

# Income Statements

For The Financial Year Ended 31 December 2006

Amounts in RM'000 unless otherwise stated

	Note(s)	Group		Company	
		2006	2005 Restated	2006	2005 Restated
Revenue	5&6	<b>576,578</b>	522,720	<b>49,551</b>	111,132
Cost of sales	7	<b>(309,350)</b>	(282,885)	<b>(2,391)</b>	(31,589)
Gross profit		<b>267,228</b>	239,835	<b>47,160</b>	79,543
Other income		<b>15,426</b>	37,175	<b>894,220</b>	88,602
Selling and distribution costs		<b>(32,095)</b>	(29,959)	<b>(360)</b>	(4,772)
Administration expenses		<b>(22,420)</b>	(20,547)	<b>(16,115)</b>	(12,664)
Other expenses		<b>(9,539)</b>	(12,809)	<b>(620)</b>	(3,583)
Profit from operations		<b>218,600</b>	213,695	<b>924,285</b>	147,126
Share of results in associates		<b>1,825</b>	2,761	-	-
<b>Profit before taxation</b>	5,8&9	<b>220,425</b>	216,456	<b>924,285</b>	147,126
Taxation	12	<b>(47,207)</b>	(44,610)	<b>338</b>	(16,751)
<b>Profit for the financial year</b>		<b>173,218</b>	171,846	<b>924,623</b>	130,375
Attributable to:					
Equity holders of the Company		<b>171,147</b>	169,797	<b>924,623</b>	130,375
Minority interests		<b>2,071</b>	2,049	-	-
		<b>173,218</b>	171,846	<b>924,623</b>	130,375
Earnings per share for profit attributable to the equity holders of the Company:					
- basic (sen)	13	<b>22.91</b>	22.84		
- diluted (sen)	13	<b>22.69</b>	22.75		
Gross dividends per share (sen)	14	<b>7.00</b>	6.25		

# Balance Sheets

As At 31 December 2006

Amounts in RM'000 unless otherwise stated

	Note(s)	Group		Company	
		2006	2005 Restated	2006	2005 Restated
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	616,870	583,535	5,687	133,314
Land held for property development	16	226,253	225,427	-	-
Investment properties	17	10,874	9,065	-	-
Biological assets	18	445,512	429,712	-	91,857
Subsidiaries	19	-	-	192,187	157,187
Associates	20	12,961	12,864	2,123	2,123
Long term investments	21	32,653	-	-	-
Long term receivables	25	5,000	16,977	5,000	16,977
Deferred tax assets	22	5,669	6,250	1,033	345
<b>Current assets</b>					
Property development costs	16	104,134	111,382	-	-
Land held for sale	23	-	-	1,290	-
Inventories	24	114,926	120,796	14	477
Trade and other receivables	25	97,422	74,329	22,371	14,181
Amounts due from subsidiaries	19	-	-	1,881,174	973,426
Amount due from other related companies	26	4	16	-	9
Amounts due from associates	20	1,094	683	665	683
Short term investments	27	121,184	114,067	104,651	92,761
Bank balances and deposits	28	140,179	65,536	108,783	41,807
		578,943	486,809	2,118,948	1,123,344
<b>Total assets</b>		<b>1,934,735</b>	<b>1,770,639</b>	<b>2,324,978</b>	<b>1,525,147</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	29	375,211	372,779	375,211	372,779
Reserves	30	1,382,152	1,241,560	1,829,155	934,444
		1,757,363	1,614,339	2,204,366	1,307,223
<b>Minority interests</b>		<b>11,392</b>	<b>10,634</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>1,768,755</b>	<b>1,624,973</b>	<b>2,204,366</b>	<b>1,307,223</b>
<b>Non-current liabilities</b>					
Other payables	31	17,220	4,120	1,628	4,120
Provision for directors' retirement gratuities	32	5,566	5,312	4,303	4,093
Deferred tax liabilities	22	41,088	38,865	5	745
		63,874	48,297	5,936	8,958
<b>Current liabilities</b>					
Trade and other payables	31	94,922	92,950	7,350	10,283
Amount due to ultimate holding company	26	638	729	638	729
Amount due to subsidiaries	19	-	-	105,439	197,479
Amount due to other related companies	26	1,249	475	1,249	475
Taxation		5,297	3,215	-	-
		102,106	97,369	114,676	208,966
<b>Total liabilities</b>		<b>165,980</b>	<b>145,666</b>	<b>120,612</b>	<b>217,924</b>
<b>Total equity and liabilities</b>		<b>1,934,735</b>	<b>1,770,639</b>	<b>2,324,978</b>	<b>1,525,147</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>2.34</b>	<b>2.17</b>		

The notes set out on pages 44 to 86 form part of these financial statements.

# Statements of Changes in Equity

For The Financial Year Ended 31 December 2006

Amounts in RM'000 unless otherwise stated

	Attributable to equity holders of the Company							Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Revaluation Reserve	Reserve on Exchange Differences	Option Reserve	Retained Earnings				
<b>Group</b>										
<b>Balance at 1 January 2006</b>										
As previously stated	372,779	28,269	18,115	288	-	1,210,444	1,629,895	10,634	1,640,529	
Prior year adjustments (see Note 3)	-	-	-	-	-	(15,556)	(15,556)	-	(15,556)	
Restated balances	372,779	28,269	18,115	288	-	1,194,888	1,614,339	10,634	1,624,973	
Revaluation surplus realised upon sale of land, net of tax, not recognised in income statement	-	-	(40)	-	-	40	-	-	-	
Net loss not recognised in income statement - exchange difference	-	-	-	(643)	-	-	(643)	-	(643)	
Net income/(expense) recognised directly in equity	-	-	(40)	(643)	-	40	(643)	-	(643)	
Profit for the financial year	-	-	-	-	-	171,147	171,147	2,071	173,218	
Total recognised income and expense for the year	-	-	(40)	(643)	-	171,187	170,504	2,071	172,575	
Employees share option scheme										
- Shares issued (see Note 29)	2,432	4,679	-	-	-	-	7,111	-	7,111	
- Options granted (see Note 3 and 9)	-	-	-	-	379	-	379	-	379	
Minority interest arising on business combination	-	-	-	-	-	-	-	120	120	
Minority interests' share of dividend paid	-	-	-	-	-	-	-	(1,433)	(1,433)	
<b>Appropriation:</b>										
- Final dividend paid for financial year ended 31 December 2005 (3.75 sen less 28% tax) (See Note 14)	-	-	-	-	-	(20,164)	(20,164)	-	(20,164)	
- Interim dividend paid for financial year ended 31 December 2006 (2.75 sen less 28% tax) (See Note 14)	-	-	-	-	-	(14,806)	(14,806)	-	(14,806)	
	-	-	-	-	-	(34,970)	(34,970)	-	(34,970)	
<b>Balance at 31 December 2006</b>	<b>375,211</b>	<b>32,948</b>	<b>18,075</b>	<b>(355)</b>	<b>379</b>	<b>1,331,105</b>	<b>1,757,363</b>	<b>11,392</b>	<b>1,768,755</b>	

The notes set out on pages 44 to 86 form part of these financial statements.

# Statements of Changes in Equity

For The Financial Year Ended 31 December 2006 (Cont'd)

Amounts in RM'000 unless otherwise stated

	Attributable to equity holders of the Company					Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Revaluation Reserve	Reserve on Exchange Differences	Retained Earnings			
<b>Group</b>								
<b>Balance at 1 January 2005</b>								
As previously stated	371,252	26,153	18,115	290	1,070,736	1,486,546	9,898	1,496,444
Prior year adjustments (see Note 3)	-	-	-	-	(13,544)	(13,544)	-	(13,544)
Restated balances	371,252	26,153	18,115	290	1,057,192	1,473,002	9,898	1,482,900
Net loss not recognised in income statement - exchange difference	-	-	-	(2)	-	(2)	-	(2)
Net expense recognised directly in equity	-	-	-	(2)	-	(2)	-	(2)
Profit for the financial year	-	-	-	-	169,797	169,797	2,049	171,846
Total recognised income and expense for the year	-	-	-	(2)	169,797	169,795	2,049	171,844
Issue of shares (see Note 29)	1,527	2,116	-	-	-	3,643	-	3,643
Minority interests' share of dividend paid	-	-	-	-	-	-	(1,313)	(1,313)
<b>Appropriation:</b>								
- Final dividend paid for financial year ended 31 December 2004 (3.5 sen less 28% tax)	-	-	-	-	(18,716)	(18,716)	-	(18,716)
- Interim dividend paid for financial year ended 31 December 2005 (2.5 sen less 28% tax) (See Note 14)	-	-	-	-	(13,385)	(13,385)	-	(13,385)
	-	-	-	-	(32,101)	(32,101)	-	(32,101)
<b>Balance at 31 December 2005</b>	<b>372,779</b>	<b>28,269</b>	<b>18,115</b>	<b>288</b>	<b>1,194,888</b>	<b>1,614,339</b>	<b>10,634</b>	<b>1,624,973</b>

The notes set out on pages 44 to 86 form part of these financial statements.

# Statements of Changes in Equity

For The Financial Year Ended 31 December 2006 (Cont'd)

Amounts in RM'000 unless otherwise stated

	Non-Distributable				Distributable	Total
	Share Capital	Share Premium	Revaluation Reserve	Option Reserve	Retained Earnings	
<b>Company</b>						
<b>Balance at 1 January 2006</b>						
As previously stated	372,779	28,269	26,613	-	879,624	1,307,285
Prior year adjustments (see Note 3)	-	-	-	-	(62)	(62)
Restated balances	372,779	28,269	26,613	-	879,562	1,307,223
Revaluation surplus realised upon sale of land, net of tax, not recognised in income statement	-	-	(26,509)	-	26,509	-
Net expense recognised directly in equity	-	-	(26,509)	-	26,509	-
Profit for the financial year	-	-	-	-	924,623	924,623
Total recognised income and expense for the year	-	-	(26,509)	-	951,132	924,623
Employees share option scheme						
- Shares issued (see Note 29)	2,432	4,679	-	-	-	7,111
- Option granted (see Note 3 and 9)	-	-	-	379	-	379
<b>Appropriation:</b>						
- Final dividend paid for financial year ended 31 December 2005 (3.75 sen less 28% tax) (See Note 14)	-	-	-	-	(20,164)	(20,164)
- Interim dividend paid for financial year ended 31 December 2006 (2.75 sen less 28% tax) (See Note 14)	-	-	-	-	(14,806)	(14,806)
	-	-	-	-	(34,970)	(34,970)
<b>Balance at 31 December 2006</b>	<b>375,211</b>	<b>32,948</b>	<b>104</b>	<b>379</b>	<b>1,795,724</b>	<b>2,204,366</b>

# Statements of Changes in Equity

For The Financial Year Ended 31 December 2006 (Cont'd)

Amounts in RM'000 unless otherwise stated

	Non-Distributable			Distributable	Total
	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	
<b>Company</b>					
<b>Balance at 1 January 2005</b>					
As previously stated	371,252	26,153	26,613	781,340	1,205,358
Prior year adjustments (See Note 3)	-	-	-	(52)	(52)
Restated balances	371,252	26,153	26,613	781,288	1,205,306
Profit for the financial year	-	-	-	130,375	130,375
Issue of shares (see Note 29)	1,527	2,116	-	-	3,643
<b>Appropriation:</b>					
- Final dividend paid for financial year ended 31 December 2004 (3.5 sen less 28% tax)	-	-	-	(18,716)	(18,716)
- Interim dividend paid for financial year ended 31 December 2005 (2.5 sen less 28% tax) (See Note 14)	-	-	-	(13,385)	(13,385)
	-	-	-	(32,101)	(32,101)
<b>Balance at 31 December 2005</b>	<b>372,779</b>	<b>28,269</b>	<b>26,613</b>	<b>879,562</b>	<b>1,307,223</b>

# Cash Flow Statements

For The Financial Year Ended 31 December 2006

Amounts in RM'000 unless otherwise stated

	Note(s)	Group		Company	
		2006	2005 Restated	2006	2005 Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		<b>220,425</b>	216,456	<b>924,285</b>	147,126
Adjustments for:					
Depreciation of property, plant and equipment		<b>18,619</b>	17,338	<b>345</b>	1,731
Depreciation of investment properties		<b>320</b>	450	-	-
Amortisation of biological assets		<b>7</b>	8	-	-
Property, plant and equipment written off		<b>508</b>	470	<b>4</b>	17
Bad debts written off		<b>849</b>	483	-	-
Provision for Directors' retirement gratuities		<b>254</b>	160	<b>210</b>	147
Allowance for doubtful debts		<b>106</b>	56	-	-
Gain on disposal of property, plant and equipment		<b>(83)</b>	(182)	<b>(21)</b>	(104)
Share-based payment expenses		<b>379</b>	-	<b>141</b>	-
Share of results in associates		<b>(1,825)</b>	(2,761)	-	-
Interest income		<b>(7,387)</b>	(3,981)	<b>(6,041)</b>	(2,719)
Net surplus arising from compensation in respect of freehold land acquired by the Government		<b>(1,770)</b>	(25,797)	<b>(1,770)</b>	(25,797)
Dividend income		-	-	<b>(26,320)</b>	(16,792)
Gain arising from Group Rationalisation Exercise		-	-	<b>(884,934)</b>	(57,821)
		<b>9,977</b>	(13,756)	<b>(918,386)</b>	(101,338)
<b>Operating profit before changes in working capital</b>		<b>230,402</b>	202,700	<b>5,899</b>	45,788
Property development costs		<b>15,047</b>	9,602	-	-
Inventories		<b>5,870</b>	(7,972)	<b>463</b>	1,785
Receivables		<b>(12,098)</b>	(10,191)	<b>2,659</b>	1,835
Amounts due from associates		<b>(411)</b>	35	<b>18</b>	35
Payables		<b>(14,419)</b>	(4,442)	<b>(5,314)</b>	(6,032)
Amounts due to ultimate holding company		<b>(91)</b>	4	<b>(91)</b>	4
Amounts due to other related companies		<b>786</b>	(333)	<b>783</b>	(326)
Amounts due from subsidiaries		-	-	<b>(16,797)</b>	(47,787)
		<b>(5,316)</b>	(13,297)	<b>(18,279)</b>	(50,486)
<b>Cash generated from operations</b>		<b>225,086</b>	189,403	<b>(12,380)</b>	(4,698)
Tax paid (net of tax refund)		<b>(53,983)</b>	(55,909)	<b>(7,257)</b>	(16,382)
Retirement gratuities paid		-	(66)	-	(66)
		<b>(53,983)</b>	(55,975)	<b>(7,257)</b>	(16,448)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>171,103</b>	133,428	<b>(19,637)</b>	(21,146)

The notes set out on pages 44 to 86 form part of these financial statements.

# Cash Flow Statements

For The Financial Year Ended 31 December 2006 (Cont'd)

Amounts in RM'000 unless otherwise stated

	Note(s)	Group		Company	
		2006	2005 Restated	2006	2005 Restated
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds received from Government in respect of acquisition of freehold land and plantation		12,455	8,925	12,455	8,925
Interest received		7,387	3,981	6,041	2,719
Dividends received from:					
- subsidiaries		-	-	19,910	10,274
- associates		1,728	1,816	1,728	1,816
Repayments from associates		1,977	2,941	1,977	2,941
Proceeds from disposal of property, plant and equipment		129	185	43	132
Land held for property development		(2,874)	(2,014)	-	-
Purchase of property, plant and equipment		(36,350)	(29,803)	(1,519)	(4,155)
Purchase of investment properties		(772)	(3,871)	-	-
Acquisition of a subsidiary	(a)	1,042	-	-	-
Purchase of long term investments		(32,653)	-	-	-
Purchase of biological assets		(12,120)	(14,822)	-	(307)
Advances to subsidiaries		-	-	(16,471)	(42,298)
Repayments from subsidiaries		-	-	102,198	137,855
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>		<b>(60,051)</b>	<b>(32,662)</b>	<b>126,362</b>	<b>117,902</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares (see Note 29)		7,111	3,643	7,111	3,643
Dividends paid		(34,970)	(32,101)	(34,970)	(32,101)
Dividends paid to minority shareholders		(1,433)	(1,313)	-	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(29,292)</b>	<b>(29,771)</b>	<b>(27,859)</b>	<b>(28,458)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>81,760</b>	<b>70,995</b>	<b>78,866</b>	<b>68,298</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>179,603</b>	<b>108,608</b>	<b>134,568</b>	<b>66,270</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	(b)	<b>261,363</b>	<b>179,603</b>	<b>213,434</b>	<b>134,568</b>

The notes set out on pages 44 to 86 form part of these financial statements.

# Cash Flow Statements

For The Financial Year Ended 31 December 2006 (Cont'd)

Amounts in RM'000 unless otherwise stated

<i>Notes</i>	<b>Group 2006</b>
<b>(a) Analysis of the acquisition of a subsidiary in 2006</b>	
<i>Net assets acquired at the date of acquisition:</i>	
Property, plant and equipment	<b>(18,322)</b>
Biological assets	<b>(2,960)</b>
Trade and other receivables	<b>(288)</b>
Bank balances and deposits	<b>(1,321)</b>
Trade and other payables	<b>6,900</b>
Long term payable	<b>15,592</b>
Minority interests	<b>120</b>
Total purchase consideration discharged by cash	<b>(279)</b>
Less: Bank balances and deposits of subsidiary acquired	<b>1,321</b>
Net cash inflow on acquisition of subsidiary	<b>1,042</b>

**(b) Analysis of cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
Short term investments ( <i>see Note 27</i> )	<b>121,184</b>	114,067	<b>104,651</b>	92,761
Bank balances and deposits ( <i>see Note 28</i> )	<b>140,179</b>	65,536	<b>108,783</b>	41,807
	<b>261,363</b>	179,603	<b>213,434</b>	134,568

Included in the above bank balances and deposits for the Group is an amount of RM12.7 million (2005 : RM14.3 million) deposited by a subsidiary involved in property development activities into various Housing Development Accounts in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. This amount is available for use by the said subsidiary for the payment of property development expenditure.

# Notes To The Financial Statements

31 December 2006

**Amounts in RM'000 unless otherwise stated**

## 1. PRINCIPAL ACTIVITIES

The Company is principally an investment holding and management company following the completion of the Group Rationalisation Exercise (*See Note 36*). Previously, the Company was principally involved in plantation and investment holding.

The principal activities of the subsidiaries include plantation and property development.

Details of the principal activities of the subsidiaries and associates are set out in Note 38 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year, except as disclosed above.

## 2. BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with and comply with Financial Reporting Standards, Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards for Entities Other Than Private Entities in Malaysia and the provisions of the Companies Act, 1965. The bases of measurement applied to assets and liabilities include cost, amortised cost, lower of cost and net realisable value, revalued amount and fair value.

The preparation of financial statements in conformity with Financial Reporting Standards and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these judgments and estimates are based on Directors' best knowledge of current events and actions, actual results could differ from those estimates.

### Judgments and estimations

In the process of applying the Group's accounting policies, management makes judgments that can significantly affect the amount recognised in the financial statements. These judgments include:

#### i) Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Adoption of new Financial Reporting Standards

Accounting policies adopted by the Group and the Company have been applied consistently in dealing with items that are considered material in relation to the financial statements, unless otherwise stated. The following new and revised Financial Reporting Standards ("FRSs") that are relevant to the Group have been adopted during the financial year:

FRS 2 Share-based Payment

FRS 3 Business Combinations

FRS 5 Non-Current Assets Held for Sale and Discontinued Operations

FRS 101 Presentation of Financial Statements

FRS 102 Inventories

FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

FRS 110 Events after the Balance Sheet Date

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

- FRS 116 Property, Plant and Equipment
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property

The adoption of the above FRSs did not result in substantial changes to the Group's accounting policies other than the effects of the following FRSs which have been highlighted in the section on changes in accounting policies:

- FRS 2 Share-based Payment
- FRS 101 Presentation of Financial Statements
- FRS 140 Investment Property

Standards that are not yet effective and have not been early adopted:

- FRS 117 Leases (*effective for accounting periods beginning on or after 1 October 2006*)
- FRS 124 Related Party Disclosures (*effective for accounting periods beginning on or after 1 October 2006*)
- FRS 139 Financial Instruments : Recognition and Measurement (*effective date has yet to be determined*)
- Amendments to FRS 119<sup>2004</sup> Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures (*effective for accounting periods beginning on or after 1 January 2007*)

The Standard that is not yet effective and also not relevant for the Group's operation is:

- FRS 6 Exploration for and Evaluation of Mineral Resources (*effective for accounting periods beginning on or after 1 January 2007*)

FRS 6 is not relevant to the Group's operations as the Group does not carry out any business in relation to exploration for and evaluation of mineral resources.

#### Changes in Accounting Policies

The principal effects of the changes in accounting policies resulting from the adoption of the above FRSs by the Group are as follows:

##### i) FRS 2 : Share-based Payment

An entity is required to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the entity.

The Company operates an equity-settled, share-based compensation plan, where share options are issued to its eligible Executives and Executive Directors.

Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted. Effective from 1 January 2006, with the adoption of FRS 2, the fair value of employee services rendered in exchange for the grant of the share options is recognised as an expense over the vesting period. The fair value is measured by the use of an actuarial trinomial model. The total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each share option granted at the grant date and the estimated number of share options vested by vesting date, with a corresponding increase in equity. Before the end of the vesting period, at each balance sheet date, the respective companies will revise its estimates of the number of share options that are

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### i) FRS 2 : Share-based Payment (Cont'd)

expected to be vested at the vesting date and it recognises the impact of this revision in the income statement with a corresponding adjustment to equity. After the vesting date, no adjustment to the income statement is made. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium account when the share options are exercised.

The Group has adopted the transitional provision of FRS 2 to recognise as an expense in the income statement only share options that were granted after 31 December 2004 and not yet vested on 1 January 2006. The effect to the Group and Company arising from the adoption of FRS 2 is as follows:

	Financial year ended 31 December 2006	
	Group RM'000	Company RM'000
Increase in cost of sales	171	-
Increase in administrative expenses	208	137
Increase in other expenses	-	4
Increase in option reserve	379	379
Increase in amount due from subsidiaries	-	238

#### ii) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of results in associates, biological assets and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity where it requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Share of results in associates is now disclosed net of tax and minority interests in the consolidated income statement.

Planting and development expenditure which was previously classified under property, plant and equipment is now disclosed separately in the consolidated balance sheet as biological assets. The Group maintains its existing accounting policy on biological assets and will comply with the provisions of MASB Exposure Draft 50 : Agriculture, the equivalent of International Accounting Standard 41, once it becomes effective for application in Malaysia. The current financial year's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with comparatives restated to conform with the current financial year's presentation.

In line with the requirements of FRS 101, roads and bridges previously classified under land, planting and development expenditure have been separately categorised as land improvements and depreciated over its useful life. Accordingly, the timing effects on taxation arising from utilisation of capital allowances and depreciation for roads and bridges were quantified. Where the impact has retrospective effect on prior years, the comparatives have been restated.

The effect to the Group and Company arising from the adoption of FRS 101 is set out below:

	Group		Company	
	As at 1.1.2006 RM'000	As at 31.12.2006 RM'000	As at 1.1.2006 RM'000	As at 31.12.2006 RM'000
Increase in biological assets	429,712	445,512	91,857	-
Decrease in property, plant and equipment	(429,712)	(445,512)	(91,857)	-
Increase/(decrease) in deferred tax liabilities	15,556	3,532	62	(62)
Increase/(decrease) in retained earnings	(15,556)	(3,532)	(62)	62

**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**ii) FRS 101 : Presentation of Financial Statements (Cont'd)**

	Group		Company	
	Financial year ended		Financial year ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Increase in cost of sales	1,380	-	-	-
Decrease in share of results in associates	-	(1,077)	-	-
Increase/(decrease) in taxation	3,532	935	(62)	10
Increase/(decrease) in profit for the year	(4,912)	37	62	(10)

**iii) FRS 140 : Investment Property**

The Group adopted the cost model to measure all its investment properties. Under the cost model, investment property is measured at depreciated cost less any accumulated impairment losses.

Investment property previously classified under property, plant and equipment is now disclosed as a separate line item on the face of the consolidated balance sheet within non-current assets. In line with the revised requirements of FRS 101, the comparative is restated to conform with the current financial year's presentation. The effect to the Group arising from the adoption of FRS 140 is as follows:

	As at 1.1.2006	As at 31.12.2006
	RM'000	RM'000
Increase in investment properties	9,065	10,874
Decrease in property, plant and equipment	(9,065)	(10,874)

**Comparatives and Prior Year Adjustments**

The effects to the Group's comparative figures on adoption of the above FRSs are as follows:

RM'000	As previously stated	Effects on adoption of FRSs	As restated
<b>Group</b>			
<b>At 1 January 2006</b>			
Property, plant and equipment	1,022,312	(438,777)	583,535
Investment properties	-	9,065	9,065
Biological assets	-	429,712	429,712
Deferred tax liabilities	23,309	15,556	38,865
Retained earnings	1,210,444	(15,556)	1,194,888
<b>At 1 January 2005</b>			
Deferred tax liabilities	27,395	13,544	40,939
Retained earnings	1,070,736	(13,544)	1,057,192
<b>Financial year ended 31 December 2005</b>			
Share of results in associates	3,838	(1,077)	2,761
Profit before taxation	217,533	(1,077)	216,456
Taxation	(43,675)	(935)	(44,610)
Profit for the year	171,809	37	171,846
<b>Company</b>			
<b>At 1 January 2006</b>			
Property, plant and equipment	225,171	(91,857)	133,314
Biological assets	-	91,857	91,857
Deferred tax assets	407	(62)	345
Retained earnings	879,624	(62)	879,562

**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**
**Comparatives and Prior Year Adjustment (Cont'd)**

RM'000	As previously stated	Effects on adoption of FRSS	As restated
<b>Company</b>			
<b>At 1 January 2005</b>			
Deferred tax liabilities	1,401	52	1,453
Retained earnings	781,340	(52)	781,288
<b>Financial year ended 31 December 2005</b>			
Taxation	(16,741)	(10)	(16,751)
Profit for the year	130,385	(10)	130,375

The above restatement of the Group's reserves at the beginning of the year has the effect of reducing the Net Assets per share as at 31 December 2005 from RM2.19 as previously reported to RM2.17.

The above adjustments to the Income Statement has the effect of reducing the earnings per share of the Group as follows:

	<b>Financial year ended 31 December 2005</b>	
	As previously reported	Restated
Basic earnings per share (sen)	23.12	22.84
Diluted earnings per share (sen)	23.02	22.75

**Basis of Consolidation**

Investments in subsidiaries are eliminated on consolidation while investments in associates are accounted for by the equity method of accounting.

**a) Subsidiaries**

The consolidated financial statements include the audited financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the purchase method of accounting whereby the results of subsidiaries acquired or disposed of during the financial year are included from the date of acquisition up to the date when control ceases. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill. See accounting policy note on treatment of goodwill.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition and prior to 1 January 2006, the negative goodwill is credited to retained earnings in the year of acquisition. Negative goodwill arising from new acquisition, on or after 1 January 2006, is recognised directly in the income statement.

All material intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any balance of goodwill on acquisition and exchange differences which were not previously recognised in the consolidated income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Basis of Consolidation (Cont'd)

##### a) *Subsidiaries (Cont'd)*

Minority interests is measured at the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's net assets since that date. Separate disclosure is made of minority interests.

##### b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

##### c) *Associates*

Associates are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising in the income statement the Group's share of the associates' results for the financial year. The Group's interest in associates is stated at cost net of goodwill written off, for acquisitions prior to 1 January 2004, plus adjustments to reflect changes in the Group's share of the net assets of the associates. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

The Group's investment in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the assets transferred.

Where necessary, in applying the equity method, adjustments have been made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

#### Property, Plant and Equipment

Property, plant and equipment are tangible items that:

- i) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- ii) are expected to be used during more than one period.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except for certain properties which were revalued before 1998. In accordance with the transitional provision allowed by MASB upon first adoption of IAS 16, Property, Plant and Equipment, the valuation of these assets have not been updated, and they continue to be stated at their existing carrying amounts less accumulated depreciation, amortisation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the items.

The depreciable amount of an item of property, plant and equipment is determined as the difference between the cost less its residual value. The residual value is the estimated amount that the Group expects to obtain from disposal of the asset, after deducting the estimated cost to disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Property, Plant and Equipment (Cont'd)

Freehold land and capital work-in-progress are not depreciated. Leasehold properties are amortised equally over their respective periods of lease. The Group depreciates other assets based on their consumption pattern and is applied separately to each significant component.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:-

	<b>Years</b>
Leasehold land	20 to 99
Land improvements	50
Buildings and improvements	20 - 50
Plant and machinery	4 - 10
Motor vehicles	5
Furniture, fittings and equipment	3 - 10

The assets' residual values and useful lives are reviewed annually and revised if appropriate.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy note on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in income statement. On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

#### Investment Properties

Investment properties consist of investments in land and buildings that are held for long-term rental yield and/or capital appreciation and are not occupied by the Group.

Investment in freehold land is stated at cost. Other investment properties are stated at cost, less accumulated depreciation and impairment losses. Depreciation for other investment properties is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:-

	<b>Years</b>
Buildings and improvements	5 - 50

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy note on impairment of assets.

Gain and losses on disposal are determined by comparing net disposal proceeds with carrying amount and are included in the income statement.

#### Biological assets

Biological assets comprise cost of planting and development on oil palm and other plantation crops, which were previously classified under property, plant and equipment, and are now reclassified as biological assets in accordance with FRS 101.

Cost of new planting and development of plantation crops are capitalised from the stage of land clearing up to the stage of maturity. The cost of new planting capitalised is not amortised. However, where the cost of new planting is incurred on leasehold land which has unexpired period shorter than the crop's economic life, the cost is amortised over the remaining period of the lease on a straight line basis.

Replanting expenditure is charged to the income statement in the financial year in which the expenditure is incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Property Development Activities

##### a) *Land Held for Property Development*

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses, if any.

Cost comprises cost of land and all related costs incurred on activities necessary to prepare the land for its intended use. Where the Group had previously recorded the land at revalued amounts, it continues to retain these amounts as its surrogate cost as allowed by FRS 201<sup>2004</sup>, Property Development Activities. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy note on impairment of assets.

Land held for property development is transferred to property development costs and included under current assets when development activities have commenced and where the development activities can be completed within normal operating cycle.

##### b) *Property Development Costs and Revenue Recognition*

Property development costs comprise costs associated with the acquisition of land and all costs directly attributable to development activities or costs that can be allocated on a reasonable basis to these activities.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the percentage of completion method in respect of sales where agreements have been finalised. Under this method, profits are recognised as the property development activity progresses. The stage of completion is determined based on proportion of property development costs incurred for work performed up to the balance sheet date over the estimated total property development cost to completion.

When the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable of recovery and property development costs on the development units sold are recognised as an expense when incurred. Foreseeable losses, if any, arising when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, are recognised immediately in the income statement.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value. Upon completion of development, the unsold completed development properties are transferred to inventories.

Where revenue recognised in the income statement exceed billings to purchasers, the balance is shown as accrued billings under trade and other receivables (within current assets). Where billings to purchasers exceed revenue recognised in the income statement, the balance is shown as progress billings under trade and other payables (within current liabilities).

#### Investments

Investments in non-current investments other than investments in subsidiaries and associates are stated at cost. An allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the financial year in which it is identified.

Short term quoted investments are stated at the lower of cost and market value, determined on a portfolio basis by comparing aggregate cost against aggregate market value. Market value is calculated by reference to quoted selling prices at the close of business on the balance sheet date. Money market instruments are stated at the lower of cost and net realisable value.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged/credited to the income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiaries at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity). The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

#### Non-Current Assets Classified as Assets Held for Sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than a continuing use.

#### Receivables

Receivables are carried at estimated realisable value. In estimating realisable value, an allowance is made for doubtful receivables based on a review of all outstanding amounts at the financial year end. Bad debts are written off to the income statement during the financial year in which they are identified.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances (net of bank overdrafts), deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank overdrafts are included within short-term borrowings in current liabilities and money market instruments are included within short-term investments in current assets in the balance sheet.

#### Share Capital

Ordinary shares are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another entity or to exchange financial assets or liabilities with another entity that are potentially unfavourable to the issuer.

Incremental costs directly attributable to the issue of new shares, options or for the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the option are exercised.

#### Borrowing

Borrowings are recognised initially based on the proceeds received.

Costs incurred on borrowings to finance qualifying assets are capitalised until the assets are ready for their intended use after which such expenses are charged to the income statement. All other borrowing costs are charged to the income statement.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

#### **Borrowing (Cont'd)**

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **Impairment of Non-Financial Assets**

The carrying values of assets, with the exception of inventories, assets arising from construction contracts, deferred tax assets and financial assets (excluding investments in subsidiaries and associates), are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exists, an impairment review is performed to assess whether the carrying amount of the asset is fully recoverable.

Irrespective of whether there is any indication of impairment, the Group also:

- a) tests intangible assets with indefinite useful life for impairment annually by comparing its carrying amount with its recoverable amount.
- b) tests goodwill acquired in a business combination for impairment annually.

Impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for cash generating unit.

An impairment loss is charged to the income statement, unless the asset is carried at revalued amount, in which case the impairment loss is used to reduce the revaluation surplus.

Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **Contingent Liabilities and Contingent Assets**

The Group does not recognise a contingent liability but discloses its existence in the financial statements, except in a business combination. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. When a change in the probability of an outflow of economic resources occurs, so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. When inflow of economic resources is virtually certain, the asset is recognised.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where the fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provision of FRS 137<sup>2004</sup> and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

#### Income Taxes

##### a) *Current taxation*

Current taxation is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable income and is measured using the tax rates which are applicable at the balance sheet date.

##### b) *Deferred taxation*

Deferred tax liabilities and/or assets are recognised, using liability method, on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their related tax bases. However, deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax liability in respect of asset revaluations is also recognised. Deferred tax liabilities and assets are measured at the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

#### Employee Benefits

##### a) *Short-term employee benefits*

Short-term employee benefits include wages, salaries, bonus, social security contributions and paid annual leave. These benefits are accrued when incurred and are measured on an undiscounted basis.

##### b) *Post-employment benefits*

Post-employment benefits include defined contribution plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. These benefits are accrued when incurred and are measured on an undiscounted basis.

##### c) *Long-term employee benefits*

Long-term employee benefits include retirement gratuities payable to Executive Directors of the Company and certain subsidiaries. The level of retirement gratuities payable is determined by the Board of Directors in relation to the past services rendered and it does not take into account the employee's service to be rendered in later years up to retirement. The gratuity, which is calculated based on the emoluments earned in the immediate past three years, is a vested benefit when the Directors reach retirement age.

The present value of the retirement gratuities is determined by discounting the amount payable by reference to market yields at the balance sheet date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. The differences arising from the application of such discounting as well as any past service costs and the effects of any curtailments or settlements, if any, are recognised immediately in the income statement.

Such retirement gratuities payable are classified as current liabilities when it is probable that a payment will be made within the next twelve months and also provided that the amount has been approved for payment by the Board of Directors.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Employee Benefits (Cont'd)

##### *d) Share-based compensation benefits*

The Company operates an equity settled, share based compensation plan i.e. the Asiatic Executive Share Option Scheme since 1 September 2000, where share options are issued to eligible Executives and Executive Directors of the Group.

The fair value of employees' services rendered in exchange for the grant of the share options is recognised as an expense over the vesting period. The total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each share option granted at the grant date and the number of share options vested by vesting date, with a corresponding increase in equity (option reserve). At each balance sheet date, the Group will revise its estimates of the number of share options that are expected to become exercisable. The option reserves in respect of options which have been lapsed are transferred to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

#### Income Recognition

##### *a) Revenue*

Sales are recognised upon delivery of products or performance of services, net of sales tax and discounts, and after eliminating sales within the Group.

Sales relating to property development projects are recognised progressively as the project activity progresses and are in respect of sales where agreements have been finalised. The recognition of sales is based on the percentage of completion method and is consistent with the method adopted for profit recognition.

Management fees are recognised on accrual basis. Dividend income is recognised when the right to receive payment is established.

##### *b) Other Income*

Other income comprising interest income, rental income and golf club memberships fees are recognised on accrual basis.

#### Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings and accrued as a liability in the financial year in which the obligation to pay is established.

#### Foreign Currency Translation

##### *(a) Functional and presentation currency*

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

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, non-monetary items are translated at balance sheet date using historical rates or rates prevailing when the fair value of the assets are determined. Monetary items are translated at the closing rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at the closing rate are recognised in the income statement. However, the exchange differences arising on monetary items that form part of the net investment in the foreign operations are recognised directly in equity in the consolidated financial statements until the disposal of the foreign operations in which case they are recognised as gain or loss in the consolidated income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (c) *Group companies*

On consolidation, the results and financial position of all the Group's entities which have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows :-

- (i) assets and liabilities, including goodwill and fair value adjustments arising from business combinations completed on/after 1 January 2006, for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

#### **Financial Instruments**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

#### **a) *Financial instruments recognised on the balance sheet***

The recognition method adopted for financial instruments that are recognised on the balance sheet is disclosed separately in the individual policy statements associated with the relevant financial instrument. The financial assets and liabilities of the Group are primarily denominated in Ringgit Malaysia. Financial assets and liabilities that are denominated in other currencies, where material, have been disclosed in the notes to the financial statements.

#### **b) *Fair value estimation for disclosure purposes***

The Group uses various methods and makes assumptions that are based on market conditions to derive the fair value of non-traded financial instruments. Comparisons are made to similar instruments that are publicly traded and estimates based on discounted cash flow techniques are also used. For other long term financial assets and liabilities, fair value is estimated by discounting future contractual cash flows at appropriate interest rates.

The book values of financial assets and liabilities with maturities of less than one year are assumed to approximate their fair values.

#### **Segmental Reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group adopts business segment analysis as its primary reporting format. No geographical segment analysis is reported as the Group's overseas operations is immaterial and all customers are in Malaysia.

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by the segment and consist principally of property, plant and equipment net of accumulated depreciation, amortisation and impairment loss, land held for property development net of accumulated impairment loss, property development costs, inventories and receivables. Segment liabilities comprise operating liabilities. Both segment assets and liabilities do not include income tax assets and liabilities and interest bearing instruments.

#### **4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's overall financial risk management objective is to optimise the value creation for shareholders. In addition, the Group seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks.

The Group operates within clearly defined guidelines that are approved by the Board of Directors and do not trade in financial instruments. Financial risk management is carried out through risk reviews conducted at all significant operational units. This process is further enhanced by effective internal controls, a group-wide insurance programme and adherence to the financial risk management policies.

The main areas of financial risks faced by the Group and the relevant policies for controlling and management of these risks are set out below:

##### **Interest Rate Risk**

The Group has no significant exposure to interest rate risk.

##### **Market Risk**

The Group, in the normal course of business, is exposed to market risks in respect of volatility in market prices of palm products. The Group manages its risk through established guidelines and policies.

##### **Credit Risk**

Exposure to credit risk arises mainly from sales made on deferred credit terms. Credit terms offered by the Group range from 7 days to 14 days from date of transaction. Risks arising therefrom are minimised through effective monitoring of receivables and suspension of sales to customer which accounts exceed the stipulated credit terms. Credit limits are set and credit history is reviewed to minimise potential losses. The Group has no significant concentration of credit risk with any single customer.

The Group also seeks to invest cash assets safely and profitably and buys insurance to protect itself against insurable risks. In this regard, counterparties are assessed for credit risk and limits are set to minimise any potential losses.

##### **Liquidity and Cash Flow Risks**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities. The Group's cash flow is reviewed regularly to ensure that the Group is able to settle its commitments when they fall due.

##### **Foreign Currency Exchange Risks**

The Group is exposed to foreign currency exchange risk when subsidiaries enter into transactions that are not denominated in their functional currencies. The Group attempts to significantly limit its exposure for committed transactions by entering into forward foreign currency exchange contracts within the constraints of market and government regulations.

**5. SEGMENT ANALYSIS**

	Plantation		Property		Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
<b>Revenue - external</b>	<b>486,041</b>	441,879	<b>90,537</b>	80,841	-	-	<b>576,578</b>	522,720
<b>Segment profit</b>	<b>195,198</b>	173,192	<b>12,948</b>	8,722	<b>1,297</b>	2,003	<b>209,443</b>	183,917
Interest income							<b>7,387</b>	3,981
Net surplus arising from disposals of freehold land and plantation	<b>1,770</b>	25,797	-	-	-	-	<b>1,770</b>	25,797
Share of results in associates	<b>1,890</b>	2,189	<b>(65)</b>	572	-	-	<b>1,825</b>	2,761
<b>Profit before taxation</b>							<b>220,425</b>	216,456
Taxation							<b>(47,207)</b>	(44,610)
<b>Profit for the financial year</b>							<b>173,218</b>	171,846
<b>Other information:</b>								
<b>i) Assets</b>								
a) Segment assets	<b>1,148,460</b>	1,059,844	<b>501,833</b>	511,157	<b>1,862</b>	1,867	<b>1,652,155</b>	1,572,868
b) Associates	<b>10,101</b>	9,939	<b>2,885</b>	2,956	<b>(25)</b>	(31)	<b>12,961</b>	12,864
c) Interest bearing instruments							<b>249,867</b>	176,206
d) Unallocated corporate assets							<b>19,752</b>	8,701
Total assets							<b>1,934,735</b>	1,770,639
<b>ii) Liabilities</b>								
a) Segment liabilities	<b>72,290</b>	49,631	<b>45,313</b>	52,655	<b>105</b>	95	<b>117,708</b>	102,381
b) Unallocated corporate liabilities							<b>48,272</b>	43,285
Total liabilities							<b>165,980</b>	145,666
<b>iii) Other disclosures</b>								
a) Capital expenditure incurred*	<b>69,602</b>	45,985	<b>3,025</b>	6,212	-	-	<b>72,627</b>	52,197
b) Depreciation and amortisation charged*	<b>17,917</b>	16,445	<b>1,029</b>	1,351	-	-	<b>18,946</b>	17,796

\* Includes capital expenditure in respect of property, plant and equipment, investment properties and biological assets.

The segment analysis is organised as follows:

- i) Plantation - comprises mainly activities relating to oil palm plantations.
- ii) Property - comprises mainly activities relating to property development and the operation of a golf course.
- iii) Others - comprises other insignificant businesses and are not reported separately.

## 6. REVENUE

Revenue of the Group and of the Company comprises the following:

	Group		Company	
	2006	2005	2006	2005
<b>Sale of goods:</b>				
Sale of plantation produce	486,041	441,879	6,434	93,074
Sale of development properties	89,542	79,836	-	-
<b>Rendering of services:</b>				
Revenue from golf course operations	995	1,005	-	-
Fee from management services*	-	-	16,797	1,266
<b>Investment Income*</b>	-	-	26,320	16,792
	<b>576,578</b>	<b>522,720</b>	<b>49,551</b>	<b>111,132</b>

\* In the current financial year, fee from management services and investment income of the Company have been categorised as part of revenue in line with the Company's change in principal activities as indicated in Note 1. Accordingly, the comparatives for the prior financial year have been reclassified from other income.

## 7. COST OF SALES

	Group		Company	
	2006	2005	2006	2005
Cost of inventories recognised as an expense				
- Plantation produce	240,870	224,245	2,391	31,589
- Development properties	66,959	57,124	-	-
Cost of services recognised as an expense	1,521	1,516	-	-
	<b>309,350</b>	<b>282,885</b>	<b>2,391</b>	<b>31,589</b>

## 8. PROFIT BEFORE TAXATION

Profit before taxation has been determined after inclusion of the following charges and credits:

	Group		Company	
	2006	2005	2006	2005
<b>Charges:</b>				
Depreciation of property, plant and equipment	18,619	17,338	345	1,731
Depreciation of investment properties	320	450	-	-
Amortisation of biological assets	7	8	-	-
Replanting expenditure	3,836	3,706	112	2,729
Directors' remuneration excluding estimated money value of benefits-in-kind (see Note 10)	2,607	2,311	2,181	1,930
Charges payable to related companies:				
- Rental of premises	914	885	792	767
- Shared services fee	535	570	535	570
- Hire of equipment	769	210	769	210
Property, plant and equipment written off	508	470	4	17
Shared services fee payable to ultimate holding company	628	716	628	716

**8. PROFIT BEFORE TAXATION (Cont'd)**

Profit before taxation has been determined after inclusion of the following charges and credits (Cont'd):

	Group		Company	
	2006	2005	2006	2005
Bad debts written off	849	483	-	-
Allowance for doubtful debts	106	56	-	-
Auditors' remuneration (see Note 11)	195	154	50	60
Rental of land paid to a subsidiary	-	-	-	499
Employee benefits expense (see Note 9)	65,931	55,111	12,873	16,787
Repair and maintenance				
- property, plant and equipment	8,809	8,948	442	367
- investment properties	16	74	-	-
Transportation costs	26,918	24,199	360	4,772
Utilities	2,931	2,735	-	-
Raw materials and consumables	99,861	89,879	-	-
<b>Credits:</b>				
Net surplus and additional compensation arising from acquisition of freehold land and plantation	1,770	25,797	1,770	25,797
Gain arising from Group rationalisation exercise (see Note 36)	-	-	884,934	57,821
Interest income	7,387	3,981	6,041	2,719
Income from associates				
- Gross dividend	-	-	2,400	2,522
- Management fee	991	1,131	-	-
Rental income	1,321	1,028	295	435
Gain on disposal of property, plant and equipment	83	182	21	104
Rental income from related companies	67	67	-	-
Income from subsidiaries				
- Gross dividend	-	-	23,920	14,270
- Management fee	-	-	16,797	1,266
Non statutory audit fee payable to auditors (see Note 11)	192	46	145	5

**9. EMPLOYEE BENEFITS EXPENSE**

	Group		Company	
	2006	2005	2006	2005
Wages, salaries and bonuses	54,461	45,841	9,893	12,506
Defined contribution plans	3,790	3,252	1,271	1,773
Provision for retirement gratuities	254	160	210	147
Share-based payments	379	-	141	-
Other short term employee benefits	7,047	5,858	1,358	2,361
	65,931	55,111	12,873	16,787

Employee benefits expense, as shown above, include the remuneration of Executive Directors.

**10. DIRECTORS' REMUNERATION**

	Group		Company	
	2006	2005	2006	2005
<b>Non-Executive Directors *</b>				
- Fees	301	195	301	195
- Salaries and bonuses	336	325	-	-
- Defined contribution plan	40	39	-	-
- Provision for retirement gratuities	44	79	-	66
	<b>721</b>	<b>638</b>	<b>301</b>	<b>261</b>
<b>Executive Directors</b>				
- Fees	90	65	84	60
- Salaries and bonuses	1,381	1,334	1,381	1,335
- Defined contribution plan	205	193	205	193
- Provision for retirement gratuities	210	81	210	81
	<b>1,886</b>	<b>1,673</b>	<b>1,880</b>	<b>1,669</b>
Directors' remuneration excluding estimated money value of benefits-in-kind (see Note 8)	<b>2,607</b>	<b>2,311</b>	<b>2,181</b>	<b>1,930</b>
<b>Estimated money value of benefits-in-kind (not charged to the income statements):</b>				
Non-Executive Directors	11	11	-	-
Executive Directors	20	33	20	33
	<b>31</b>	<b>44</b>	<b>20</b>	<b>33</b>
	<b>2,638</b>	<b>2,355</b>	<b>2,201</b>	<b>1,963</b>

\* A Non-Executive Director of the Company receives salary and related benefits from a subsidiary by virtue of him being an Executive Director of the said subsidiary.

Remuneration of Directors of the Company, in respect of services rendered to the Company and its subsidiaries, is in the following bands:

Amounts in RM'000	2006	2005
	Number	
<b>Non-Executive Directors</b>		
0 - 50	2	5
50 - 100	3	1
450 - 500	1	1
<b>Executive Directors</b>		
300 - 350	-	1
350 - 400	1	-
1,350 - 1,400	-	1
1,500 - 1,550	1	-

**10. DIRECTORS' REMUNERATION (Cont'd)**

Executive Directors of the Company and its subsidiaries have been granted options under the Asiatic Executive Share Option Scheme ("the Scheme") on the same terms and conditions as those offered to other executive employees. Details of the Scheme are set out in Note 29. The unissued shares under the Scheme in respect of Directors are as follows:

Date granted	Exercisable period	Subscription price (sen/share)	Number of shares			
			At 1 January '000	Offered and Accepted '000	Exercised/relinquished/lapsed '000	At 31 December '000
<b>Financial year ended 31.12.2006:</b>						
2.9.2002	2.9.2005 - 31.8.2010	145	1,531	-	(954)	577
1.12.2003	1.12.2006 - 31.8.2010	165	744	-	(124)	620
			<b>2,275</b>	<b>-</b>	<b>(1,078)</b>	<b>1,197</b>
<b>Financial year ended 31.12.2005:</b>						
11.11.2000	11.11.2003 - 31.8.2010	92	200	-	(200)	-
2.9.2002	2.9.2005 - 31.8.2010	145	1,531	-	-	1,531
1.12.2003	1.12.2006 - 31.8.2010	165	744	-	-	744
			<b>2,475</b>	<b>-</b>	<b>(200)</b>	<b>2,275</b>
					<b>2006</b>	<b>2005</b>
					<b>'000</b>	<b>'000</b>
Number of share options vested at balance sheet date					<b>825</b>	<b>766</b>

Details relating to options exercised by two Directors during the financial year are as follows :-

Exercise Date	Fair values of shares at share issue date (sen/share)	Subscription price (sen/share)	Number of shares Issued	
			2006 '000	2005 '000
September 2005	193	92	-	200
May 2006	308 - 346	145	228	-
November 2006	378 - 382	145	666	-
December 2006	428	165	124	-
			<b>1,078</b>	<b>200</b>
			<b>2006</b>	<b>2005</b>
Ordinary share capital - at par			<b>539</b>	100
Share premium			<b>1,049</b>	84
Proceeds received on exercise of share options			<b>1,588</b>	184
Fair value at exercise date of shares issued			<b>3,960</b>	386

**11. AUDITORS' REMUNERATION**

	Group		Company	
	2006	2005	2006	2005
<b>Payable to:</b>				
<b>PricewaterhouseCoopers Malaysia*</b>				
Statutory audit	195	147	50	60
Fees for other services:				
- review of quarterly results and due diligence audit	192	46	145	5
	<b>387</b>	193	<b>195</b>	65
<b>Other member firms of</b>				
<b>PricewaterhouseCoopers International Limited*</b>				
Statutory audit	-	7	-	-
Total Remuneration (See Note 8)	<b>387</b>	200	<b>195</b>	65

\* PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

**12. TAXATION**

	Group		Company	
	2006	2005	2006	2005
Current taxation charge:				
Malaysian income tax charge	44,059	47,540	1,129	17,375
Deferred tax charge/(reversal) (See Note 22)	2,849	(283)	(1,428)	(1,269)
	<b>46,908</b>	47,257	<b>(299)</b>	16,106
Prior years' taxation:				
Income tax under/(over) provided	344	3,606	(39)	(136)
Deferred tax (over)/under provided (See Note 22)	(45)	(6,253)	-	781
	<b>47,207</b>	44,610	<b>(338)</b>	16,751

The reconciliation between the average effective tax rate and the Malaysian tax rate is as follows:-

	Group		Company	
	2006	2005	2006	2005
	%	%	%	%
Malaysian tax rate	28.0	28.0	28.0	28.0
Tax effects of:				
- expenses not deductible for tax purposes	2.5	0.3	-	0.2
- income not subject to tax	(0.4)	(3.6)	(26.9)	(16.0)
- previously unrecognised tax losses	-	(0.1)	-	-
- tax incentives	(7.8)	(2.9)	(1.1)	-
- over/(under) provision in prior financial years	0.1	(1.2)	-	0.4
- others	(1.0)	0.1	(0.1)	(1.2)
Average effective tax rate	<b>21.4</b>	20.6	<b>(0.1)</b>	11.4

## 12. TAXATION (cont'd)

Subject to the agreement by the Inland Revenue Board, the amount of unutilised tax losses of subsidiaries available for which the related tax effects have not been recognised in the net income amounted to approximately RM378,000 (2005: RM378,000) as at the financial year end. The amount of tax savings in respect of brought forward tax losses for which credit has been recognised by subsidiaries and tax incentive on an investment made by the Company during the financial year amounted to RM3,000 (2005: RM122,000) and RM9,800,000 (2005: Nil) respectively.

## 13. EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing the profit for the financial year by the weighted or adjusted weighted average number of ordinary shares in issue.

	2006	Group 2005
<b>a) Basic earnings per share</b>		
Profit for the financial year	171,147	169,797
Weighted number of ordinary shares in issue	747,106,923	743,274,803
Basic earnings per share ( <i>sen</i> )	<b>22.91</b>	22.84
<b>b) Diluted earnings per share</b>		
Profit for the financial year	171,147	169,797
<b>Adjusted weighted average number of ordinary shares in issue:</b>		
Weighted number of ordinary shares in issue	747,106,923	743,274,803
Adjustment for share options granted under the Asiatic Executive Share Option Scheme	7,050,331	2,970,541
	<b>754,157,254</b>	746,245,344
Diluted earnings per share ( <i>sen</i> )	<b>22.69</b>	22.75

## 14. DIVIDENDS

	Group and Company 2006	2005
Interim paid - 2.75 sen less 28% tax (2005 : 2.5 sen less 28% tax) per ordinary share of 50 sen each.	14,806	13,385
Proposed final - 4.25 sen less 27% tax (2005 : 3.75 sen less 28% tax) per ordinary share of 50 sen each.	23,310	20,134
Additional final dividends paid in respect of previous financial year due to issue of shares pursuant to the Asiatic Executive Share Option Scheme	-	30
	<b>23,310</b>	20,164
	<b>38,116</b>	33,549

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2006 of 4.25 sen less 27% tax (2005 : 3.75 sen less 28% tax) per ordinary share of 50 sen each amounting to RM 23.3 million (2005 : RM20.1 million) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability upon approval by shareholders.

15. PROPERTY, PLANT AND EQUIPMENT

2006 Group	Freehold land and improvements	Long leasehold land and improvements	Buildings and improvements	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Construction in progress	Total
<b>At cost/valuation:</b>								
At 1 January 2006	250,706	656,206	105,683	139,394	7,626	9,950	5,329	1,174,894
Effects of adoption of:								
- FRS 101	(101,980)	(327,743)	-	-	-	-	-	(429,723)
- FRS 140	-	-	(10,316)	(1,207)	-	(170)	-	(11,693)
Restated at 1 January 2006	148,726	328,463	95,367	138,187	7,626	9,780	5,329	733,478
Additions	1,757	18,524	772	5,991	2,131	735	7,546	37,456
Disposals	(415)	-	-	-	(500)	(39)	-	(954)
Written off	-	(19)	(556)	(2,360)	(16)	(257)	-	(3,208)
Assets of subsidiary acquired	-	16,693	73	1,068	-	488	-	18,322
Reclassifications	-	405	1,450	1,094	-	91	(3,040)	-
Reclassifications to investment properties	-	-	-	-	-	-	(1,357)	(1,357)
End of the financial year	150,068	364,066	97,106	143,980	9,241	10,798	8,478	783,737
<b>Accumulated depreciation:</b>								
At 1 January 2006	-	(17,957)	(37,471)	(84,251)	(5,608)	(7,295)	-	(152,582)
Effects of adoption of:								
- FRS 101	-	11	-	-	-	-	-	11
- FRS 140	-	-	1,961	648	-	19	-	2,628
Restated at 1 January 2006	-	(17,946)	(35,510)	(83,603)	(5,608)	(7,276)	-	(149,943)
Depreciation for the financial year:								
- Charged to income statement	(6)	(3,502)	(2,379)	(12,005)	(45)	(682)	-	(18,619)
- Capitalised under biological assets	-	(997)	(89)	(314)	(76)	(22)	-	(1,498)
Disposals	-	-	-	-	455	38	-	493
Written off	-	3	377	2,071	11	238	-	2,700
End of the financial year	(6)	(22,442)	(37,601)	(93,851)	(5,263)	(7,704)	-	(166,867)
Net book value at end of the financial year	150,062	341,624	59,505	50,129	3,978	3,094	8,478	616,870
Comprising :								
Cost	101,781	364,066	97,106	143,980	9,241	10,798	8,478	735,450
At 1981 valuation	48,287	-	-	-	-	-	-	48,287
	150,068	364,066	97,106	143,980	9,241	10,798	8,478	783,737

**15. PROPERTY, PLANT AND EQUIPMENT(Cont'd)**

<b>2005 Group</b>	Freehold land and improvements	Long leasehold land and improvements	Buildings and improvements	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Construction in progress	Total
<b>At cost/valuation:</b>								
At 1 January 2005	250,602	628,203	88,611	133,555	7,659	9,189	7,020	1,124,839
Effects of adoption of:								
- FRS 101	(101,908)	(312,994)	-	-	-	-	-	(414,902)
- FRS 140	-	-	(2,756)	(706)	-	(5)	-	(3,467)
Restated at 1 January 2005	148,694	315,209	85,855	132,849	7,659	9,184	7,020	706,470
Additions	5	12,762	3,508	5,547	280	654	14,374	37,130
Disposals	-	-	-	(86)	(215)	(11)	-	(312)
Written off	-	-	(315)	(1,121)	(98)	(295)	-	(1,829)
Reclassifications	27	492	6,319	998	-	248	(8,084)	-
Reclassifications to investment properties	-	-	-	-	-	-	(7,981)	(7,981)
End of the financial year	148,726	328,463	95,367	138,187	7,626	9,780	5,329	733,478
<b>Accumulated depreciation:</b>								
At 1 January 2005	-	(15,401)	(33,231)	(74,682)	(4,965)	(6,844)	-	(135,123)
Effects of adoption of:								
- FRS 101	-	3	-	-	-	-	-	3
- FRS 140	-	-	1,591	582	-	5	-	2,178
Restated at 1 January 2005	-	(15,398)	(31,640)	(74,100)	(4,965)	(6,839)	-	(132,942)
Depreciation for the financial year:								
- Charged to income statement	-	(1,666)	(4,064)	(9,989)	(922)	(697)	-	(17,338)
- Capitalised under biological assets	-	(882)	(46)	(346)	(32)	(26)	-	(1,332)
Disposals	-	-	-	86	216	8	-	310
Written off	-	-	240	746	95	278	-	1,359
End of the financial year	-	(17,946)	(35,510)	(83,603)	(5,608)	(7,276)	-	(149,943)
Net book value at end of the financial year	148,726	310,517	59,857	54,584	2,018	2,504	5,329	583,535
Comprising :								
Cost	100,024	328,463	95,367	138,187	7,626	9,780	5,329	684,776
At 1981 valuation	48,702	-	-	-	-	-	-	48,702
	148,726	328,463	95,367	138,187	7,626	9,780	5,329	733,478

**15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

<b>2006 Company</b>	<b>Freehold land and improvements</b>	<b>Buildings and improvements</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fittings and equipment</b>	<b>Construction in progress</b>	<b>Total</b>
<b>At cost/valuation:</b>							
At 1 January 2006	216,697	12,138	11,775	2,742	4,537	2,411	250,300
Effects of adoption of FRS 101	(91,857)	-	-	-	-	-	(91,857)
Restated at 1 January 2006	124,840	12,138	11,775	2,742	4,537	2,411	158,443
Additions	-	-	120	763	167	358	1,408
Disposal arising from Group Rationalisation Exercise (See Note 36)	(122,789)	(11,857)	(11,605)	(444)	(881)	(28)	(147,604)
Disposals - others	(415)	-	-	(355)	(14)	-	(784)
Written off	-	-	(1)	(3)	(73)	-	(77)
Reclassification to land held for sale (See Note 23)	(687)	-	-	-	-	-	(687)
End of the financial year	949	281	289	2,703	3,736	2,741	10,699
<b>Accumulated depreciation:</b>							
Beginning of the financial year	-	(9,996)	(9,112)	(2,152)	(3,869)	-	(25,129)
Depreciation for the financial year:							
- Charged to income statement	-	(39)	(84)	(65)	(157)	-	(345)
Disposal arising from Group Rationalisation Exercise (See Note 36)	-	9,798	9,088	416	740	-	20,042
Disposals - others	-	-	-	333	14	-	347
Written off	-	-	-	1	72	-	73
End of the financial year	-	(237)	(108)	(1,467)	(3,200)	-	(5,012)
Net book value at end of the financial year	949	44	181	1,236	536	2,741	5,687
Comprising :							
Cost	949	281	289	2,703	3,736	2,741	10,699
At 1981 valuation	-	-	-	-	-	-	-
	949	281	289	2,703	3,736	2,741	10,699

**15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

2005 Company	Freehold land and improvements	Long leasehold land and improvements	Buildings and improvements	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Construction in progress	Total
<b>At cost/valuation:</b>								
At 1 January 2005	216,594	61,367	21,176	24,076	3,251	4,699	1,067	332,230
Effects of adoption of FRS 101	(91,786)	(43,248)	-	-	-	-	-	(135,034)
Restated at 1 January 2005	124,808	18,119	21,176	24,076	3,251	4,699	1,067	197,196
Additions	5	-	32	1,137	54	183	2,139	3,550
Disposals	-	(18,119)	(8,939)	(13,412)	(559)	(457)	(400)	(41,886)
Written off	-	-	(135)	(143)	(4)	(135)	-	(417)
Reclassifications	27	-	4	117	-	247	(395)	-
End of the financial year	124,840	-	12,138	11,775	2,742	4,537	2,411	158,443
<b>Accumulated depreciation:</b>								
Beginning of the financial year	-	(2,566)	(14,222)	(20,394)	(2,120)	(4,037)	-	(43,339)
Depreciation for the financial year:								
- Charged to income statement	-	-	(335)	(676)	(461)	(259)	-	(1,731)
Disposals	-	2,566	4,436	11,818	428	293	-	19,541
Written off	-	-	125	140	1	134	-	400
End of the financial year	-	-	(9,996)	(9,112)	(2,152)	(3,869)	-	(25,129)
Net book value at end of the financial year	124,840	-	2,142	2,663	590	668	2,411	133,314
Comprising :								
Cost	73,482	-	12,138	11,775	2,742	4,537	2,411	107,085
At 1981 valuation	51,358	-	-	-	-	-	-	51,358
	124,840	-	12,138	11,775	2,742	4,537	2,411	158,443

The valuation of the freehold land made by the Directors in 1981 were based upon valuations carried out by an independent firm of professional valuers using fair market value basis. The net book value of the revalued freehold land for the Group and the Company would have amounted to RM45.6 million (2005 : RM49.9 million) and RMNil (2005 : RM46.1 million) respectively had they been stated in the financial statements at cost.

**16. PROPERTY DEVELOPMENT ACTIVITIES**

	Group		Group	
	2006	2006	2005	2005
(a) Land held for property development:				
Freehold land		91,766		94,058
Development cost		134,487		131,369
		<u>226,253</u>		<u>225,427</u>
At the beginning of the financial year				
- freehold land	94,058		98,150	
- development costs	<u>131,369</u>	225,427	<u>134,415</u>	232,565
Costs incurred during the financial year				
- development costs	<u>8,626</u>	8,626	<u>8,449</u>	8,449
Costs transferred to property development costs (see Note 16(b))				
- freehold land	(2,292)		(4,092)	
- development costs	<u>(5,508)</u>	<u>(7,800)</u>	<u>(11,495)</u>	<u>(15,587)</u>
At the end of the financial year		<u>226,253</u>		<u>225,427</u>
(b) Property development costs:				
Freehold land		31,182		29,703
Development costs		152,521		132,516
Accumulated costs charged to income statement		<u>(79,569)</u>		<u>(50,837)</u>
		<u>104,134</u>		<u>111,382</u>
At the beginning of the financial year				
- freehold land	29,703		29,164	
- development costs	132,516		124,520	
- accumulated costs charged to income statement	<u>(50,837)</u>	111,382	<u>(48,287)</u>	105,397
Costs incurred during the financial year				
- transferred from land held for property development (see Note 16(a))	7,800		15,587	
- development costs	<u>47,069</u>	54,869	<u>59,179</u>	74,766
Costs charged to income statement		<u>(57,349)</u>		(58,188)
Costs transferred to inventories				
- freehold land	(813)		(3,553)	
- development costs	<u>(32,572)</u>		<u>(62,678)</u>	
- accumulated costs charged to income statement	<u>28,617</u>	<u>(4,768)</u>	55,638	<u>(10,593)</u>
At the end of the financial year		<u>104,134</u>		<u>111,382</u>

**17. INVESTMENT PROPERTIES**

	Group	
	2006	2005
<b>At Cost:</b>		
Beginning of the financial year	-	-
Effects of adoption of FRS 140	<b>11,693</b>	3,467
Restated at 1 January	<b>11,693</b>	3,467
Additions	<b>2,129</b>	8,226
End of the financial year	<b>13,822</b>	11,693
<b>Accumulated depreciation:</b>		
Beginning of the financial year	-	-
Effects of adoption of FRS 140	<b>(2,628)</b>	(2,178)
Restated at 1 January	<b>(2,628)</b>	(2,178)
Depreciation for the financial year	<b>(320)</b>	(450)
End of the financial year	<b>(2,948)</b>	(2,628)
Net book value at end of the financial year	<b>10,874</b>	9,065
Fair value at end of the financial year	<b>17,955</b>	16,320

The aggregate rental income and direct operating expenses arising from investment properties that generated rental income which was recognised during the financial year amounted to RM1,308,000 and RM490,000 respectively (2005 : RM813,000 and RM801,000).

The fair values of the investment properties were based on valuation by independent professional qualified valuers. Valuations were based on sales of comparable properties in the vicinity.

**18. BIOLOGICAL ASSETS**

	Group		Company	
	2006	2005	2006	2005
<b>At Cost:</b>				
Beginning of the financial year	-	-	-	-
Effects of adoption of FRS 101	<b>429,723</b>	414,902	<b>91,857</b>	135,034
Restated at 1 January	<b>429,723</b>	414,902	<b>91,857</b>	135,034
Additions	<b>13,117</b>	14,822	-	307
Assets of subsidiary acquired	<b>2,960</b>	-	-	-
Disposals	<b>(270)</b>	(1)	<b>(91,254)</b>	(43,484)
Reclassification to land held for sale	-	-	<b>(603)</b>	-
End of the financial year	<b>445,530</b>	429,723	-	91,857
<b>Accumulated amortisation:</b>				
Beginning of the financial year	-	-	-	-
Effects of adoption of FRS 101	<b>(11)</b>	(3)	-	-
Restated at 1 January	<b>(11)</b>	(3)	-	-
Charge for the financial year	<b>(7)</b>	(8)	-	-
End of the financial year	<b>(18)</b>	(11)	-	-
Net book value at end of the financial year	<b>445,512</b>	429,712	-	91,857

**19. SUBSIDIARIES**

	<b>Company</b>	
	<b>2006</b>	<b>2005</b>
Unquoted shares - at cost	<b>195,822</b>	160,822
Less : Amounts written down to-date	<b>(3,635)</b>	(3,635)
	<b>192,187</b>	157,187
<i>Current:</i>		
Amounts due from subsidiaries	<b>1,881,174</b>	973,426
Amounts due to subsidiaries	<b>(105,439)</b>	(197,479)

The amounts due from and to subsidiaries represent outstanding amounts arising from inter-company sales and purchases, advances, payments and receipts on behalf of or by subsidiaries. These amounts are interest free, unsecured and are repayable on demand.

Included in amount due from subsidiaries is an amount of RM990.4 million (2005 : RM108.3 million) representing balance of purchase price receivable for sale of plantation land and buildings erected thereon located in West Malaysia (2005 : In Sabah) pursuant to the Group Rationalisation Exercise (see Note 36). This amount has no cash flow impact and is outstanding as at 31 December 2006.

Included in amount due to subsidiaries in the previous financial year is an amount of RM2.1 million representing balance of purchase price received for the sale of a palm oil mill together with all plant, machinery, equipment and furniture pursuant to the Group Rationalisation Exercise (see Note 36). This amount has no cash flow impact to the Company as the amount was utilised to set off the inter-company balances with the subsidiary involved.

The subsidiaries are listed in Note 38.

**20. ASSOCIATES**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Unquoted shares - at cost	<b>2,123</b>	2,123	<b>2,123</b>	2,123
Group's share of post-acquisition reserves	<b>10,838</b>	10,741	-	-
Share of net assets, other than goodwill	<b>12,961</b>	12,864	<b>2,123</b>	2,123
Amount due from associates	<b>1,094</b>	2,660	<b>665</b>	2,660
Less : Balance included in non-current receivables (See Note 25)	-	(1,977)	-	(1,977)
Balance included in current assets	<b>(1,094)</b>	(683)	<b>(665)</b>	(683)
	-	-	-	-
	<b>12,961</b>	12,864	<b>2,123</b>	2,123

The fair values of non-current receivable from an associate closely approximate its book value.

The amounts due from associates represent outstanding amounts arising from trade transactions and advances and payments made on behalf of associates, are unsecured and interest free and with no fixed repayment terms.

**20. ASSOCIATES (Cont'd)**

The Group's share of the results of its associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

	Group	
	2006	2005
Revenue	<b>30,663</b>	31,177
Net profit	<b>1,825</b>	2,761
Total assets	<b>22,561</b>	22,416
Total liabilities	<b>(9,600)</b>	(9,552)

The associates are listed in Note 38.

**21. LONG TERM INVESTMENTS**

	Group 2006
Unquoted shares in a foreign corporation, at cost	<b>32,653</b>

The fair value of unquoted shares in a foreign corporation approximate its book value.

**22. DEFERRED TAXATION**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2006	2005	2006	2005
Deferred tax assets				
- subject to income tax	<b>5,480</b>	6,250	<b>1,033</b>	345
- subject to real property gains tax	<b>189</b>	-	-	-
	<b>5,669</b>	6,250	<b>1,033</b>	345
Deferred tax liabilities:				
- subject to income tax	<b>(37,780)</b>	(34,736)	-	-
- subject to real property gains tax	<b>(3,308)</b>	(4,129)	<b>(5)</b>	(745)
	<b>(41,088)</b>	(38,865)	<b>(5)</b>	(745)
	<b>(35,419)</b>	(32,615)	<b>1,028</b>	(400)
At 1 January	<b>(32,615)</b>	(39,151)	<b>(400)</b>	(888)
<b>(Charged)/credited to income statement</b>				
<i>(see Note 12):</i>				
- Property, plant and equipment	<b>(2,165)</b>	2,660	<b>1,570</b>	1,154
- Provision for Directors' retirement gratuities	<b>(40)</b>	26	<b>(27)</b>	23
- Land held for property development	<b>568</b>	144	-	-
- Property development costs	<b>275</b>	1,565	-	-
- Inventories	<b>(674)</b>	978	-	-
- Accruals	<b>166</b>	1,019	<b>79</b>	(667)
- Other temporary differences	<b>(934)</b>	144	<b>(194)</b>	(22)
	<b>(2,804)</b>	6,536	<b>1,428</b>	488
At 31 December	<b>(35,419)</b>	(32,615)	<b>1,028</b>	(400)

**22. DEFERRED TAXATION (Cont'd)**

	Group		Company	
	2006	2005	2006	2005
<b>Subject to income tax</b>				
i) Deferred tax assets (before offsetting)				
- Property, plant and equipment	1,116	2,645	-	-
- Provision for Directors' retirement gratuities	1,447	1,487	1,119	1,146
- Property development costs	3,146	2,416	-	-
- Inventories	628	1,420	-	-
- Accruals	2,064	2,405	279	200
- Other temporary differences	330	445	-	-
	<b>8,731</b>	10,818	<b>1,398</b>	1,346
- Offsetting	<b>(3,251)</b>	(4,568)	<b>(365)</b>	(1,001)
Deferred tax assets (after offsetting)	<b>5,480</b>	6,250	<b>1,033</b>	345
ii) Deferred tax liabilities (before offsetting)				
- Property, plant and equipment	<b>(35,046)</b>	(33,474)	<b>(365)</b>	(1,000)
- Land held for property development	<b>(359)</b>	(387)	-	-
- Property development costs	<b>(4,737)</b>	(4,747)	-	-
- Inventories	<b>(577)</b>	(695)	-	-
- Other temporary differences	<b>(312)</b>	(1)	-	(1)
	<b>(41,031)</b>	(39,304)	<b>(365)</b>	(1,001)
- Offsetting	<b>3,251</b>	4,568	<b>365</b>	1,001
Deferred tax liabilities (after offsetting)	<b>(37,780)</b>	(34,736)	-	-
<b>Subject to real property gains tax</b>				
iii) Deferred tax assets (before offsetting)				
- Property, plant and equipment	724	-	-	-
- Offsetting	<b>(535)</b>	-	-	-
Deferred tax assets (after offsetting)	<b>189</b>	-	-	-
iv) Deferred tax liabilities (before offsetting)				
- Property, plant and equipment	<b>(2,498)</b>	(2,708)	<b>(5)</b>	(745)
- Land held for property development	<b>(1,307)</b>	(1,383)	-	-
- Other temporary differences	<b>(38)</b>	(38)	-	-
	<b>(3,843)</b>	(4,129)	<b>(5)</b>	(745)
- Offsetting	<b>535</b>	-	-	-
Deferred tax liabilities (after offsetting)	<b>(3,308)</b>	(4,129)	<b>(5)</b>	(745)

The amount of unutilised tax losses and deductible temporary differences on property, plant and equipment for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group	
	2006	2005
Unutilised tax losses	378	378
Property, plant and equipment	944	926
	<b>1,322</b>	1,304

**23. LAND HELD FOR SALE**

	Company	
	2006	2005
Land held for sale	<b>1,290</b>	-

The land held for sale comprised of freehold land (*see Note 15*) measuring approximately 242 acres and the biological assets (*see Note 18*) situated therein located in the Mukim of Tangkak, Johor. The land is planned to be sold to a fellow subsidiary for property development within the next financial year.

**24. INVENTORIES**

	Group		Company	
	2006	2005	2006	2005
Produce stocks - at cost	<b>2,935</b>	4,712	-	-
Stores and spares - at cost	<b>5,061</b>	4,979	<b>14</b>	477
	<b>7,996</b>	9,691	<b>14</b>	477
Completed development properties				
- at cost	<b>106,930</b>	111,016	-	-
- at net realisable value	-	89	-	-
	<b>106,930</b>	111,105	-	-
	<b>114,926</b>	120,796	<b>14</b>	477

**25. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2006	2005	2006	2005
<i>Current :</i>				
Trade receivables	<b>47,487</b>	36,495	-	1,704
Less : Allowance for bad and doubtful debts	<b>(766)</b>	(665)	-	-
	<b>46,721</b>	35,830	-	1,704
Accrued billings in respect of property development	<b>13,415</b>	14,999	-	-
Income tax recoverable	<b>13,414</b>	1,752	<b>11,401</b>	552
Deposits	<b>2,167</b>	2,024	<b>478</b>	555
Prepayments	<b>635</b>	702	<b>8</b>	194
Other receivables	<b>21,070</b>	19,022	<b>10,484</b>	11,176
	<b>97,422</b>	74,329	<b>22,371</b>	14,181
<i>Non-current :</i>				
Amount due from an associate ( <i>See Note 20</i> )	-	1,977	-	1,977
Other receivables	<b>5,000</b>	15,000	<b>5,000</b>	15,000
	<b>5,000</b>	16,977	<b>5,000</b>	16,977
	<b>102,422</b>	91,306	<b>27,371</b>	31,158

## 25. TRADE AND OTHER RECEIVABLES (Cont'd)

The maturity profile for non-current receivables is as follows:

	Group		Company	
	2006	2005	2006	2005
More than one year and less than two years	5,000	11,977	5,000	11,977
More than two years and less than five years	-	5,000	-	5,000
	<b>5,000</b>	<b>16,977</b>	<b>5,000</b>	<b>16,977</b>
Fair value for non-current receivables				
- Amount due from an associate	-	1,977	-	1,977
- Other receivables	4,634	13,831	4,634	13,831
	<b>4,634</b>	<b>15,808</b>	<b>4,634</b>	<b>15,808</b>

Credit terms offered by the Group range from 7 to 14 days (2005 : 7 to 14 days) from date of invoice.

Bad debts written off during the financial year against allowance created in previous financial years for the Group amounted to RM68,000 (2005 : RM624,000).

Included in other receivables of the Group is a secured housing loan of RM500,000 (2005 : RM500,000) granted to an Executive Director of the Company which carries interest at 4% per annum (2005 : 4% per annum).

The other receivables included in non-current portion represent amounts receivable in respect of additional compensation arising from freehold land previously acquired by the government. The carrying amounts of long term receivables at the balance sheet date were not reduced to their estimated fair values as these amounts were awarded by high court and the Directors are of the opinion that the amounts will be receivable in full on their due dates. The fair values of long term receivables were derived by discounting future contractual cash flows at the risk free rate over 2 years.

## 26. HOLDING COMPANY AND OTHER RELATED COMPANIES

The Company's immediate and ultimate holding company is Genting Berhad, a company incorporated in Malaysia.

	Group		Company	
	2006	2005	2006	2005
Amount due to ultimate holding company	638	729	638	729
Amounts due to other related companies	1,249	475	1,249	475
	<b>1,887</b>	<b>1,204</b>	<b>1,887</b>	<b>1,204</b>
Amounts due from other related companies	(4)	(16)	-	(9)
	<b>1,883</b>	<b>1,188</b>	<b>1,887</b>	<b>1,195</b>

The amounts due to and from holding company and other related companies are unsecured, interest free and are payable on demand.

## 27. SHORT TERM INVESTMENTS

Short term investments represent investments in unquoted money market instruments and are stated at cost. Money market instruments comprise negotiable certificates of deposit and bankers' acceptances. The short term investments of the Company as at 31 December 2006 have maturity periods ranging between overnight and one month (2005 : between overnight and one month).

Short term investments of the Group and of the Company as at 31 December 2006 are deriving interest at weighted average interest rate of 3.42% per annum (2005 : 2.89% per annum) at the end of the financial year.

**28. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2006	2005	2006	2005
Deposits with licensed banks	<b>128,683</b>	57,770	<b>100,164</b>	35,019
Deposits with finance companies	-	4,369	-	3,553
Cash and bank balances	<b>11,496</b>	3,397	<b>8,619</b>	3,235
	<b>140,179</b>	65,536	<b>108,783</b>	41,807
Add:				
Money market instruments (See Note 27)	<b>121,184</b>	114,067	<b>104,651</b>	92,761
Cash and cash equivalents	<b>261,363</b>	179,603	<b>213,434</b>	134,568

The currency profile and weighted average interest rates of the bank balances and deposits as at the financial year end are as follows:

	Group				Company			
	Currency Profile		Interest rate per annum (%)		Currency Profile		Interest rate per annum (%)	
	2006	2005	2006	2005	2006	2005	2006	2005
Ringgit Malaysia	<b>140,179</b>	65,155	<b>3.30</b>	2.68	<b>108,783</b>	41,807	<b>3.41</b>	2.89
US Dollars	-	381	-	4.16	-	-	-	-
	<b>140,179</b>	65,536			<b>108,783</b>	41,807		

The deposits of the Group and of the Company as at 31 December 2006 have maturity period of one month (2005 : one month). Cash and bank balances of the Group and of the Company are held at call.

Included in deposits with licensed banks for the Group is an amount of RM12.7 million (2005 : RM14.3 million) deposited by a subsidiary into various Housing Development Accounts in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. This amount is available for use by the said subsidiary for the payment of property development expenditure.

**29. SHARE CAPITAL**

	Company	
	2006 '000	2005 '000
Authorised:		
1,000,000,000 ordinary shares of 50 sen each	<b>500,000</b>	500,000
Issued and fully paid:		
Ordinary shares of 50 sen each		
At beginning of the financial year		
- 745,558,000 (2005 : 742,503,000)	<b>372,779</b>	371,252
Issue of shares		
- 4,864,000 (2005 : 3,055,000)	<b>2,432</b>	1,527
At end of the financial year		
- 750,422,000 (2005 : 745,558,000)	<b>375,211</b>	372,779

During the financial year, 229,000 ordinary shares of 50 sen each fully-paid at the subscription price of 92 sen per share, 3,733,000 ordinary shares of 50 sen each fully-paid at the subscription price of 145 sen per share and 902,000 ordinary shares of 50 sen each fully-paid at the subscription price of 165 sen per share were issued by virtue of the exercise of the Options to take up unissued ordinary shares of the Company by the executive employees of the Group pursuant to The Asiatic Executive Share Option Scheme ("the Scheme") all of which ordinary shares rank pari passu with the then existing ordinary shares of the Company. These Options were granted prior to the current financial year.

## 29. SHARE CAPITAL (Cont'd)

The Scheme is governed by the Bye-Laws and was approved by the shareholders at an Extraordinary General Meeting held on 28 June 2000. The Scheme came into effect on 1 September 2000.

The main features of the Scheme are as follows:

- i) The Scheme shall be in force for a period of ten (10) years commencing from 1 September 2000 ("the Option Period").
- ii) Eligible Executives are employees of the Group (including Executive Directors) or persons under an employment contract of the Group for a period of at least twelve (12) full months of continuous service before the date of offer. The eligibility for participation in the Scheme shall be at the discretion of the Remuneration, Compensation and Benefits Committee ("RCB Committee") which is established by the Board of Directors.
- iii) In the event of cessation of employment of a Grantee with the Group prior to the full exercise of the options, such options shall cease without any claim against the Company provided always that subject to the written approval of RCB Committee in its discretion where the Grantee ceases his employment with the Group by reason of:
  - his retirement at or after attaining retirement age;
  - ill-health or accident, injury or disability;
  - redundancy; and/or
  - other reasons or circumstances which are acceptable to the RCB Committee

the Grantee may exercise his unexercised options within the Option Period subject to any conditions that may be imposed by the RCB Committee.

- iv) The total number of shares to be offered under the Scheme shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at the time of the offer.
- v) Not more than 50% of the shares available under the Scheme would be allocated, in aggregate, to the Executive Directors and Senior Management. In addition, not more than 10% of the shares available under the Scheme would be allocated to any individual Eligible Executive who, either singly or collectively through persons connected, holds 20% or more in the issued and paid up share capital of the Company.
- vi) The price at which the Grantee is entitled to subscribe upon exercise of his rights under the Options shall be based on the weighted average market price of the Shares as shown in the Daily Official List of the Malaysia Securities Exchange Berhad for the five (5) Market Days immediately preceding the Date of Offer. Notwithstanding this, the Option Price per Share shall in no event be less than the nominal value of the Share.
- vii) No option shall be granted for less than 1,000 shares nor more than 1,500,000 shares to any Eligible Employee.
- viii) The Option granted under the Scheme can only be exercised by the Grantee in the fourth year from the Date of Offer until the expiry of the Option Period in the following manner:

Number of new Shares comprised in the Option granted	Percentage of new Shares comprised in the Option exercisable each year from the Date of Offer				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 10,000	-	-	-	100%	-
10,000 and above	-	-	-	50% *	50%

\* 50% or 10,000, whichever is the higher.

The employee's entitlements to the Options are vested as soon as they become exercisable.

**29. SHARE CAPITAL (Cont'd)**

- ix) All new ordinary shares issued upon exercise of the Options granted under the Scheme will rank pari passu in all respects with the existing ordinary shares of the Company other than their entitlements to dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new shares and will be subject to all provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.
- x) The Options shall not have any right to vote at general meeting of the Company and the Grantees shall not be entitled to any dividends, right or other entitlements in respect of their unexercised options.
- xi) The persons to whom the Options have been issued have no right to participate by virtue of the Options in any share issue of any other company.

Set out below are details of options over the ordinary shares of the Company granted under the Scheme:

Date granted	Exercisable period	Subscription price (sen/share)	At 1 January	Offered and accepted	Exercised	Lapsed	At 31 December
				(Number of Options)			
<i>Financial year ended 31.12.2006:</i>							
11.11.2000	11.11.2003						
	- 31.8.2010	92	301,000	-	(229,000)	(6,000)	66,000
2.9.2002	2.9.2005						
	- 31.8.2010	145	5,990,000	-	(3,733,000)	(64,000)	2,193,000
1.12.2003	1.12.2006						
	- 31.8.2010	165	5,445,000	-	(902,000)	(76,000)	4,467,000
29.8.2005	29.8.2008						
	- 31.8.2010	183	1,966,000	-	-	(111,000)	1,855,000
			<b>13,702,000</b>	<b>-</b>	<b>(4,864,000)</b>	<b>(257,000)</b>	<b>8,581,000</b>

Date granted	Exercisable period	Subscription price (sen/share)	At 1 January	Offered and accepted	Exercised	Lapsed	At 31 December
				(Number of Options)			
<i>Financial year ended 31.12.2005:</i>							
11.11.2000	11.11.2003						
	- 31.8.2010	92	1,786,000	-	(1,485,000)	-	301,000
2.9.2002	2.9.2005						
	- 31.8.2010	145	7,740,000	-	(1,570,000)	(180,000)	5,990,000
1.12.2003	1.12.2006						
	- 31.8.2010	165	5,780,000	-	-	(335,000)	5,445,000
29.8.2005	29.8.2008						
	- 31.8.2010	183	-	1,979,000	-	(13,000)	1,966,000
			<b>15,306,000</b>	<b>1,979,000</b>	<b>(3,055,000)</b>	<b>(528,000)</b>	<b>13,702,000</b>

	<b>2006</b>	2005
Number of share options vested at balance sheet date	<b>4,247,000</b>	2,702,000

**29. SHARE CAPITAL (Cont'd)**

Details relating to options exercised during the financial year are as follows:

Exercise date	Fair value of shares at share issue date (sen/share)	Subscription price (sen/share)	Number of shares issued	
			2006	2005
January - March 2005	163 - 179	92	-	180,000
July - September 2005	171 - 234	92 - 145	-	935,000
October - December 2005	201 - 246	92 - 145	-	1,940,000
January - March 2006	233 - 287	92 - 145	<b>653,000</b>	-
April - June 2006	285 - 346	92 - 145	<b>609,000</b>	-
May - September 2006	308 - 388	92 - 145	<b>997,000</b>	-
October - December 2006	346 - 428	92 - 165	<b>2,605,000</b>	-
			<b>4,864,000</b>	<b>3,055,000</b>
			<b>2006</b>	<b>2005</b>
Ordinary share capital - at par			<b>2,432</b>	1,527
Share premium			<b>4,679</b>	2,116
Proceeds received on exercise of share options			<b>7,111</b>	3,643
Fair value at exercise date of shares issued			<b>13,656</b>	6,400

The fair value of options granted on 29 August 2005 determined using the Trinomial valuation model was at RM0.42 per share. The significant inputs into the model were share price of RM1.82 at the grant date, exercise price shown above, first exercise date and expiration date, price volatility of 33.35%, dividend yield of 1.56%, annual risk-free interest rate of 3.285% and option life of 5 years. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of monthly share prices over the last five years.

**30. RESERVES**

	Group		Company	
	2006	2005	2006	2005
Share premium	<b>32,948</b>	28,269	<b>32,948</b>	28,269
Option reserve	<b>379</b>	-	<b>379</b>	-
Revaluation reserve	<b>18,075</b>	18,115	<b>104</b>	26,613
Exchange differences	<b>(355)</b>	288	-	-
	<b>51,047</b>	46,672	<b>33,431</b>	54,882
Retained earnings	<b>1,331,105</b>	1,194,888	<b>1,795,724</b>	879,562
	<b>1,382,152</b>	1,241,560	<b>1,829,155</b>	934,444

### 30. RESERVES (Cont'd)

The movements in reserves have been disclosed in the Statements of Changes in Equity.

Based on the prevailing tax rate applicable to dividends, the estimated tax credit position is sufficient to frank approximately RM355.0 million (2005 : RM369.1 million) of the Company's retained earnings if distributed by way of dividends without additional tax liabilities being incurred.

In addition, the estimated tax exempt income of the Company as at 31 December 2006, under the Income Tax Act, 1967 and Income Tax (Amendment) Act, 1999, is sufficient to frank tax exempt dividend of approximately RM105.5 million (2005 : RM105.5 million). The estimated tax credit and tax exempt income are subject to agreement by the Inland Revenue Board. Based on the foregoing, the extent of retained earnings of the Company not covered by available tax credit and tax exempt income, if all of the retained earnings were to be distributed as dividends, would amount to RM1,335.2 million (2005 : RM405.0 million).

### 31. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
<i>Current:</i>				
Trade payables	27,399	29,991	184	2,068
Accrual of property development expenditure	14,169	13,029	-	-
Deposits	2,650	3,135	233	554
Accrued expenses	28,779	24,788	6,918	7,473
Retention monies	7,980	7,485	15	188
Amount due to related companies	13,005	13,656	-	-
Other payables	940	866	-	-
	<b>94,922</b>	<b>92,950</b>	<b>7,350</b>	<b>10,283</b>
<i>Non-current:</i>				
Amount due to shareholders of a subsidiary	15,592	-	-	-
Other payables	1,628	4,120	1,628	4,120
	<b>17,220</b>	<b>4,120</b>	<b>1,628</b>	<b>4,120</b>
	<b>112,142</b>	<b>97,070</b>	<b>8,978</b>	<b>14,403</b>

The maturity profile for non-current payables is as follows:

More than one year and less than two years	17,220	2,708	1,628	2,708
More than two years and less than five years	-	1,412	-	1,412
	<b>17,220</b>	<b>4,120</b>	<b>1,628</b>	<b>4,120</b>
Fair value of non-current other payables	<b>15,875</b>	<b>3,733</b>	<b>1,501</b>	<b>3,733</b>

Credit terms available to the Group range from 30 to 90 days (2005 : 30 to 90 days) from date of invoice.

The amount due to related companies and shareholders of a subsidiary are unsecured and interest free.

The non-current payables represent consultancy fees payable for services rendered, due and payable on staggered basis. The fair values were derived by discounting future contractual cash flows at current market borrowing rates available for the Group with similar credit ratings.

**32. PROVISION FOR DIRECTORS' RETIREMENT GRATUITIES**

	Group		Company	
	2006	2005	2006	2005
At 1 January	5,312	5,218	4,093	4,012
Charged to income statement	254	160	210	147
Paid during the financial year	-	(66)	-	(66)
At 31 December	<b>5,566</b>	5,312	<b>4,303</b>	4,093

**33. ON GOING LITIGATION**

The Company and Asiatic Tanjung Bahagia Sdn Bhd ("ATBSB"), a wholly-owned subsidiary, had vide previous announcements informed shareholders on the status of the legal suit filed in the High Court of Sabah and Sarawak at Kota Kinabalu Suit No. K22-245 of 2002 wherein the Company and ATBSB were named as the Second and Third Defendants respectively ("the Suit"). The Suit was instituted by certain natives ("the Plaintiffs") claiming Native Customary Rights over the agricultural land or part thereof held under title number CL095330724 measuring approximately 8,830 hectares situated at Sungai Tongod, District of Kinabatangan, Sandakan, Sabah ("Tongod Land") which was acquired by ATBSB from Hap Seng Consolidated Berhad ("HSCB").

Subsequently, the Plaintiffs had also applied for an interlocutory injunction to restrain the Company and ATBSB from entering, trespassing, clearing, using or occupying the Tongod Land or part thereof ("the Injunction").

Our solicitors maintain their opinion that the Plaintiffs' action is misconceived and unsustainable.

Other than the hearing of a case management on 16 January 2007, there have been no changes to the status of the aforesaid litigation as at the date of this report. There shall be a review of the case management on 26 November 2007.

**34. CAPITAL COMMITMENTS**

	Group		Company	
	2006	2005	2006	2005
Authorised capital expenditure not provided for in the financial statements:				
- contracted	32,966	16,930	101	1,235
- not contracted	118,853	83,656	1,778	2,437
	<b>151,819</b>	100,586	<b>1,879</b>	3,672
Analysed as follows:				
- Property, plant and equipment	112,372	69,357	1,879	3,672
- Investment properties	1,370	1,460	-	-
- Biological assets	36,958	1,045	-	-
- Investments	1,119	28,724	-	-
	<b>151,819</b>	100,586	<b>1,879</b>	3,672

### 35. BUSINESS COMBINATIONS

#### a) Acquisition of subsidiaries during the financial year

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

	Date of Acquisition	Country of Incorporation	Percentage of Equity Interest Acquired	Acquired by
i. Asiatic Centre for Genome Technology Sdn Bhd (previously known as Cosmo-Lotus Sdn Bhd)	8 May 2006	Malaysia	100	Asiatic Development Berhad
ii. Degan Limited	20 July 2006	Isle of Man	100	Asiatic Centre for Genome Technology Sdn Bhd
iii. Orbit Crescent Sdn Bhd	27 September 2006	Malaysia	100	Asiatic Development Berhad
iv. PT Sepanjang Intisurya Mulia	23 November 2006	Indonesia	70	Sri Nangatayap Pte Ltd

The above acquired subsidiaries are all newly set up companies and the acquisitions do not have any material effect on the Group's profit for the current financial year.

#### b) Proposed Joint Venture for oil palm cultivation of approximately 98,300 hectares in Kabupaten Ketapang, Provinsi Kalimantan Barat, Republic of Indonesia:

On 8 June 2005, the 5 wholly-owned subsidiaries incorporated in Singapore had entered into 5 separate Joint Venture Agreements for the cultivation of oil palm on approximately 98,300 hectares of land in Kabupaten Ketapang, Provinsi Kalimantan Barat, Republic of Indonesia ("the Land") ("the Proposed Joint Venture"). The Proposed Joint Venture is subject to the following conditions being fulfilled within 12 months from the date of the Joint Venture Agreements or such period as may be mutually extended by parties to the said agreements:

- i) the letter of confirmation from the local government of Kabupaten Ketapang on the Proposed Joint Venture;
- ii) the approval of Badan Koordinasi Penanaman Modal ("BKPM") or Investment Coordinating Board in Indonesia;
- iii) the issuance of the Hak Guna Usaha certificates or Rights/Titles to Cultivate the Land;
- iv) due diligence study on the Land and the Joint Venture Companies; and
- v) any other approvals, licenses and permits required for the Proposed Joint Venture.

The period for the fulfilment of the above conditions has since been extended up to and including 8 June 2007.

On 23 August 2006, one of the Joint Venture Companies namely, PT Sepanjang Intisurya Mulia ("PT SISM") had obtained the approval from BKPM. Subsequently, on 23 November 2006, Sri Nangatayap Pte Ltd, one of the five subsidiaries of the Company for the Proposed Joint Venture had subscribed for 70% of the enlarged issued and paid-up share capital for a consideration of Rp700,000,000 of PT SISM. Accordingly, PT SISM became an indirect subsidiary of the Company on the same date.

### 36. GROUP RATIONALISATION EXERCISE (“THE PROPOSED EXERCISE”)

The Company and certain wholly-owned subsidiaries had on 18 February 2004 entered into several Sale and Purchase Agreements (“SPA”) for the sale and purchase of plantation land and buildings erected thereon (“plantation assets”) pursuant to a proposed Group Rationalisation Exercise (“the Proposed Exercise”). The objectives of the Proposed Exercise are:

- i) to relieve the Company from operating activities thus establishing the Company as an investment holding and management company; and
- ii) to streamline operating units currently held under various companies within the Group into distinct core entities.

The Proposed Exercise was fully completed on 28 February 2006 following the approvals obtained from the State Authorities/Estate Land Boards for the remaining two estates measuring approximately 7,777 acres located in West Malaysia.

The gain arising from the Proposed Exercise is disclosed in Note 8.

Whilst the Proposed Exercise has no impact on the Group, the following explains the possible effect on the financial results and position of the Company arising from the Proposed Exercise:

	Continuing Operations		Discontinued Operations		Total	
	2006	2005	2006	2005	2006	2005
<b>Income Statement</b>						
Revenue	43,117	18,058	6,434	93,074	49,551	111,132
Cost of sales	-	-	(2,391)	(31,589)	(2,391)	(31,589)
Gross profit	43,117	18,058	4,043	61,485	47,160	79,543
Other income	7,516	4,169	886,704	84,433	894,220	88,602
Expenses	(16,153)	(13,004)	(942)	(8,015)	(17,095)	(21,019)
Profit before taxation	34,480	9,223	889,805	137,903	924,285	147,126
Taxation	1,206	(2,557)	(868)	(14,194)	338	(16,751)
Net profit for the year	35,686	6,666	888,937	123,709	924,623	130,375
<b>Cash flows</b>						
Operating activities	(23,680)	(56,415)	4,043	35,269	(19,637)	(21,146)
Investing activities	113,907	111,011	12,455	6,891	126,362	117,902
Financing activities	(27,859)	(28,458)	-	-	(27,859)	(28,458)
Total cash flows	62,368	26,138	16,498	42,160	78,866	68,298
<b>Balance Sheet</b>						
Non-current assets	201,030	167,180	5,000	234,623	206,030	401,803
Current assets	2,107,658	1,109,611	11,290	13,733	2,118,948	1,123,344
Total assets	2,308,688	1,276,791	16,290	248,356	2,324,978	1,525,147
Current liabilities	112,076	201,665	2,600	7,301	114,676	208,966
Non-current liabilities	4,308	4,093	1,628	4,865	5,936	8,958
Total liabilities	116,384	205,758	4,228	12,166	120,612	217,924
Net assets	2,192,304	1,071,033	12,062	236,190	2,204,366	1,307,223

### 37. SIGNIFICANT RELATED PARTY DISCLOSURES

In the normal course of business, the Company and the Group undertakes on agreed terms and prices, transactions with its related companies and other related parties.

In addition to related party transactions mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transaction listed below was carried out on terms and conditions obtainable in transactions with unrelated parties:

	Group	
	2006	2005
(a) (i) Progress payments made by a wholly-owned subsidiary, Asiatic Land Development Sdn Bhd ("ALDSB") to the constructor, Kien Huat Development Sdn Bhd ("KHD"), a company in which Datuk Lim Chee Wah, a brother of Tan Sri Lim Kok Thay, is a director and has deemed substantial financial interest, for the development of properties in Kulai, Johor. The progress payments include fees and reimbursables totalling RM1,435,500 (2005 : RM1,829,300).	37,464	47,881
(ii) Project management fee payable by ALDSB to the Project Manager, KHD Management Sdn Bhd, a wholly-owned subsidiary of KHD, for the management of its properties development project in Melaka.	505	529
	<b>37,969</b>	<b>48,410</b>
b) Amount payable for the following services rendered:		
(i) Provision of information technology and system implementation services and rental of equipment by eGenting Sdn Bhd and Genting Information Knowledge Enterprise Sdn Bhd to the Company; and	1,609	1,513
(ii) Provision of management services for the implementation of the co-brand card issuer program (Asiatic Lifestyle WorldCard) by Genting WorldCard Services Sdn Bhd to ALDSB, all of which are indirect subsidiaries of Genting Berhad, the Company's immediate and ultimate holding company.	42	114
	<b>1,651</b>	<b>1,627</b>

### 38. SUBSIDIARIES AND ASSOCIATES

	Effective Percentage of Ownership		Country of Incorporation	Principal Activities
	2006	2005		
<b>Direct Subsidiaries</b>				
Asiatic SDC Sdn Bhd	100	100	Malaysia	Plantation
Asiatic Plantations (WM) Sdn Bhd	100	100	Malaysia	Plantation
Asiatic Tanjung Bahagia Sdn Bhd	100	100	Malaysia	Plantation
Landworthy Sdn Bhd	84	84	Malaysia	Plantation
Kinavest Sdn Bhd	100	100	Malaysia	Plantation
Asiaticom Sdn Bhd	100	100	Malaysia	Plantation
Asiatic Oil Mills (WM) Sdn Bhd	100	100	Malaysia	FFB processing

**38. SUBSIDIARIES AND ASSOCIATES (Cont'd)**

	Effective Percentage of Ownership		Country of Incorporation	Principal Activities
	2006	2005		
<b>Direct Subsidiaries (Cont'd)</b>				
ADB (Sarawak) Palm Oil Mill Management Sdn Bhd	100	100	Malaysia	Provision of palm oil mill management services
Asiatic Land Development Sdn Bhd	100	100	Malaysia	Property development
Technimode Enterprises Sdn Bhd	100	100	Malaysia	Property investment
Asiatic Properties Sdn Bhd	100	100	Malaysia	Property investment
Amalgamated Rubber (Penang) Sdn Bhd	100	100	Malaysia	Investment holding
Mediglove Sdn Bhd	100	100	Malaysia	Investment holding
Asiatic Commodities Trading Sdn Bhd	100	100	Malaysia	Pre-operating
ALD Construction Sdn Bhd	100	100	Malaysia	Pre-operating
Asiatic Vegetable Oils Refinery Sdn Bhd	100	100	Malaysia	Pre-operating
AR Property Development Sdn Bhd	100	100	Malaysia	Dormant
Glugor Development Sdn Bhd	100	100	Malaysia	Dormant
Asiatic Green Tech Sdn Bhd	100	100	Malaysia	Dormant
Plantation Latex (Malaya) Sdn Bhd	100	100	Malaysia	Dormant
Kenyalang Borneo Sdn Bhd	100	100	Malaysia	Dormant
* Asiatic Centre for Genome Technology Sdn Bhd <i>(Previously known as Cosmo-Lotus Sdn Bhd)</i>	100	-	Malaysia	Genomic research
* Orbit Crescent Sdn Bhd	100	-	Malaysia	Pre-operating
<b>Indirect Subsidiaries</b>				
Setiamas Sdn Bhd	100	100	Malaysia	Plantation and property development
Wawasan Land Progress Sdn Bhd	100	100	Malaysia	Plantation
Sawit Sukau Usahasama Sdn Bhd	56	56	Malaysia	Plantation
* PT Sepanjang Intisurya Mulia	70	-	Indonesia	Plantation
Asiatic Indahpura Development Sdn Bhd	100	100	Malaysia	Property development

**38. SUBSIDIARIES AND ASSOCIATES (Cont'd)**

	Effective Percentage of Ownership		Country of Incorporation	Principal Activities
	2006	2005		
<b>Indirect Subsidiaries (Cont'd)</b>				
Asiatic Golf Course (Sg. Petani) Bhd	100	100	Malaysia	Golf course operation
Sri Nangatayap Pte Ltd	100	100	Singapore	Investment holding
* Degan Limited	100	-	Isle of Man	Investment holding
Asiatic Overseas Limited	100	100	Isle of Man	Dormant
Azzon Limited	100	100	Isle of Man	Dormant
Trushidup Plantations Sdn Bhd	100	100	Malaysia	Dormant
Dianti Plantations Sdn Bhd	100	100	Malaysia	Dormant
Cengkeh Emas Sdn Bhd	100	100	Malaysia	Dormant
Kituva Plantations Sdn Bhd	100	100	Malaysia	Dormant
Asiatic Awanpura Sdn Bhd	100	100	Malaysia	Pre-operating
Asiatic Equities (S'pore) Pte Ltd	100	100	Singapore	Pre-operating
Ketapang Holdings Pte Ltd	100	100	Singapore	Pre-operating
Sandai Maju Pte Ltd	100	100	Singapore	Pre-operating
Sri Kenyalang Pte Ltd	100	100	Singapore	Pre-operating
<b>Associates</b>				
Serian Palm Oil Mill Sdn Bhd	40	40	Malaysia	FFB processing
@ Sri Gading Land Sdn Bhd	49	49	Malaysia	Property development
Setiacahaya Sdn Bhd	50	50	Malaysia	Property investment
@ Asiatic Ceramics Sdn Bhd	49	49	Malaysia	In receivership

\* Subsidiaries acquired during the financial year.

@ The financial statements of these companies are audited by firms other than the auditors of the Company.

## Statement on Directors' Responsibility

Pursuant to Paragraph 15.27 (a) of the Listing Requirements of Bursa Malaysia Securities Berhad

As required under the Companies Act, 1965 ("Act"), the Directors of Asiatic Development Berhad have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the financial position of the Company and of the Group for the financial year ended 31 December 2006.

In the process of preparing these financial statements, the Directors have reviewed the accounting policies and practices to ensure that they were consistently applied throughout the year. In cases where judgment and estimates were made, they were based on reasonableness and prudence.

Additionally, the Directors have relied on the system of internal control to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

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

## Statutory Declaration

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

I, **CHEAH CHING MOOI**, the Officer primarily responsible for the financial management of **ASIATIC DEVELOPMENT BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 35 to 86, 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 )  
**CHEAH CHING MOOI**, at KUALA LUMPUR on ) **CHEAH CHING MOOI**  
28 February 2007. )

Before me,

**DATO' NG MANN CHEONG**  
Commissioner for Oaths  
Kuala Lumpur

# Report of the Auditors

To The Members of Asiatic Development Berhad

We have audited the financial statements set out on pages 35 to 86. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these 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 auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2006 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

- b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the 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.

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of section 174 of the Act.











































**PRICEWATERHOUSECOOPERS**  
(No. AF: 1146)  
Chartered Accountants

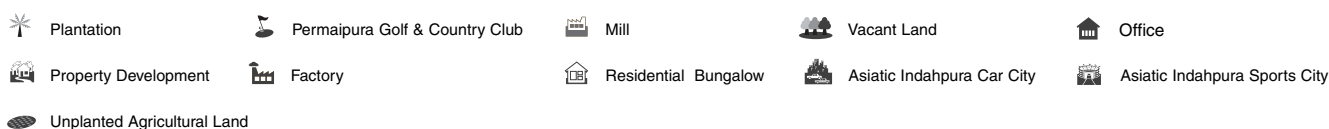
**LOH LAY CHOON**  
(No. 2497/03/08 (J))  
Partner of the firm

Kuala Lumpur  
28 February 2007

# List of Group Properties

As at 31 December 2006

Location	Tenure	Year of Expiry	Hectares		Description	Age Of Buildings (Years)	Year Of Acquisition/ Revaluation*	Net Book Value As At 31 Dec 2006 (RM'000)
			Plantation	Property Development				
<b>PENINSULAR MALAYSIA</b>								
<b>A NORTH</b>								
1. ASIATIC Bukit Sembilan Estate, Baling/ Sg. Petani/Jitra, Kedah	Freehold		1,314	147	  	11	1981*	60,444
2. ASIATIC Selama Estate, Serdang & Kulim, Kedah/Selama, Perak	Freehold		1,852				1981*	24,009
<b>B CENTRAL</b>								
3. ASIATIC Sepang Estate, Sepang & Ulu Langat, Selangor	Freehold		666				1981*	13,976
4. ASIATIC Tebong Estate, Jasin & Alor Gajah, Melaka / Tampin & Kuala Pilah, Negeri Sembilan	Freehold		2,321				1981*	28,950
5. ASIATIC Cheng Estate, Melaka Tengah, Alor Gajah & Kuala Linggi, Melaka	Freehold		793	4	 		1981*	23,437
6. ASIATIC Tanah Merah Estate, Tangkak, Johor	Freehold		1,801				1981*	25,606
<b>C. SOUTH</b>								
7. ASIATIC Sri Gading Estate, Batu Pahat, Johor	Freehold		3,560	69	 		1983	68,291
8. ASIATIC Sungei Rayat Estate, Batu Pahat, Johor	Freehold		1,707				1983	29,618
9. ASIATIC Sing Mah Estate, Air Hitam, Johor	Freehold		669		 	26	1983	12,844
10. ASIATIC Kulai Besar Estate, Kulai / Simpang Renggam, Johor	Freehold		2,802	100	    	17	1983	351,404
11. ASIATIC Setiomas Estate, Kulai & Batu Pahat, Johor	Freehold		135	95	 		1996	80,079
<b>SABAH</b>								
12. ASIATIC Sabapalm Estate, Labuk Valley, Sandakan	Leasehold	2085, 2887	4,360		 	36	1991	43,521
13. ASIATIC Tanjung Estate, Kinabatangan	Leasehold	2086, 2096	4,345		 	12	1988, 2001	43,007
14. ASIATIC Bahagia Estate, Kinabatangan	Leasehold	2085, 2086	4,548				1988, 2003	48,650
15. ASIATIC Tenegang Estate, Kinabatangan	Leasehold	2088	4,047				1990	34,618
16. ASIATIC Landworthy Estate, Kinabatangan	Leasehold	2083	4,039				1992	36,789
17. ASIATIC Layang Estate, Kinabatangan	Leasehold	2090	1,683				1993	19,819
18. ASIATIC Jambongan Estate, Beluran	Leasehold	2033 - 2100	3,711				2001 - 2004	50,050
19. ASIATIC Indah & ASIATIC Permai Estates, Kinabatangan	Leasehold	2096	8,830				2001	117,383
20. ASIATIC Mewah Estate, Kinabatangan	Leasehold	2083 - 2890	5,611		 	10	2002	119,336
21. ASIATIC Sekong & ASIATIC Suan Lamba Estates, Kinabatangan	Leasehold	2022 - 2098	6,755		 	10	2004	186,893
<b>INDONESIA</b>								
22. Ketapang, Kalimantan Barat	Leasehold	Pending issuance of title	14,261				2006	21,191
<b>OTHER PROPERTIES OWNED</b>								
23. Bangi Factory, Selangor	Leasehold	2086	12,140 (sq.m)			25	1990	2,639
24. ASIATIC Regional Office, Wisma Asiatic Sandakan, Sabah	Leasehold	2100	2,023 (sq.m)			4	2004	3,085
25. Residential Bungalows, Sandakan, Sabah	Leasehold	2887	1,206 (sq.m)			22	1991	147
26. Asiatic Vegetable Oils Refinery, Sandakan, Sabah	Leasehold	2080	8				1992	2,200
<b>PROPERTIES MANAGED</b>								
27. Bundoora Estate, Ulu Yam, Selangor	Freehold		105					
28. Serian Palm Oil Mill, Serian, Sarawak	Leasehold	2054	31			10		



# Ten-Year Summary

## FINANCIAL

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>RM'000</b>										
Revenue	576,578	522,720	514,667	490,818	296,099	199,863	230,783	446,811	351,304	313,316
Profit before taxation	220,425	216,456	225,847	210,281	129,700	86,525	69,167	272,850	163,743	101,867
Taxation	(47,207)	(44,610)	(50,328)	(63,774)	(28,872)	(14,418)	(13,522)	147	(39,889)	(27,305)
Profit for the financial year	173,218	171,846	175,519	146,507	100,828	72,107	55,645	272,997	123,854	74,562
Attributable to :-										
Equity holders of the Company	171,147	169,797	172,919	132,304	99,832	71,239	54,772	266,366	124,809	74,825
Minority interest	2,071	2,049	2,600	14,203	996	868	873	6,631	(955)	(263)
	173,218	171,846	175,519	146,507	100,828	72,107	55,645	272,997	123,854	74,562
Issued capital	375,211	372,779	371,252	370,862	370,668	370,668	370,668	370,668	370,668	370,668
Retained earnings	1,331,105	1,194,888	1,057,192	910,640	800,803	720,283	664,896	633,612	390,901	287,045
Other reserves	51,047	46,672	44,558	43,254	43,309	43,360	43,575	46,716	47,047	55,760
Equity attributable to equity holders of the Company	1,757,363	1,614,339	1,473,002	1,324,756	1,214,780	1,134,311	1,079,139	1,050,996	808,616	713,473
Minority interests	11,392	10,634	9,898	9,227	12,504	11,516	10,683	21,316	14,718	18,114
Total equity	1,768,755	1,624,973	1,482,900	1,333,983	1,227,284	1,145,827	1,089,822	1,072,312	823,334	731,587
Long term borrowings	-	-	-	-	5,388	5,388	5,388	5,388	5,388	5,388
Deferred tax liabilities	41,088	38,865	40,939	40,065	29,987	21,294	19,561	23,086	22,385	22,365
Provision for directors' retirement gratuities	5,566	5,312	5,218	4,378	6,529	5,577	5,485	5,091	4,446	4,227
Other payables	17,220	4,120	-	-	-	-	-	-	-	-
Capital Employed	1,832,629	1,673,270	1,529,057	1,378,426	1,269,188	1,178,086	1,120,256	1,105,877	855,553	763,567
Property, plant and equipment	616,870	583,535	573,528	463,407	456,926	349,627	286,303	300,382	301,743	313,396
Investment properties	10,874	9,065	1,289	1,219	1,408	1,244	1,417	1,589	1,762	1,935
Biological assets	445,512	429,712	414,899	294,876	261,587	209,767	204,288	200,818	196,992	192,358
Land held for property development	226,253	225,427	232,565	236,116	247,474	247,794	250,064	231,246	221,170	190,119
Associates	12,961	12,864	11,919	11,672	9,810	9,671	1,199	2,184	8,717	10,087
Investments	32,653	-	-	653	289	289	289	638	1,438	2,014
Long term receivables	5,000	16,977	4,918	4,917	5,897	6,877	18,781	18,854	19,231	17,305
Deferred tax assets	5,669	6,250	1,788	2,011	3,432	-	-	-	-	-
	1,355,792	1,283,830	1,240,906	1,014,871	986,823	825,269	762,341	755,711	751,053	727,214
Net current assets	476,837	389,440	288,151	363,555	282,365	352,817	357,915	350,166	104,500	36,353
Employment of capital	1,832,629	1,673,270	1,529,057	1,378,426	1,269,188	1,178,086	1,120,256	1,105,877	855,553	763,567
Basic earnings per share (sen)	22.9	22.8	23.3	17.8	13.5	9.6	7.4	35.9	16.8	10.1
Net dividend per share (sen)	5.1	4.5	4.0	3.2	3.0	2.5	2.2	3.6	3.2	2.8
Dividend cover (times)	4.5	5.1	5.9	5.5	4.5	3.8	3.4	10.0	5.2	3.5
Current ratio	5.7	5.0	4.0	5.0	5.2	3.8	5.4	4.3	1.8	1.2
Net assets per share (sen)	234.2	216.5	198.4	178.6	163.9	153.0	145.6	141.8	109.1	96.2
Return (after tax and minority interests) on average shareholders' equity (%)	10.2	11.0	12.4	10.4	8.5	6.4	5.1	28.6	16.4	10.9
Market share price										
- highest (RM)	4.32	2.49	2.28	1.97	1.61	1.28	1.52	1.60	1.55	3.18
- lowest (RM)	2.13	1.60	1.66	1.14	1.12	0.80	0.80	1.01	0.76	0.88

Certain figures relating to the previous years have been reclassified / adjusted to conform with the current year's presentation, due to adoption of new FRSs.

## Operations

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>OIL PALM</b>										
FFB Production (T)	1,132,026	1,099,285	978,693	864,603	707,863	700,275	655,366	574,359	472,962	481,696
Yield Per Mature Hectare (T)	21.4	22.1	21.7	22.5	20.9	21.4	20.2	18.5	16.8	18.8
Average Selling Prices										
Crude Palm Oil (RM/T)	1,520	1,398	1,600	1,568	1,352	883	1,000	1,445	2,321	1,370
Palm Kernel (RM/T)	897	1,017	1,068	748	665	438	703	1,071	1,103	770
<b>RUBBER</b>										
Production ('000 kg)	-	-	-	-	-	830	1,457	1,729	1,826	2,141
Yield Per Mature Hectare (kg)	-	-	-	-	-	1,526	1,591	1,420	1,201	1,171
Average Selling Prices of All Grades (Sen/kg)										
	-	-	-	-	-	182	223	209	250	246

## Land Areas

	2006		2005	2004	2003	2002	2001	2000	1999	1998	1997	
	M'sia	Indon	Total									
<b>Oil Palm</b>												
Mature	53,968	-	53,968	51,068	48,630	38,816	37,145	32,683	32,605	31,625	29,095	26,166
Immature	5,566	-	5,566	7,250	7,951	9,894	9,139	6,076	4,765	4,331	6,581	9,483
	59,534	-	59,534	58,318	56,581	48,710	46,284	38,759	37,370	35,956	35,676	35,649
<b>Rubber</b>												
Mature	-	-	-	-	-	-	-	750	1,291	1,582	1,830	2,304
Immature	-	-	-	-	-	-	-	-	-	-	-	32
	-	-	-	-	-	-	-	750	1,291	1,582	1,830	2,336
<b>Durians &amp; Others</b>												
Mature	-	-	-	-	-	-	10	10	10	-	-	-
Immature	-	-	-	-	-	-	-	-	-	10	34	34
	-	-	-	-	-	-	10	10	10	10	34	34
<b>TOTAL PLANTED AREA</b>												
	59,534	-	59,534	58,318	56,581	48,710	46,294	39,519	38,671	37,548	37,540	38,019
Unplanted Agricultural Land/Clearing In Progress												
	3,157	14,261	17,418	4,665	6,571	12,276	8,394	9,019	-	1,235	1,558	1,208
Labour Lines, Buildings, Infrastructure etc.												
	2,858	-	2,858	2,681	2,516	2,243	2,425	1,863	1,923	1,857	1,786	1,735
Property Development												
	415	-	415	340	348	359	364	364	407	412	487	515
<b>TOTAL TITLED AREA</b>												
	65,964	14,261	80,225	66,004	66,016	63,588	57,477	50,765	41,001	41,052	41,371	41,477

# Analysis of Shareholdings

as at 3 May 2007

**Class of Shares : Ordinary shares of 50 sen each**

**Voting Rights : One vote per share**

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	92	0.68	1,592	-
100 - 1,000	5,047	37.44	4,760,362	0.63
1,001 - 10,000	6,928	51.39	27,517,596	3.66
10,001 - 100,000	1,115	8.27	33,798,350	4.49
100,001 to less than 5% of issued shares	292	2.17	240,725,600	32.00
5% and above of issued shares	6	0.05	445,581,500	59.22
<b>Total</b>	<b>13,480</b>	<b>100.00</b>	<b>752,385,000</b>	<b>100.00</b>

**THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS  
(without aggregating the securities from different securities accounts belonging to the same depositor)**

Name	No. of Shares	% of Issued Capital
1. Genting Berhad	85,171,000	11.32
2. Genting Berhad	80,000,000	10.63
3. Genting Berhad	80,000,000	10.63
4. Genting Berhad	80,000,000	10.63
5. Genting Berhad	80,000,000	10.63
6. Lembaga Tabung Angkatan Tentera	40,410,500	5.37
7. Employees Provident Fund Board	30,484,900	4.05
8. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for American International Assurance Company Limited</i>	14,308,900	1.90
9. Citigroup Nominees (Asing) Sdn Bhd <i>Bear Stearns Securities Corp for Third Avenue Global Value Fund LP</i>	11,161,900	1.48
10. Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)</i>	8,731,400	1.16
11. Genting Equities (Hong Kong) Limited	7,139,000	0.95
12. HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN for the HongKong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)</i>	5,880,000	0.78
13. SBB Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Amanah Pencen</i>	5,665,300	0.75
14. SBB Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	4,500,000	0.60
15. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Islamic Equity Fund</i>	3,531,100	0.47
16. Valuecap Sdn Bhd	3,516,100	0.47
17. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY For DFA Emerging Markets Fund</i>	3,326,700	0.44
18. AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Employees Provident Fund</i>	3,290,000	0.44

## Analysis of Shareholdings

as at 3 May 2007 (Cont'd)

### THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS (CONT'D) (without aggregating the securities from different securities accounts belonging to the same depositor)

Name	No. of Shares	% of Issued Capital
19. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Growth Fund</i>	3,043,500	0.41
20. Citigroup Nominees (Tempatan) Sdn Bhd <i>ING Insurance Berhad (INV-IL PAR)</i>	3,030,800	0.40
21. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Equity Fund</i>	3,020,100	0.40
22. Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For Public Regular Savings Fund (N14011940100)</i>	2,902,800	0.39
23. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Savings Fund</i>	2,215,300	0.29
24. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Greatlink Asean Growth Fund</i>	2,184,800	0.29
25. HSBC Nominees (Asing) Sdn Bhd <i>RBC Dist for Goldman Sachs JBWere Global Small Companies Pooled Fund</i>	2,086,000	0.28
26. Ke-Zan Nominees (Asing) Sdn Bhd <i>Kim Eng Securities Pte. Ltd. For Exquisite Holdings Limited</i>	2,000,000	0.27
27. AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Alliance Capital Asset Management Sdn Bhd for Employees Provident Fund</i>	2,000,000	0.27
28. Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB-Principal Asset Management Berhad for Employees Provident Fund Board</i>	1,944,900	0.26
29. Kian Hoe Plantations Berhad	1,944,200	0.26
30. Universal Trustee (Malaysia) Berhad <i>SBB Savings Fund</i>	1,879,800	0.25
<b>Total</b>	<b>575,369,000</b>	<b>76.47</b>

### SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

as at 3 May 2007

Name	No. of Shares			
	Direct Interest	% of Issued Capital	Indirect/ Deemed Interest	% of Issued Capital
Employees Provident Fund Board	45,799,300	6.09	-	-
Genting Berhad	406,895,000	54.08	7,249,000*	0.96
Lembaga Tabung Angkatan Tentera	40,550,300	5.39	-	-
Kien Huat Realty Sdn Bhd	-	-	406,895,000^	54.08
Parkview Management Sdn Bhd	-	-	406,895,000^	54.08

Note : \* Deemed interested through direct and indirect subsidiaries of Genting Berhad

^ Deemed interested through Genting Berhad

# Analysis of Shareholdings

as at 3 May 2007 (Cont'd)

## DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 3 MAY 2007

### INTEREST IN THE COMPANY

Name	No. of Shares			
	Direct Interest	% of Issued Capital	Deemed Interest	% of Issued Capital
Tan Sri Mohd Amin bin Osman	741,000	0.0985	-	-
Dato' Baharuddin bin Musa	45,200	0.0060	-	-
Tan Sri Lim Kok Thay	721,000	0.0958	-	-
Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad	10,000	0.0013	-	-

### INTEREST IN RELATED CORPORATIONS

#### Genting Berhad, the ultimate holding company

Name	No. of Shares			
	Direct Interest	% of Issued Capital	Deemed Interest	% of Issued Capital
Tan Sri Mohd Amin bin Osman	985,000	0.02665	-	-
Dato' Baharuddin bin Musa	-	-	3,000#	0.0001
Tan Sri Lim Kok Thay	9,744,000	0.26360	-	-
Mr Quah Chek Tin	5,000	0.00014	-	-

Note : # Deemed interested through Bemy Sdn Bhd

#### Resorts World Bhd, a related company

Name	No. of Shares			
	Direct Interest	% of Issued Capital	Deemed Interest	% of Issued Capital
Tan Sri Mohd Amin bin Osman	610,000	0.0107	-	-
Tan Sri Lim Kok Thay	1,660,000	0.0292	-	-
Mr Quah Chek Tin	5,000	0.0001	-	-

#### GB Credit & Leasing Sdn Bhd, a related company

Name	No. of Shares			
	Direct Interest	% of Issued Capital	Deemed Interest	% of Issued Capital
Dato' Baharuddin bin Musa	-	-	220,000^	30.5556

Note : ^ Deemed interested through Fleetstar Corporation Sdn Bhd

#### Genting International P.L.C., a related corporation

Name	No. of Shares			
	Direct Interest	% of Issued Capital	Deemed Interest	% of Issued Capital
Tan Sri Lim Kok Thay	20,000	0.0003	-	-

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# ASIATIC DEVELOPMENT BERHAD

(No. 34993-X)

## FORM OF PROXY

(Before completing the form, please refer to the notes overleaf)

**“A”** I/We \_\_\_\_\_ NRIC No./Co. No.: \_\_\_\_\_  
(FULL NAME IN BLOCK CAPITALS)

of \_\_\_\_\_  
(ADDRESS)

being a member of ASIATIC DEVELOPMENT BERHAD hereby appoint

\_\_\_\_\_ NRIC No.: \_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her \_\_\_\_\_ NRIC No.: \_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her, \*the CHAIRMAN OF THE MEETING as \*my/our first proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 20 June 2007 at 3.00 p.m. and at any adjournment thereof.

**“B”** Where it is desired to appoint a second proxy this section must also be completed, otherwise it should be deleted.

I/We \_\_\_\_\_ NRIC No./Co. No.: \_\_\_\_\_  
(FULL NAME IN BLOCK CAPITALS)

of \_\_\_\_\_  
(ADDRESS)

being a member of ASIATIC DEVELOPMENT BERHAD hereby appoint

\_\_\_\_\_ NRIC No.: \_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her \_\_\_\_\_ NRIC No.: \_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her, \*the CHAIRMAN OF THE MEETING as \*my/our second proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 20 June 2007 at 3.00 p.m. and at any adjournment thereof.

The proportions of my/our holdings to be represented by my/our proxies are as follows:

First Proxy “A”	%
Second Proxy “B”	%
	<u>100%</u>

In case of a vote taken by a show of hands \*First Proxy “A” / Second Proxy “B” shall vote on my/our behalf.

My/our proxies shall vote as follows:

ORDINARY RESOLUTIONS		First Proxy "A"		Second Proxy "B"	
		For	Against	For	Against
To receive and adopt the Audited Financial Statements	Resolution 1				
To sanction the declaration of a final dividend	Resolution 2				
To approve Directors' fees	Resolution 3				
To re-elect Directors pursuant to Article 99 of the Articles of Association of the Company: i. Lt. Gen. (B) Dato' Abdul Ghani bin Abdullah ii. Mr Quah Chek Tin	Resolution 4 Resolution 5				
To re-appoint the following Directors in accordance with Section 129 of the Companies Act, 1965: i. Tan Sri Mohd Amin bin Osman ii. Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad	Resolution 6 Resolution 7				
To re-appoint Auditors	Resolution 8				
To empower Directors to issue and allot shares up to 10% of total issued and paid-up capital	Resolution 9				
To renew the authority for the purchase of own shares up to 10% of total issued and paid-up capital	Resolution 10				

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy/proxies will vote or abstain from voting at his/their discretion.)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

No. of Shares held	CDS Account No.

\_\_\_\_\_  
Signature of Member

\* Delete if inapplicable

#### NOTES

A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote instead of him. **A proxy need not be a member of the Company but in accordance with Section 149 of the Companies Act, 1965, a member shall not be entitled to appoint a person who is not a member of the Company as his proxy unless that person is an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case.** Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.

In the case of a corporation, this form must be either under seal or signed by a duly authorised officer or attorney.

#### EXPLANATORY NOTES ON SPECIAL BUSINESS

(1) Ordinary Resolution 9, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares in the Company up to and not exceeding in total ten (10) per centum of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

(2) Ordinary Resolution 10, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten (10) per centum of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the total retained earnings and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Share Buy-Back are set out in the Share Buy-Back Statement to Shareholders of the Company dated 29 May 2007 which is despatched together with the Company's 2006 Annual Report.