sdn. Bhd.	Meehoon manufacturing and general trading	100.00	100.00
Nada Eksklusif Sdn. Bhd.	Broiler processing and distribution	100.00	100.00
Ladang Ternakan Ayam Soon Sang (Tawau) Sdn. Bhd.	Integrated broiler farming including hatchery and breeding	100.00	100.00
QL Agrobio Sdn. Bhd. (formerly known as Mission Victory Sdn. Bhd.)	Dormant	51.00	-
Ansan Poultry Farm Sdn. Bhd.	Layer farming	80.00	-
QL Agroventures Sdn. Bhd. (formerly known as Success Icon Sdn. Bhd.)	Dormant	100.00	-
QL Oil Sdn. Bhd. and its subsidiaries	Investment holding and oil palm cultivation	100.00	100.00
Tong Len Plantation Sdn. Bhd.	Crude palm oil milling and oil palm cultivation	100.00	100.00
Tophill Corporation Sdn. Bhd.	Oil palm cultivation	100.00	100.00
Bukit Wang Sdn. Bhd.	Oil palm cultivation	100.00	100.00
QL Marine Products Sdn. Bhd. and its subsidiaries	Investment holding, manufacturing of surimi and surimi-based products	100.00	100.00
QL Foods Sdn. Bhd.	Manufacturing of surimi and surimi-based products	97.59	97.59
Sin Chip Huat Fishmeal Sdn. Bhd.	Manufacturing of fishmeal	97.59	97.59
Sin Hong Heng Fishmeal Sdn. Bhd. and its subsidiary	Manufacturing of fishmeal	62.32	62.32
Endau Deep Sea Fishing Sdn. Bhd.	Deep sea fishing	62.32	62.32
Figio Foods Sdn. Bhd.	Manufacturing and sales of frozen "halal" foodstuff	80.00	80.00
Figio Marketing Sdn. Bhd.	Sale of frozen "halal" foodstuff	100.00	80.00

30. Subsidiaries (Cont'd)

The principal activities of the subsidiaries and the interest of QL Resources Berhad are as follows:-

Name of Company	Principal activities	Effective ownership interest (%)	
		2006	2005
Fresh Choice Seafood Trading Sdn. Bhd. and its subsidiaries	Wholesale and export of seafood	80.00	-
Incokaya Sdn. Bhd.	Wholesale of marine products	80.00	-
Pasifik Raya Sdn. Bhd.	Coastal trawling and wholesale of marine products	80.00	-

All of the subsidiaries are incorporated in Malaysia and audited by KPMG.

30.1 The Company's shareholdings in non-wholly owned subsidiaries are as follows:

	Number of ordinary shares of RM1 each				At 31.3.2006
	At 1.4.2005	Rights issue	Bought	Sold	
Interest in non-wholly owned subsidiaries via QL Feedingstuffs Sdn. Bhd.					
Pacific Vet Group (M) Sdn. Bhd. and its subsidiary	1,020,000	530,400	-	-	1,550,400
PVG Distribution Sdn. Bhd.	2,000,000	-	-	-	2,000,000
Maxincome Resources Sdn. Bhd.	2,960,000	-	40,000	-	3,000,000
QL Agrovest Sdn. Bhd. (Formerly known as Wijora Sdn. Bhd.)	70,000	-	-	-	70,000
Banjaran Mentari Sdn. Bhd.	3,200,000	480,000	-	-	3,680,000
QL Distribution Sdn. Bhd.	4,200,000	-	-	-	4,200,000
Ansan Poultry Farm Sdn. Bhd.	-	-	3,250,000	-	3,250,000
QL Agrobio Sdn. Bhd.	-	-	510,000	-	510,000
Interest in non-wholly owned subsidiaries via QL Marine Products Sdn. Bhd.					
QL Foods Sdn. Bhd.	3,903,976	5,855,964	-	-	9,759,940
Sin Chip Huat Fishmeal Sdn. Bhd.	4,684,777	1,171,193	-	-	5,855,970
Sin Hong Heng Fishmeal Sdn. Bhd. and its subsidiary	824,500	1,649,000	-	-	2,473,500
Endau Deep Sea Fishing Sdn. Bhd.	2,000,000	-	3,000,000	-	5,000,000
Figgo Foods Sdn. Bhd.	336,002	403,999	1,279,999	-	2,020,000
Figgo Marketing Sdn. Bhd.	167,993	-	42,007	-	210,000
Fresh Choice Seafood Trading Sdn. Bhd. and its subsidiaries	-	1,600,000	-	-	1,600,000
Incokaya Sdn. Bhd.	-	100,000	-	-	100,000
Pasifik Raya Sdn. Bhd.	-	250,000	-	-	250,000

31. Significant events during the year

31.1 During the financial year, the Company undertook the following:

- (a) Bonus issue of 50,000,000 new ordinary shares of RM0.50 each on the basis of one (1) new ordinary share of RM0.50 each for every three (3) existing ordinary shares held. The issuance of bonus shares totaling RM25,000,000 was capitalised from the retained profits of the Company; and
- (b) Private placement of 20,000,000 ordinary shares of RM0.50 each at an issue price of RM2.47.

These new shares rank pari passu in all respects with the existing shares in issue of the Company.

31.2 In April 2005, QL Feedingstuffs Sdn. Bhd. ("QLF") and Tong Len Poultry Sdn. Bhd. ("TLPF"), wholly owned subsidiaries of the Company, entered into a joint venture agreement with Agrobiocare Sdn. Bhd. ("ABC") and Mission Victory Sdn. Bhd. (now known as QL Agrobio Sdn. Bhd.) ("QL Agrobio") to participate in a joint venture for the purpose commercial manufacture and sale of biologically digested feeding raw material.

QLF, TLPF and ABC have acquired/subscribed for the 1,000,000 ordinary shares in QL Agrobio in the following proportions.

	RM	Equity held (%)
QLF	505,000	50.50
TLPF	5,000	0.50
ABC	490,000	49.00
	1,000,000	100.00

31.3 In May 2005, QLF entered into a Sales and Purchase Agreement ("SPA") with Fabina Properties Sdn. Bhd. ("FPSB") for the purchase of two (2) parcels of freehold industrial land for the consideration of RM4,158,891 and RM500,722 respectively held under master title Geran 24082, Lot 48, Mukim Kapar, Daerah Klang, State of Selangor.

31.4 In July 2005, QL Marine Products Sdn. Bhd., a wholly owned subsidiary of the Company, entered into a Sales and Purchase Agreement to acquire 80% of the issued and paid-up share capital of Fresh Choice Seafood Trading Sdn. Bhd., a company incorporated in Malaysia, for cash consideration of RM6,376,000. The acquisition was completed in November 2005.

31.5 In September 2005, QLF acquired 80% of the issued and paid-up share capital of Ansan Poultry Farm Sdn. Bhd., a company incorporated in Malaysia, for a cash consideration of RM3,793,740.

31.6 In November 2005, QLF entered into a Share Acquisition Agreement to acquire 100% of the issued and paid-up share capital of Riteshop Sdn. Bhd., a company incorporated in Malaysia, for cash consideration of RM400,000. The acquisition was completed subsequent to year-end.

31.7 In March 2006, QLF acquired 100% of the issued and paid-up share capital of QL Agroventures Sdn. Bhd. (formerly known as Success Icon Sdn. Bhd.), a company incorporated in Malaysia, for cash consideration of RM2.

32. Significant events subsequent to balance sheet date

In July 2006, QL Agroventures Sdn. Bhd. (formerly known as Success Icon Sdn. Bhd.) entered into a Sale and Purchase Agreement ("SPA") to acquire all the movable and immovable assets from Paitan Sdn. Bhd. for a purchase consideration of RM15,670,000 and to sublease the native land from Mr. Lungkis Bin Boriga.

33. Acquisition of subsidiaries

During the financial year, the Group acquired the following companies:

- (a) QL Agrobio Sdn. Bhd. in April 2005, for cash consideration of RM510,000;
- (b) Ansan Poultry Farm Sdn. Bhd. in September 2005, for a cash consideration of RM3,793,740;
- (c) Fresh Choice Seafood Trading Sdn. Bhd. in November 2005, for cash consideration of RM6,376,000; and
- (d) QL Agroventures Sdn. Bhd. (formerly known as Success Icon Sdn. Bhd.) in March 2006, for cash consideration of RM2.

The acquisition was accounted for using the acquisition method of accounting. During the year ended 31 March 2006, these subsidiaries contributed a net profit of RM1,572,000 to the consolidated net profit for the year, as follows:

	31 March 2006
Income statement:	RM'000
Revenue	25,039
Operating costs	(22,783)
Profit before taxation	2,256
Tax expense	(349)
Profit after taxation	1,907
Less: Minority interest	(335)
Increase in the Group's net profit at the end of financial year	1,572

33. Acquisition of subsidiaries (Cont'd)

The acquisition had the following effect on the Group's assets and liabilities as at 31 March 2006:

	2006 RM'000
Balance sheet:	
Non-current assets	18,556
Current assets	11,733
Current liabilities	(14,535)
Long term and deferred liabilities	(4,912)
Net assets acquired	10,842
Minority interest	(2,465)
Group's share of net assets	8,377
Goodwill on acquisition	2,583
Increase in the Group's net assets	10,960

The fair values of assets and liabilities assumed in the acquisition and the cash flow effects are as follows:

	2006 RM'000
Non-current assets	15,982
Current assets	10,109
Current liabilities	(13,424)
Long term and deferred liabilities	(2,672)
Net assets acquired	9,995
Minority interest	(1,898)
Goodwill on acquisition	2,583
Consideration paid	10,680
Cash acquired	1,868
Net cash inflow	12,548

List of Properties

as at 31 March 2006

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
Sin Hong Heng Fishmeal Sdn Bhd	Lot 275, Geran Mukim 237 Mukim of Padang Endau & TLO 117, HS(D) 506 Township of Endau District of Mersing, Johor	Dec 1998	Lot 275: Freehold	Fishmeal & surimi factory & warehouse	Lot 275: 1.6212 ha	3,988	13
	11, Jalan Merlimau 86900 Endau, Johor		TLO 117: Leasehold expiring 28.2.2036		TLO 117: 0.1626 ha		5 4
Sin Hong Heng Fishmeal Sdn Bhd	Lot 1646, GM 351 Mukim Padang Endau District of Mersing, Johor	Dec 1998	Freehold	Vacant industrial land	0.3099 ha	80	N/A
	47, Jalan Mersing 86900 Endau, Johor						
Sin Chip Huat Fishmeal Sdn Bhd	Lot 164, 2647 & 3314 GM1653, GM1416 & GM2415 Mukim of Hutan Melintang District of Hilir Perak, Perak	Nov 2003	Freehold	Fishmeal factory, warehouse cum office	Gross Build-up area of 7,544 square metres	6,647	2
	Lot 2647, Jalan Tepi Sungai 36400 Hutan Melintang, Perak				4.365 ha		
QL Foods Sdn Bhd	Lot 148 & 9119 held under GM1264 & GM2111 Mukim of Hutan Melintang District of Hilir Perak, Perak	Dec 1998	Freehold	Surimi factory & fishmeal factory	Gross Build-up area of 3,771 square metres	3,312	12
	Lot 148 & 9119, Jalan Tepi Sungai 36400 Hutan Melintang, Perak				1.6144 ha		
QL Foods Sdn Bhd	Lot 9120 & 9121 held under GM2112 & GM2113 Mukim of Hutan Melintang District of Hilir Perak, Perak	Dec 1998	Freehold	Surimi-based products factory & warehouse cum office	Gross Build-up area of 2,804.17 square metres	4,538	6
	Lot 9120 & 9121, Jalan Tepi Sungai 36400 Hutan Melintang, Perak				1.4222 ha		
QL Foods Sdn Bhd	Lot 3397 held under GM2437 Mukim of Hutan Melintang District of Hilir Perak, Perak	Dec 1998	Freehold	Surimi-based products factory	Gross Build-up area of 1,260 square metres	1,330	6
	Lot 9120 & 9121, Jalan Tepi Sungai 36400 Hutan Melintang, Perak				0.837 ha		
QL Foods Sdn Bhd	Lot 3398 held under GM3194 Mukim of Hutan Melintang, District of Hilir Perak, Perak	(28.11.2003)	Freehold	Surimi-based products factory	Gross Build-up area of 3,500 square metre	4,098	1
	Lot 9120 & 9121 Jalan Tepi Sungai 36400 Hutan Melintang, Perak				1.3506 ha		

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
QL Realty Sdn Bhd	Lot 5275 held under GM5693 Mukim of Hutan Melintang District of Hilir Perak, Perak Jalan Simpang Empat-Sabak Bernam, 36400 Hutan Melintang, Perak	Dec 1998	Freehold	Agriculture land planted with oil palm	4.565 ha	759	N/A
QL Properties Sdn Bhd	Lot 5189, Geran 9406 Mukim of Kuala Kuantan Kuantan Pahang	Dec 1998	Freehold	Vacant agriculture land	5.491 ha	180	N/A
QL Feedmills Sdn Bhd	CL 015569258 Kota Kinabalu, Sabah NT 5258, Mile 6.5 Off Jln Tuaran, 88450 Inanam Kota Kinabalu, Sabah	Dec 1998	Leasehold to 31.12.2096	Warehouse cum administrative office	1.28 ha Gross Build-up area of 1,183 square metres	3,637	7
QL Agrofood Sdn Bhd	CL 025093207 & NT 023078140 Papar, Sabah	Dec 1998	CL 025093207: Leasehold to 17.6.2937 NT 023078140 Leasehold to 31.12.2093	Chicken layer farm	7.280 ha	1,327	8
QL Agrofood Sdn Bhd	CL 025311835 & PL 026184663 Kampung Kelatuan Jalan Bukit Manggis District of Papar, Sabah	Dec 1998	CL 025311835: Leasehold to 31.12.2051 PL 026184663: Leasehold to 31.12.2057	Agriculture land planted with oil palm together with chicken layer farm	CL 025311835: 19.55 acres PL 026184663: 23.45 acres	2,656	5
QL Agrofood Sdn Bhd	NT013090689 Kampung Darau District of Kota Kinabalu Sabah	(24.4.2004)	Freehold	Vacant land	1 acre	332	N/A
QL Marine Products Sdn Bhd	CL045081687 CL045076042 Kampung Bolong District of Tuaran, Sabah	(27.12.02) (19.9.2003)	Leasehold to 27.4.2929 Leasehold to 20.11.2928	Surimi & fishmeal factory	26 acres 3 acres	11,179	2
QL Marine Products Sdn Bhd	NT043132449 Kampung Bolong District of Tuaran, Sabah	(16.11.2005)	Freehold	Water reservoir	1.319 acres	238	N/A
QL Marine Products Sdn Bhd	CL015493704 Sepangar Bay, Menggatal, Kota Kinabalu, Sabah	(29.12.2005)	Leasehold to 31.12.2042	Jetty	0.405 ha	2,819	1

List of Properties

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
Fresh Choice Seafood Trading Sdn. Bhd.	CL015385716 (Lot 5) CL015385725 (Lot 6) & CL015385887 (Lot 22) Mile 5, Tuaran, District of Kota Kinabalu, Sabah	(July 2005)	Leasehold to 31.12.2034	Seafood products factory & office	10,920 sq. ft. 20,890 sq. ft. 7,480 sq. ft.	2,307	26
QL Feedingstuffs Sdn Bhd	Lot 24, 25 & 26, West Coast Furniture Association Site Off Jalan Sepangar Bay District of Kota Kinabalu, Sabah	Dec 1998	Leasehold (No individual title yet)	Vacant agriculture land	8,607 square metres	632	N/A
QL Feedingstuffs Sdn Bhd	PT 11542, HS(D) 13016 Mukim of Kapar, Klang, Selangor 27, Jalan 5, Kawasan 16 Taman Intan, 41300 Klang Selangor	Dec 1998	Freehold	3 storey corner lot shophouse	178.18 square metres	165	20
QL Feedingstuffs Sdn Bhd	PT 17697, HSD 142752 & PT 17698, HSD 142753, Mukim Damansara, Selangor No. 16 & 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor	(3.12.2002)	Freehold	2 units of semi-detached factories of 3 storey use as corporate head office	6,611.26 square metres	5,889	Less than 1 year
Natural Oscar Sdn Bhd	Lot 59, Section 12, Phase 1B Pulau Indah Industrial Park Pulau Indah, Mukim of Klang Klang, Selangor	Dec 1998	Leasehold 30.03.2097	Vacant industrial land	1.1 acres	662	N/A
Chingsan Development Sdn Bhd	Lot 58, Section 12, Phase 1B Pulau Indah Industrial Park Pulau Indah, Mukim of Klang Klang, Selangor	Dec 1998	Leasehold 30.03.2097	Vacant industrial land	1.48 acres	908	N/A
Ansan Poultry Farm Sdn Bhd	Lot 400, GM4447 Tempat Kuala Garing, Mukim Rawang, Daerah Gombak Negeri Selangor	30.8.2005	Freehold agricultural land	Poultry farm (Rawang)	3 acres	1,285	23
Ansan Poultry Farm Sdn Bhd	Lot 401, GM4445 Tempat Kuala Garing, Mukim Rawang, Daerah Gombak Negeri Selangor	30.8.2005	Freehold agricultural land	Poultry farm (Rawang)	8 acres	2,814	23
Ansan Poultry Farm Sdn Bhd	Lot 724, GM4446 Tempat Kuala Garing, Mukim Rawang, Daerah Gombak Negeri Selangor	30.8.2005	Freehold agricultural land	Poultry farm (Rawang)	4 acres	1,731	23

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
Ansan Poultry Farm Sdn Bhd	Lot 2438, GM181, Mukim Rasa, Daerah Hulu Selangor, Negeri Selangor	(12.10.1996)	Freehold agricultural land	Poultry farm (Rasa Lama)	1,214 ha	200	9
Ansan Poultry Farm Sdn Bhd	H.S.(D) 28208, PT 12090 Mukim Rawang, Daerah Gombak, Negeri Selangor	(9.11.2004)	Freehold	Rented	153.28 square metres	212	11
Ansan Poultry Farm Sdn Bhd	HS(M) 24940, PT 26100 Mukim of Kuala Kuantan Padang Lalang Pahang Darul Makmur	(13.4.1996)	Freehold industrial land	1 1/2 storey warehouse as the trading office for Kuantan branch	171 square metres	173	10
QL Poultry Farms Sdn Bhd	Lot 1338/5, HSD 1318 Lot 1338/6, HSD 1319 Lot 1338/7, HSD 1320 Lot 1338/11, HSD 1324 Lot 1338/12, HSD 1325 Lot 1338/13, HSD 1326 Lot 1338/14, HSD 1327 Lot 1338/22, HSD 1335 Mukim of Setul, District of Seremban, Negeri Sembilan Lot 1338/5, Pajam 71700 Mantin, Negeri Sembilan	(15.12.2000)	Freehold	Chicken layer farm	2,001 ha 2,002 ha 2,406 ha 2,403 ha 2,405 ha 2,407 ha 2,386 ha 3,167 ha	4,402	1 to 3
QL Poultry Farms Sdn Bhd	HS (D) No. 11264, PT No. 5282, Mukim of Port Dickson, District of Port Dickson, in the State of Negeri Sembilan Darul Khusus	Dec 1998	Leasehold to 21.9.2057	Vacant land	13.1528 ha	138	N/A
Banjaran Mentari Sdn Bhd	Serian Lease of Crown land at Kuching, Sarawak: No.2292 No.4387 No.6203 No.6261 No.8710 No.9920 No. 3989 No. 11041 Occupation Ticket: No. 11002 No. 9864 Lot No.197 Lot No. 264 Lot No. 442 Lot No. 665 Lot No. 78 Lot No. 860 Sentah Segu Land District Simanggang Road, Sarawak	 Dec 1998 Dec 1998 Dec 1998 Dec 1998 Dec 1998 Dec 1998 (31.07.2000) (30.11.2000) Dec 1998 Dec 1998 (31.10.2000) (31.10.2000) (31.10.2000) Dec 1998 (15.05.2000) (28.07.2003)	Leasehold to 17.04.2011 21.02.2012 09.09.2012 31.12.2008 31.12.2040 13.11.2015 30.09.2011 11.02.2017 31.12.2034 31.12.2031 31.12.2040 31.12.2040 31.12.2040 31.12.2031 04.01.2038 27.07.2063	Chicken layer farm with mixed zone land with farm building thereon	 2,481 ha 2,274 ha 9,308 sq. m. 1,176 ha 2,432 ha 2,987 ha 4,322 ha 2,934 ha 1,437 ha 2,428 ha 0,809 ha 0,409 ha 1,157 ha 1,972 ha 9,389 sq. m. 1,963 ha	2,005	8

List of Properties

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
Figo Foods Sdn Bhd	PTD 44769 & PTD 44770 under HSD 160471 & HSD 160472 Mukim of Pulai 23 & 25, Jalan Perdagangan 16 Taman Universiti Industrial Park 81300 Skudai, Johor	Aug 2001	Freehold	Factory	12,000 sq. ft.	745	13
Figo Foods Sdn Bhd	PTD 44797 & PTD 44796 under HSD 160499 & HSD 160498 Mukim of Pulai 22 & 24, Jalan Perdagangan 16 Taman Universiti Industrial Park 81300 Skudai, Johor	Sept 2001	Freehold	Factory	12,000 sq. ft.	1,126	13
Figo Foods Sdn Bhd	PTD 25829 under HSD 34264 Mukim of Kajang 9, Jalan Perusahaan 1 Taman Perindustrian Selesa Jaya (Li Fong Industrial Park) 43300 Balakong, Selangor	Aug 2001	Freehold	Warehouse	2,427 sq. ft.	393	12
Adequate Triumph Sdn Bhd	CL 105244406, CL 105244317 CL 105244380, CL 105244335 KM 8.5, Apas Road District of Tawau, Sabah	Dec 1998	Leasehold to: 24.10.2916	Vacant light industrial land	2.527 ha	1,936	N/A
Tong Len Plantation Sdn Bhd	CL105355977 Mile 42, alongside Tawau-Kunak Highway Tawau, Sabah	Dec 1998	Leasehold to: 31.12.2076	Agricultural land planted with oil palm together with palm oil mill & building thereon	81.06 ha	8,760	8
Tong Len Plantation Sdn Bhd	CL 105336034 CL 105336025 CL 105339633 CL 105452033 Kalumpang, District of Tawau Tawau, Sabah	(20.02.2000)	Leasehold to: 31.12.2071 31.12.2072 31.12.2071 31.12.2078	Oil palm estate with farm buildings	799.11 acres	7,190	6
Tong Len Plantation Sdn Bhd	NT 243021463 Tingkey locality Lahad Datu-Kunak Highway District of Kunak, Sabah	(17.02.2006)	Freehold	Oil palm estate	14.93 acres	92	N/A

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
QL Oil Sdn Bhd	CL 105345346	Dec 1998	Leasehold to: 31.12.2073	Oil palm estate with farm buildings	36.20 ha	831	8
	CL 105345355						
	CL 105345337						
	CL 105345328						
	CL 105345300						
	CL 105345319						
	Kawa Hill Locality Tawau, Sabah						
QL Oil Sdn Bhd	CL 125312281	(12.06.1998)	Leasehold to: 31.12.2072	Oil palm estate	5.92 ha	131	N/A
	Mile 53, Semporna Road District of Semporna, Sabah						
QL Oil Sdn Bhd	CL 245353422	(13.12.1999)	Leasehold to: 31.12.2085	Oil palm estate with farm buildings	40.36 ha	883	9
	Tingkayu locality, District of Kunak, Sabah						
QL Oil Sdn Bhd	NT 243019178	(09.08.2002)	Freehold	Oil palm estate with farm buildings	2.525 ha	1,553	4
	NT 243019187				2.741 ha		
	NT 243019196				2.798 ha		
	NT 243019203				2.807 ha		
	NT 243019212				2.876 ha		
	NT 243019221				2.886 ha		
	NT 243019230				2.844 ha		
	NT 243019249				2.972 ha		
	NT 243019258				2.775 ha		
	NT 243019267				2.907 ha		
	NT 243019276				2.857 ha		
	NT 243019285				2.868 ha		
	NT 243019294				2.934 ha		
	NT 243019301				2.884 ha		
	NT 243019310				2.837 ha		
	NT 243019329				2.867 ha		
	NT 243019338				2.726 ha		
	NT 243019347				2.729 ha		
	NT 243019356				2.576 ha		
	NT 243019365				2.605 ha		
	NT 243019374				2.720 ha		
	NT 243019383				2.538 ha		
	NT 243019392				2.826 ha		
	NT 243019418				2.674 ha		
	NT 243019427				2.719 ha		
	NT 243019436				2.608 ha		
	NT 243019445				2.206 ha		
	NT 243019454				2.431 ha		
	NT 243019463				2.826 ha		
	NT 243019472				2.738 ha		
	NT 243019481				2.706 ha		
	Tingkayu locality District of Kunak, Sabah						

List of Properties

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
QL Oil Sdn Bhd	CL 245319797 CL 245319877 CL 245319886 CL 245319804 Tingkeyu locality District of Kunak, Sabah	(15.11.2001)	31.12.2071	Oil palm estate with farm buildings	61.05 acres	362	5
Tong Len Poultry Farm Sdn Bhd	CL 105242028 CL 105241996 CL 105241950 CL 105451572 KM 21, Apas Parit locality, District of Tawau, Sabah	Dec 1998	Leasehold to: 12.07.2933 29.07.2933 21.05.2925 31.12.2057	Chicken layer farm	13.668 ha	3,951	N/A
Tong Len Poultry Farm Sdn Bhd	PL 106290135 Mile 16, Kg. Wakuba Jalan Apas, Tawau	(13.07.2005)	Leasehold to: 22.06.2064	Agriculture land planted with cocoa	11.57 acres	378	N/A
Tong Len Poultry Farm Sdn Bhd	CL 105240864 PL 106260628 Jalan Hamzah, Off Mile 8 Jalan Apas, Tawau, Sabah	(21.01.2006) (21.01.2006)	Leasehold to: 15.03.2061 31.12.2060	Agriculture land planted with cocoa	11.78 acres 22.72 acres	373 720	N/A N/A
Tong Len Plantation Sdn Bhd	CL 245321037 PL 246291092 PL 116291083 CL 245354170 Tingkeyu, Lahad Datu-Kunak Highway, District of Kunak Sabah	(11.07.2000)	Leasehold to: 31.12.2072 31.12.2073 31.12.2073 31.12.2078	Oil palm estate together with palm oil mill & building thereon	76.53 ha	10,693	6
Tong Len Plantation Sdn Bhd	CL 245360810 Tingkeyu, Lahad Datu-Kunak Highway, District of Kunak Sabah	(07.11.2000)	Leasehold to: 31.12.2092	Oil palm estate	5.65 ha	80	N/A
Tong Len Plantation Sdn Bhd	NT 243011547 NT 243011538 Kampung Tingkeyu, Lahad Datu-Kunak Highway District of Kunak, Sabah	(01.01.1999)	Freehold	Oil palm estate with farm buildings	11.44 ha	180	7

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
Tong Len Plantation Sdn Bhd	NT 103041265 Sungai Burung, District of Tawau, Sabah	(01.01.2000)	Freehold	Oil palm estate	3.68 ha	14	N/A
Tong Len Plantation Sdn Bhd	18 NT Title NT 243021883 NT 243021954 NT 243021758 NT 243021794 NT 243021810 NT 243021838 NT 243021927 NT 243021829 NT 243021963 NT 243021945 NT 243021918 NT 243021776 NT 243021936 NT 243021892 NT 243021847 NT 243021785 NT 243021909 NT 243021749 Tingkayu locality, Lahad Datu-Kunak Highway, District of Kunak, Sabah	(01.07.2001)	Freehold	Oil palm estate with farm buildings	89.62 ha	1,242	5
Tong Len Plantation Sdn Bhd	7 NT Title NT 243021874 NT 243021865 NT 243021972 NT 243021730 NT 243021767 NT 243021801 NT 243021856 Tingkayu locality, Lahad Datu-Kunak Highway, District of Kunak, Sabah	(16.11.2001)	Freehold	Oil palm estate	34.43 ha	455	N/A
Tong Len Plantation Sdn Bhd	NT 243021598 NT 243021589 NT 243021570 Sabahan, Kunak	(27.08.2002)	Freehold	Water reservoir & empty fruit bunches disposal (for oil mill 2)	8.615 ha	87	N/A

List of Properties

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
Tophill Corporation Sdn Bhd	CL 245327397	Dec 1998	Leasehold to:	Oil palm estate with farm buildings	241.47 ha	4,065	8
	CL 245319859	(25.11.1998)	31.12.2069				
	CL 245319779	(25.11.1998)	31.12.2071				
	CL 245319788	(25.11.1998)	31.12.2071				
	CL 245319939	(02.01.1999)	31.12.2072				
	CL 245319966	(02.01.1999)	31.12.2072				
	CL 245319868	(02-03.1999)	31.12.2071				
	CL 245319322	(05.05.1999)	31.12.2071				
	CL 245319350	(05.05.1999)	31.12.2071				
	CL 245319948	(05.10.1999)	31.12.2072				
	CL 245319331	(05.10.1999)	Title pending				
	CL 245319957	(26.10.1999)	31.12.2072				
	NT 243009118	(02.10.2000)	Title pending				
	NT 243009127	(02.10.2000)	Freehold				
	NT 243009136	(02.10.2000)	Freehold				
	NT 243017441	(01.02.2000)	Freehold				
	NT 243017478	(01.02.2000)	Freehold				
	NT 243017469	(01.02.2000)	Freehold				
	NT 243017450	(01.02.2000)	Freehold				
	NT 243009172	(01.02.2000)	Freehold				
	NT 243009163	(13.12.1999)	Freehold				
	NT 243009154	(13.12.1999)	Freehold				
	NT 243099145	(13.12.1999)	Freehold				
	NT 243009109		Title pending				
	LA 74111454 (CL 245361764)	(11.11.1999)	31.12.2072				
	LA 74111455 (CL 245361755)	(11.11.1999)	31.12.2072				
	LA 74111456 (CL 245361746)	(11.11.1999)	31.12.2072				
	LA 74111457 (CL 245361737)	(11.11.1999)	31.12.2072				
	Tingkayu locality, District of Kunak, Sabah						
Bukit Wang Sdn Bhd	CL 245327404	Dec 1988	31.12.2069	Oil palm estate with farm buildings	85.44 ha	1,908	8
	CL 245332521		31.12.2069				
Tingkayu, Lahad Datu-Kunak Highway, District of Kunak Sabah							
Tong Her Marine Products Sdn Bhd	CL 245361371	(17.4.2001)	31.12.2097	Vacant land	4.035 ha	151	N/A
	Kunak Jaya, Kunak						
Ladang Ternakan Ayam Soon Sang (Tawau) Sdn Bhd	CL 105342792	02.08.2002	Leasehold to:	Hatchery farm	1.97 acres	54	18
	Mile 8, Apas Road, Tawau		31.05.2051				
Ladang Ternakan Ayam Soon Sang (Tawau) Sdn Bhd		02.08.2002	Leasehold to:	Poultry farm (Building owner: Tong Len Poultry Farm Sdn Bhd)	15.06 acres	177	N/A
	CL 105127535		24.10.2934				
	PL 106158285		31.08.2051				
	PL 106148136		17.05.2049				
	Mile 8, Apas Tiku, Tawau						

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)	Tenure	Existing use	Land and build-up area	Net book value (RM'000)	Age of building (years)
Ladang Ternakan Ayam Soon Sang (Tawau) Sdn Bhd	CL 105240551 CL 105240560 Mile 11, Tinagat, Tawau	02.08.2002	Leasehold to: 12.02.2061 02.03.2061	Poultry farm (Building owner: Tong Len Poultry Farm Sdn Bhd)	44.60 acres	133	N/A
Ladang Ternakan Ayam Soon Sang (Tawau) Sdn Bhd	PL 106181202 PL 106181211 PL 106181248 PL 106260164 Mile 12, Apas Parit, Tawau	02.08.2002	Leasehold to: 31.12.2057 31.12.2057 Leasehold to: 24.12.2058 05.08.2060	Poultry farm (Building owner: Tong Len Poultry Farm Sdn Bhd)	60.9 acres	309	N/A
Nada Eksklusif Sdn Bhd	CL 105467221 CL 105467212 CL 105467230 CL 105467249 TL 107519924 Mile 3.5, Apas Road, Tawau	12.08.2002	Leasehold to: 31.12.2073	Light industrial building & chicken slaughter/processing house	(square feet) 5,022 7,497 5,654 1,684 15,370	903	15
Nada Eksklusif Sdn Bhd	Lot No. 3 on master title TL 107529608 MPT 4387, Lot 3, Block B Pasar Raya Plaza, Tawau	(27.08.1999)	-	4 storey shophouse	437.03 square metres	849	7

Shareholders' Analysis Report

as at 30 June 2006

Authorised Share Capital : RM200,000,000
Issued and Paid-up Capital : RM110,000,000
Type of Shares : Ordinary shares of RM0.50 each
Voting Rights : One vote per ordinary share

Shareholders by Size of Holdings

No. of Holders	Holdings	Total Holdings	%
78	less than 100	3,447	0.00
206	100 to 1,000	177,355	0.08
1,261	1,001 to 10,000	5,916,504	2.69
491	10,001 to 100,000	15,036,744	6.83
131	100,001 to less than 5% of issued shares	70,105,603	31.87
2	5% and above of issued shares	128,760,347	58.53
2,169		220,000,000	100.00

Directors' Shareholdings

The direct and deemed interests of the Company's Directors remained the same as are stated in Page 23 of the Annual Report.

Substantial Shareholders

Name of Shareholders	Shareholdings	%
1 CBG Holdings Sdn. Bhd.	100,038,014	45.47
2 Farsathy Holdings Sdn. Bhd.	28,756,117	13.07

List of 30 Largest Shareholders

	Name of Shareholders	Shareholdings	%
1	CBG Holdings Sdn. Bhd.	100,021,347	45.46
2	Farsathy Holdings Sdn. Bhd.	28,739,000	13.06
3	Koperasi Permodalan Felda Berhad	5,772,600	2.62
4	HSBC Nominees (Asing) Sdn Bhd Beneficiary: Exempt An For JPMorgan Chase Bank, National Association (Jersey)	3,190,466	1.45
5	HSBC Nominees (Asing) Sdn Bhd Beneficiary: BBH and Co Boston for Smaller Companies Portfolio (GEMOFL)	3,040,000	1.38
6	Citigroup Nominees (Tempatan) Sdn Bhd Beneficiary: Exempt An For Prudential Assurance Malaysia Berhad	2,820,000	1.28
7	BHLB Trustee Berhad Beneficiary: TA Small Cap Fund	1,927,800	0.88
8	Chen Fun Chow	1,638,867	0.74
9	Universal Trustee (Malaysia) Berhad Beneficiary: Alliance First Fund	1,633,334	0.74
10	Lee Sing Hin	1,520,000	0.69
11	BHLB Trustee Berhad Beneficiary: Prugrowth Fund	1,517,667	0.69
12	Employees Provident Fund Board	1,481,233	0.67
13	Liu Sin	1,335,600	0.61
14	HSBC Nominees (Tempatan) Sdn Bhd Beneficiary: HSBC (M) Trustee Bhd for Hwang-DBS Select Small Caps Fund (4579)	1,200,000	0.55
15	Chia Siang Eng	1,104,531	0.50
16	Amanah Raya Nominees (Tempatan) Sdn Bhd Beneficiary: Public Islamic Opportunities Fund	1,052,600	0.48
17	HSBC Nominees (Tempatan) Sdn Bhd Beneficiary: HSBC (M) Trustee Bhd for Prudential Dynamic Fund (4496)	1,048,700	0.48
18	SJ SEC Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Ariff Firdaus Bin Zabir (SJ8)	1,003,834	0.46
19	Ngeam Chong Kwai	992,000	0.45
20	Chia Teow Guan	968,000	0.44
21	Chia Bak Lang	900,000	0.41
22	Cheah Yaw Song	862,000	0.39
23	Low Leh Kian	840,000	0.38
24	Public Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Liao Su Fah (E-TWU)	813,967	0.37
25	Pan Lee Sdn. Bhd.	786,400	0.36
26	Tan Thean Hock	786,067	0.36
27	Khoo Ng Hiong	783,000	0.36
28	EB Nominees (Tempatan) Sendirian Berhad Beneficiary: Pledged Securities Account for Zabir Bin Bajuri (SFC)	763,600	0.35
29	Chew Su Lian	728,757	0.33
30	Liu Tze Yee	714,000	0.32
		169,985,370	77.27

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 9th Annual General Meeting has been scheduled on Tuesday, 29 August 2006 at 10.00 a.m. to be held at Topas Room, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan.

AGENDA

- (1) To receive and adopt the Financial Statements for the financial year ended 31 March 2006 together with the Directors' and Auditors' Report thereon. *Resolution 1*
- (2) To declare a final dividend of 9 sen per ordinary share of RM0.50 each less income tax in respect of the financial year ended 31 March 2006. *Resolution 2*
- (3) To re-elect the following Directors who retire in accordance with Article No. 98 of the Company's Articles of Association:

Mr Chia Song Kun *Resolution 3*
Mr Chia Seong Pow *Resolution 4*
Mr Chia Mak Hooi *Resolution 5*
- (4) To approve the Directors' fees for the financial year ended 31 March 2006. *Resolution 6*
- (5) To re-appoint Messrs. KPMG as the auditors of the Company and to authorise the Directors to fix their remuneration. *Resolution 7*
- (6) **Special business** *Resolution 8*

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That pursuant to Section 132D of the Companies Act, 1965, and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company."
- (7) To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

Notice of Dividend Entitlement and Payment

NOTICE IS ALSO HEREBY GIVEN that the final dividend, if approved, will be paid on 27 September 2006 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 8 September 2006.

A Depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 8 September 2006 in respect of transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Ng Geok Ping
Company Secretary

Shah Alam, Selangor Darul Ehsan
4 August 2006

NOTES:-

1. *A member of the Company entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote in his place. Where a member appoints two proxies or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.*
2. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, at least 48 hours before the appointed time of holding the Meeting.*
3. *In the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.*
4. *The details of the directors who are standing for re-election at the 9th Annual General Meeting are available on Pages 6 to 9 of the Annual Report.*
5. *Explanatory Statement on Special Business*

Resolution 8

The ordinary resolution proposed, if passed will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

Recurrent Related Party Transactions

of revenue or trading nature of QL Resources Berhad Group
as at 31 March 2006

Nature of Transaction	Related Parties	Interested Directors and/or major Shareholders	Estimated value from date of our forthcoming AGM to the next AGM* RM	Transacted value for financial year ended 31 March 2006 RM	Transacted value for the period 1 April 2006 to 31 May 2006 RM
Purchase of animal feeds from Banjaran Mentari Sdn. Bhd.	Success Portfolio Sdn. Bhd.	Dr Ng Siew Thiam CBG Holdings Sdn. Bhd. ⁽¹⁾ Farsathy Holdings Sdn. Bhd. ⁽²⁾	3,500,000.00	3,393,722.44	652,572.10
Purchase of animal feeds from QL Agrofood Sdn. Bhd.	M.B. Agriculture (Sabah) Sdn. Bhd.	CBG Holdings Sdn. Bhd. ⁽¹⁾ Farsathy Holdings Sdn. Bhd. ⁽²⁾	14,000,000.00	9,485,562.05	1,437,624.60
Sale of fish to QL Foods Sdn. Bhd.	Sin Teow Fatt Trading Co.	Chia family Cheah Juw Teck Chia Mak Hooi	1,500,000.00	947,434.02	122,716.45
Purchase of surimi from QL Foods Sdn. Bhd.	Fusipim Sdn. Bhd.	Chia family Eng Seng Poo	1,500,000.00	1,164,252.00	404,034.00
Purchase of surimi-based products from QL Foods Sdn. Bhd.	Mr Cheah Joo Kiang	Cheah Yaw Song Cheah Juw Teck	1,500,000.00	1,789,330.10	292,156.80
Purchase of animal feeds from QL Agrofood Sdn. Bhd.	Arena Dijaya Sdn. Bhd.	CBG Holdings Sdn. Bhd. ⁽¹⁾ Farsathy Holdings Sdn. Bhd. ⁽²⁾	3,000,000.00	1,918,352.30	206,580.60
Purchase of animal feeds from Nada Eksklusif Sdn. Bhd.	Arena Dijaya Sdn. Bhd.	Liu Sin CBG Holdings Sdn. Bhd. ⁽¹⁾ Farsathy Holdings Sdn. Bhd. ⁽²⁾	3,000,000.00	nil	nil
Purchase of animal feeds from Nada Eksklusif Sdn. Bhd.	M.B. Agriculture (Sandakan) Sdn. Bhd.	Liu Sin CBG Holdings Sdn. Bhd. ⁽¹⁾ Farsathy Holdings Sdn. Bhd. ⁽²⁾	3,000,000.00	1,286,415.02	685,976.82

Notes:

* The above estimated values of transactions are based on values transacted for the year ended 31 March 2006. However, the value of these transactions may be subjected to changes in the current financial year.

(1) The directors, shareholders and person connected of CBG are as follows:-

Chia Song Kun	Director	Shareholder
Chia Song Kang	Director	Shareholder
Chia Song Pou	Director	Shareholder
Chia Song Swa	Director	Shareholder
Chia Song Kooi	Director	Shareholder
Cheah Yaw Song	Director	Shareholder
Chia Song Phuan	Director	Shareholder
Chia Teow Guan	Director	Shareholder
Chia Mak Hooi	Director	Shareholder
Chia Bak Lang	-	Shareholder
Chia Cheong Soong	-	Shareholder
Cheah Juw Teck	-	-

(2) The directors, shareholders and persons connected of Farsathy are as follows:-

Chia Seong Pow	Director	Shareholder
Chia Suan Hooi	Director	Shareholder
Chia Seong Fatt	Director	Shareholder
Chia Chong Lang	-	Shareholder
Sim Ahi Yok	-	Shareholder
Chia Chw Pew	-	Shareholder
Koh Kwee Choo	-	Shareholder
Chia Chew Seng	-	Shareholder
Chia Chiew Yang	-	Shareholder
Chia Chew Ngee	-	Shareholder
Chia Bak Lang	-	-
Chia Chew Fon	-	-

The Proposed RRPT Mandate will apply to the following Related Parties:

Success Portfolio Sdn. Bhd. ("SP")

SP is a company engaged in livestock farming which Dr Ng Siew Thiam has interest. Dr Ng Siew Thiam is a director and shareholder in Banjaran Mentari Sdn. Bhd. SP is 75% owned by Ruby Technique Sdn. Bhd. ("RT") which in turn is 77.67% and 22.33% owned by CBG Holdings Sdn. Bhd. ("CBG") and Farsathy Holdings Sdn. Bhd. ("Farsathy") respectively. CBG and Farsathy are the major shareholders of QL.

M.B. Agriculture (Sabah) Sdn. Bhd. ("MB (Sabah)")

MB (Sabah) is engaged in livestock farming and is wholly owned by RT.

M.B. Agriculture (Sandakan) Sdn. Bhd. ("MB (Sandakan)")

MB (Sandakan) is engaged in livestock farming which Mr Liu Sin is a director and shareholder. He is also a director of Tong Len Poultry Farm Sdn. Bhd. ("TLPF") and Nada Eksklusif Sdn. Bhd. MB (Sandakan) is 90% owned by RT.

Sin Teow Fatt Trading Co. ("STF")

STF is a partnership involved in fish wholesale and it is owned by Mr Chia Teow Guan, Mr Chia Song Pou, Mr Cheah Yaw Song and Mr Chia Song Phuan.

Fusipim Sdn. Bhd. ("Fusipim")

Fusipim is a company involved in food processing and distribution. The directors and shareholders are Madam Chia Kah Chuan and her spouse Mr Eng Seng Poo.

Arena Dijaya Sdn. Bhd. ("Arena")

Arena is engaged in livestock farming and is 90% owned by RT. Mr Chia Seong Fatt and Mr Chia Song Kooi are directors of Arena. Mr Liu Sin is a director and shareholder of Arena.

Common Directors

Chia Song Kun is a Director of QL and TLPF.

Chia Seong Pow is a Director of QL.

Chia Seong Fatt is a Director of QL, SP, MB (Sabah), MB (Sandakan), TLPF and Arena.

Chia Song Kooi is a Director of QL, SP, MB (Sabah), MB (Sandakan), TLPF and Arena.

Dr Ng Siew Thiam is a Director of SP.

Liu Sin is a Director of MB (Sandakan), TLPF and Arena.

Other than as disclosed above, there are no common Directors in QL, SP, MB (Sabah), MB (Sandakan), STF, Fusipim, TLPF and Arena.

Common Shareholders

Chia Song Kun is a shareholder in QL and CBG.

Chia Seong Pow is a shareholder in QL and Farsathy.

Chia Seong Fatt is a shareholder in QL and Farsathy.

Chia Song Kooi is a shareholder in QL and CBG.

Dr Ng Siew Thiam is a shareholder in SP.

Liu Sin is a shareholder in MB (Sandakan) and Arena.

Other than as disclosed above, there are no common shareholders in QL, SP, MB (Sabah), MB (Sandakan), STF, Fusipim, TLPF and Arena.

Form of Proxy



QL RESOURCES BERHAD

(428915-X)

I/We
(FULL NAME IN BLOCK LETTERS)

of
(FULL ADDRESS)

being a member/ members of QL Resources Berhad, hereby appoint
(FULL NAME)

of
(FULL ADDRESS)

or failing him,

of

as my/our proxy/proxies to vote for me/us on my/our behalf at the 9th Annual General Meeting of the Company, to be held at Topas Room, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 29th day of August 2006 at 10.00 a.m., or at any adjournment thereof.

My/our proxy is to vote as indicated below:

Resolutions	For	Against
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		

Please indicate with an "X" or "✓" in the space provided as to how you wish your votes to be cast on the resolution specified in the Notice of 9th Annual General Meeting. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

Signed this _____ day of _____ 2006

Signature/Seal

No. of shares held

Notes:-

1. A member of the Company entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote in his place. Where a member appoints two proxies or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, at least 48 hours before the appointed time of holding the Meeting.
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Stamp

The Secretary,

QL RESOURCES BERHAD (428915-X)

No 16A, Jalan Astaka U8/83
Bukit Jelutong
40150 Shah Alam
Selangor Darul Ehsan, Malaysia.

QL RESOURCES BERHAD (428915-X)

Registered Office

No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan.

Tel: 03-7801 2288 Fax: 03-7801 2228