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Muriam Mohd
MORIAM BT. MOHD
SECRETARY
MAICSA 7031470

KUMPULAN GUTHRIE BERHAD (COMPANY NO: 4001-P)
(Incorporated in Malaysia)

Audited Financial Statements
For The Financial Period Ended 30 June 2007

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2007

CONTENTS	PAGE
Statement by Directors	1
Report of the Auditors to the Board of Directors	2
Income Statements	3 to 4
Balance Sheets	5 to 7
Statement of Changes in Equity	8 to 9
Cash Flow Statements	10 to 11
Notes to the Financial Statements	12 to 120


Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, TAN SRI DATO' DR. WAN MOHD. ZAHID MOHD. NOORDIN and DATO' ABD WAHAB MASKAN, being two of the directors of KUMPULAN GUTHRIE BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 3 to 120 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2007 and of the results and the cash flows of the Group and of the Company for the period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 September 2007.



TAN SRI DATO' DR. WAN MOHD. ZAHID MOHD. NOORDIN
Chairman



DATO' ABD WAHAB MASKAN
Director



Company No: 4001-P

**REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF
KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 3 to 120. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, solely in connection with the preparation of proforma financial information to be included in the Prospectus of Synergy Drive Berhad.

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

As disclosed in Note 2(a) to the financial statements, the comparative income statements, statements of changes in equity and cash flow statements are for the full financial year ended 31 December 2006 rather than the comparable year-to-date period of the previous financial year as stipulated by FRS 134²⁰⁰⁴: Interim Financial Reporting.

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards in Malaysia, except as disclosed in the above paragraph, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2007 and of the results and the cash flows of the Group and of the Company for the period then ended.

Ernst & Young
AF:0039
Chartered Accountants

Kuala Lumpur, Malaysia.
19 September 2007

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000 (Restated)	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
<u>Continuing Operations</u>					
Revenue	9	1,427,658	2,406,513	157,925	478,858
Cost of sales	10	(770,068)	(1,583,312)	-	-
Gross profit		657,590	823,201	157,925	478,858
Other income	11	108,885	279,168	68,527	173,761
Distribution costs		(5,077)	(8,319)	-	-
Administration expenses		(63,996)	(122,193)	(27,121)	(50,358)
Other expenses		(105,899)	(219,258)	(20,775)	(105,143)
Operating profit		591,503	752,599	178,556	497,118
Finance expense	12	(73,468)	(163,387)	(65,525)	(149,130)
Share of results after tax of associated companies		2,595	2,748	-	-
Share of results after tax of a jointly controlled entity		(54)	(38)	-	-
Profit before taxation	13	520,576	591,922	113,031	347,988
Taxation	14	(155,197)	(158,845)	(21,026)	(75,033)
Profit for the period/year from continuing operations		365,379	433,077	92,005	272,955
<u>Discontinued Operations</u>					
Profit/(Loss) for the period/year from discontinued operations	15	44,986	(12,908)	20,122	(24,575)
Profit for the period/year		410,365	420,169	112,127	248,380
Attributable to:					
Equity holders of the Company		317,337	270,653	112,127	248,380
Minority interests		93,028	149,516	-	-
		410,365	420,169	112,127	248,380

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007 (CONTD.)

		GROUP	
		<u>1.1.2007 to</u>	<u>1.1.2006 to</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>
			(Restated)
	Note		
Basic earnings/(loss) per share attributable to equity holders of the Company (sen):	16		
Profit from continuing operations		26.62	28.04
Profit/(Loss) from discontinued operations		4.40	(1.28)
Profit for the period/year		<u>31.02</u>	<u>26.76</u>
Diluted earnings/(loss) per share attributable to equity holders of the Company (sen):	16		
Profit from continuing operations		26.61	27.94
Profit/(Loss) from discontinued operations		4.39	(1.27)
Profit for the period/year		<u>31.00</u>	<u>26.67</u>

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

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 30 JUNE 2007

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	18	2,542,493	2,530,776	17,878	17,193
Plantation development expenditure	19	2,352,602	2,434,846	-	-
Prepaid lease payments	20	337,130	342,357	-	615
Land held for property development	21	238,359	266,200	-	-
Goodwill	22	257,585	254,558	-	-
Investments in subsidiary companies	23	-	-	2,626,526	2,636,526
Investments in associated companies	24	17,282	16,700	-	-
Investment in a jointly controlled entity	25	1,908	1,962	2,000	2,000
Other investments	26	1,773	1,773	459	459
Loans to subsidiary companies	27	-	-	364,845	379,548
Long-term trade receivables	28	68,347	68,347	-	-
Advances for Plasma PIR-Trans projects	29	16,852	18,018	-	-
Advances for KKPA projects	30	16,876	15,106	-	-
Deferred tax assets	31	132,742	152,050	-	-
Long-term fixed deposits	32	18,750	-	-	-
		<u>6,002,699</u>	<u>6,102,693</u>	<u>3,011,708</u>	<u>3,036,341</u>
Current Assets					
Property development costs	33	220,602	413,444	-	-
Inventories	34	266,990	189,265	-	-
Trade receivables	28	369,787	280,087	-	-
Other receivables	35	189,285	137,261	26,700	28,183
Income tax recoverable		55,875	97,514	46,227	74,779
Amounts due from subsidiary companies	36	-	-	682,670	795,636
Marketable securities	37	-	37,403	-	-
Deposits, bank balances and cash	32	1,037,206	809,936	205,268	29,030
		<u>2,139,745</u>	<u>1,964,910</u>	<u>960,865</u>	<u>927,628</u>
Assets of disposal groups/Non-current asset classified as held for sale	38	584,782	678,900	5,602	104,800
		<u>2,724,527</u>	<u>2,643,810</u>	<u>966,467</u>	<u>1,032,428</u>
TOTAL ASSETS		<u>8,727,226</u>	<u>8,746,503</u>	<u>3,978,175</u>	<u>4,068,769</u>

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 30 JUNE 2007 (CONTD.)

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
		RM'000	RM'000	RM'000	RM'000
			(Restated)		
EQUITY AND LIABILITIES					
Equity Attributable to					
Equity Holders of the Company					
Share capital	39	1,025,495	1,021,449	1,025,495	1,021,449
Share premium	40	36,509	28,584	36,509	28,584
Revaluation reserve	40	738,102	691,403	10,296	10,122
Capital reserve	40	59,030	58,725	-	-
Exchange reserve	40	(26,098)	26,607	-	-
Share option reserve	40	1,577	1,101	1,577	1,101
Revenue reserve	40	1,538,012	1,299,677	282,496	261,829
Amount recognised directly in equity relating to non-current assets held for sale	40	309	-	309	-
		<u>3,372,936</u>	<u>3,127,546</u>	<u>1,356,682</u>	<u>1,323,085</u>
Minority interests		1,524,265	1,568,042	-	-
Total Equity		<u>4,897,201</u>	<u>4,695,588</u>	<u>1,356,682</u>	<u>1,323,085</u>
Non-Current Liabilities					
Borrowings	41	2,166,045	2,450,435	16,728	239,657
Loans from subsidiary companies	27	-	-	1,626,911	1,664,395
Deferred income	42	6,813	8,123	-	-
Deferred tax liabilities	31	592,801	675,435	929	1,394
Retirement benefits	43	39,771	24,946	85	73
		<u>2,805,430</u>	<u>3,158,939</u>	<u>1,644,653</u>	<u>1,905,519</u>

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 30 JUNE 2007 (CONTD.)

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
		RM'000	RM'000	RM'000	RM'000
Current Liabilities			(Restated)		
Trade payables		233,000	326,919	16,942	9,426
Other payables	44	228,188	200,321	15,660	25,482
Deferred income	42	1,629	2,280	-	-
Amounts due to subsidiary companies	36	-	-	507,426	503,297
Borrowings	41	469,542	298,170	436,812	279,437
Taxation		92,236	55,180	-	-
		<u>1,024,595</u>	<u>882,870</u>	<u>976,840</u>	<u>817,642</u>
Liabilities directly associated with assets of disposal groups classified as held for sale	38	-	9,106	-	22,523
		<u>1,024,595</u>	<u>891,976</u>	<u>976,840</u>	<u>840,165</u>
Total Liabilities		<u>3,830,025</u>	<u>4,050,915</u>	<u>2,621,493</u>	<u>2,745,684</u>
TOTAL EQUITY AND LIABILITIES		<u>8,727,226</u>	<u>8,746,503</u>	<u>3,978,175</u>	<u>4,068,769</u>

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

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2007

<-----Attributable to Equity Holders of the Company----->

GROUP	Share	Share	Revaluation	Capital	Exchange	Share	Relating to	Revenue	Total	Minority	Total
	Capital	Premium	Reserve	Reserve	Reserve	Option	Assets	Reserve		Interests	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Held	RM'000	RM'000	RM'000	RM'000
							for Sale				
							RM'000				
At 1 January 2007											
As previously stated	1,021,449	28,584	691,403	58,725	17,805	1,101	-	1,308,479	3,127,546	1,568,042	4,695,588
Effects of adopting Amendment to FRS 121 (Note 5(b))	-	-	-	-	8,802	-	-	(8,802)	-	-	-
As restated	1,021,449	28,584	691,403	58,725	26,607	1,101	-	1,299,677	3,127,546	1,568,042	4,695,588
Foreign currency translation:											
Group	-	-	-	-	(52,102)	-	-	-	(52,102)	(7,725)	(59,827)
Associated company	-	-	-	-	(603)	-	-	-	(603)	-	(603)
Transfers to/(from) reserves	-	1,088	(12,466)	305	-	(1,088)	-	12,466	305	-	305
Reversal of deferred tax liabilities arising from exemption of Real Property Gains Tax ("RPGT")	-	-	59,474	-	-	-	-	-	59,474	-	59,474
Amount recognised directly in equity relating to assets classified as held for sale	-	-	(309)	-	-	-	309	-	-	-	-
Net income/(expense) recognised directly in equity	-	1,088	46,699	305	(52,705)	(1,088)	309	12,466	7,074	(7,725)	(651)
Profit for the period	-	-	-	-	-	-	-	317,337	317,337	93,028	410,365
Total recognised income and expense for the period	-	1,088	46,699	305	(52,705)	(1,088)	309	329,803	324,411	85,303	409,714
Issue of ordinary shares pursuant to Second ESOS	4,046	6,837	-	-	-	-	-	-	10,883	-	10,883
Cost of share options granted under Second ESOS	-	-	-	-	-	1,564	-	-	1,564	-	1,564
Dividends paid (Note 17)	-	-	-	-	-	-	-	(91,468)	(91,468)	(129,080)	(220,548)
At 30 June 2007	1,025,495	36,509	738,102	59,030	(26,098)	1,577	309	1,538,012	3,372,936	1,524,265	4,897,201
At 1 January 2006											
As previously stated	1,006,939	8,178	699,257	53,860	(4,881)	-	-	1,095,680	2,859,033	1,536,534	4,395,567
Effects of adopting Amendment to FRS 121 (Note 5(b))	-	-	-	-	(4,739)	-	-	4,739	-	-	-
As restated	1,006,939	8,178	699,257	53,860	(9,620)	-	-	1,100,419	2,859,033	1,536,534	4,395,567
Foreign currency translation:											
Group	-	-	-	-	36,629	-	-	-	36,629	1,508	38,137
Associated company	-	-	-	-	810	-	-	-	810	-	810
Transfers to/(from) reserves	-	2,387	(14,675)	4,865	(1,212)	(2,387)	-	16,076	5,054	-	5,054
Effects of changes in tax rates	-	-	6,821	-	-	-	-	-	6,821	-	6,821
Net income/(expense) recognised directly in equity	-	2,387	(7,854)	4,865	36,227	(2,387)	-	16,076	49,314	1,508	50,822
Profit for the year	-	-	-	-	-	-	-	270,653	270,653	149,516	420,169
Total recognised income and expense for the year	-	2,387	(7,854)	4,865	36,227	(2,387)	-	286,729	319,967	151,024	470,991
Issue of ordinary shares pursuant to Second ESOS	14,510	18,019	-	-	-	-	-	-	32,529	-	32,529
Cost of share options granted under Second ESOS	-	-	-	-	-	3,488	-	-	3,488	-	3,488
Dividends paid (Note 17)	-	-	-	-	-	-	-	(87,471)	(87,471)	(119,516)	(206,987)
At 31 December 2006 (restated)	1,021,449	28,584	691,403	58,725	26,607	1,101	-	1,299,677	3,127,546	1,568,042	4,695,588

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

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2007 (CONTD.)

<u>COMPANY</u>	<u>Share Capital</u> RM'000	<u>Share Premium</u> RM'000	<u>Revaluation Reserve</u> RM'000	<u>Share Option Reserve</u> RM'000	<u>Relating to Assets Held for Sale</u> RM'000	<u>Revenue Reserve</u> RM'000	<u>Total</u> RM'000
At 1 January 2007	1,021,449	28,584	10,122	1,101	-	261,829	1,323,085
Transfer to/(from) reserves	-	1,088	(8)	(1,088)	-	8	-
Reversal of deferred tax liabilities arising from exemption of RPGT	-	-	491	-	-	-	491
Amount recognised directly in equity relating to assets classified as held for sale	-	-	(309)	-	309	-	-
Net income/(expense) recognised directly in equity	-	1,088	174	(1,088)	309	8	491
Profit for the period	-	-	-	-	-	112,127	112,127
Total recognised income and expense for the period	-	1,088	174	(1,088)	309	112,135	112,618
Issue of ordinary shares pursuant to Second ESOS	4,046	6,837	-	-	-	-	10,883
Cost of share options granted under Second ESOS	-	-	-	1,564	-	-	1,564
Dividends paid (Note 17)	-	-	-	-	-	(91,468)	(91,468)
At 30 June 2007	1,025,495	36,509	10,296	1,577	309	282,496	1,356,682
At 1 January 2006	1,006,939	8,178	10,136	-	-	100,898	1,126,151
Transfer to/(from) reserves	-	2,387	(22)	(2,387)	-	22	-
Effects of changes in tax rates	-	-	8	-	-	-	8
Net income/(expense) recognised directly in equity	-	2,387	(14)	(2,387)	-	22	8
Profit for the year	-	-	-	-	-	248,380	248,380
Total recognised income and expense for the year	-	2,387	(14)	(2,387)	-	248,402	248,388
Issue of shares pursuant to Second ESOS	14,510	18,019	-	-	-	-	32,529
Cost of share options granted under Second ESOS	-	-	-	3,488	-	-	3,488
Dividends paid (Note 17)	-	-	-	-	-	(87,471)	(87,471)
At 31 December 2006	1,021,449	28,584	10,122	1,101	-	261,829	1,323,085

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

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
Cash Flows from Operating Activities				
Cash receipts from customers	1,429,243	2,580,521	27,294	51,426
Cash paid to suppliers and employees	(853,475)	(1,758,978)	(39,508)	(54,160)
Cash from/(used in) operations	575,768	821,543	(12,214)	(2,734)
Tax paid	(107,236)	(150,647)	-	-
Tax refunded	44,187	64,618	41,842	60,515
Interest paid	(37,957)	(78,207)	(41,448)	(80,169)
Proceeds from compulsory land acquisitions	11,011	9,480	-	-
Proceeds from disposal of land held for property development	-	61,968	-	-
Net cash from/(used in) operating activities	485,773	728,755	(11,820)	(22,388)
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(77,545)	(209,115)	(344)	(974)
Prepayment of land lease	(846)	(1,405)	-	-
Replanting expenditure	(35,544)	(65,181)	-	-
Property development activities	(23,932)	(20,812)	-	-
Construction of concession asset	-	(14,224)	-	-
Purchase of other investments	-	(39,496)	-	-
Proceeds from disposal of land	3,038	83,698	-	-
Subscription of shares in a jointly controlled entity	-	(2,000)	-	(2,000)
Purchase of shares from minority shareholders	-	(7,721)	-	-
Proceeds from disposal of property, plant and equipment	234	1,176	4	164
Net proceeds from disposal of subsidiary companies (Note 15)	137,494	1,308	122,228	545
Proceeds from disposal of other investments	42,845	27,793	-	-
Proceeds from disposal of investment property	-	-	-	10,000
Net dividends received from subsidiary companies	-	-	96,388	323,400
Net dividends received from investments	52	3,495	-	1,682
Interest received	17,611	38,215	10,372	26,975
Interest paid	(20,421)	(64,883)	(20,421)	(64,883)
Distribution in specie from subsidiary companies	-	-	-	18,782
Loans to subsidiary companies	-	-	-	(15,362)
Loans from subsidiary companies	-	-	-	323,407
Net change in amounts due from subsidiary companies	-	-	121,966	157,030
Net change in amounts due to subsidiary companies	-	-	4,129	(268,536)
Net cash from/(used in) investing activities	42,986	(269,152)	334,322	510,230

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007 (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
Cash Flows from Financing Activities				
Drawdown of borrowings	-	358,066	-	-
Repayment of borrowings	(72,228)	(184,778)	(65,679)	(106,831)
Repayment of Islamic Lease SUKUK	-	(353,433)	-	(353,433)
Placement of deposits in designated accounts	(18,750)	-	-	-
Dividends paid to shareholders of the Company	(91,468)	(87,471)	(91,468)	(87,471)
Dividends paid to minority shareholders of subsidiary companies	(129,080)	(119,516)	-	-
Proceeds from issuance of ordinary shares of the Company pursuant to the Second ESOS	10,883	32,529	10,883	32,529
Net cash used in financing activities	(300,643)	(354,603)	(146,264)	(515,206)
Net change in cash and cash equivalents	228,116	105,000	176,238	(27,364)
Cash and cash equivalents at 1 January	812,808	709,067	29,030	56,394
Effects of changes in foreign exchange rates	(3,718)	(1,259)	-	-
Cash and cash equivalents at 30 June/31 December	1,037,206	812,808	205,268	29,030
Cash and cash equivalents comprise the following as at the balance sheet date:				
Deposits, bank balances and cash (Note 32)	1,037,206	809,936	205,268	29,030
Cash and bank balances classified as held for sale (Note 38)	-	2,872	-	-
Total cash and cash equivalents	1,037,206	812,808	205,268	29,030

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

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities. The registered office of the Company is located at Wisma Guthrie, 21 Jalan Gelenggang, Damansara Heights, 50490 Kuala Lumpur.

The principal activities of the Company are investment holding and the provision of research, agricultural and advisory services.

The principal activities of the subsidiary and associated companies, which are also described in Notes 7 and 24, are as follows:

- cultivation, processing and sale of palm oil, palm kernel and fresh fruit bunches;
- property development;
- road concession operation; and
- hotel and resort management.

There have been no significant changes in the nature of these activities during the financial period except as disclosed in Note 15.

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

The comparative income statements, statements of changes in equity and cash flow statements are for the financial year ended 31 December 2006 and not for the comparable interim period of the prior financial year as required by FRS 134₂₀₀₄: Interim Financial Reporting.

Except for the above matter, the financial statements of the Group and of the Company comply with the applicable Financial Reporting Standards in Malaysia.

The financial statements of the Group and of the Company have also been prepared under the historical cost convention except for the following, which are stated at valuation:

- (i) Landed properties comprising freehold land and buildings, as disclosed in Note 3(e);
- (ii) Plantation development expenditure, as disclosed in Note 3(f); and
- (iii) Land held for property development, as disclosed in Note 3(i).

2. BASIS OF PREPARATION (CONTD.)

(b) Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia (RM), which is the functional currency of the Group and of the Company and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary Companies

Subsidiary companies are those enterprises in which the Group has a long-term equity interest and which are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investments in subsidiary companies in the financial statements of the Company are stated at cost less impairment losses.

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

The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiary companies, after the elimination of all material intercompany transactions, intragroup balances and unrealised gains and losses. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date such control effectively ceases.

The financial statements of subsidiary companies are prepared for the same reporting period as the Company. In the preparation of the consolidated financial statements, the financial statements of subsidiary companies are adjusted for the effects of any material dissimilar accounting policies.

Subsidiary companies are consolidated using the acquisition method of accounting. This method involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of the acquisition. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. The difference between the cost of acquisition of subsidiary companies and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of these acquired subsidiary companies at dates of acquisition represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (contd.)

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

(c) Associated Companies

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

The Group equity accounts for its share of post-acquisition results and reserves of associated companies based on the latest audited financial statements. The Group's share of results and reserves of the associated companies are included in the consolidated financial statements from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. Where there has been a change recognised directly in equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

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

The financial statements of the associated companies are prepared for the same reporting period as the Group. Uniform accounting policies are adopted for live transactions and events in similar circumstances. Investments in associated companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Jointly Controlled Entity

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

Investment in a jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 3(c).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Jointly Controlled Entity (contd.)

In the Company's financial statements, investment in a jointly controlled entity is stated at cost less impairment losses.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

(e) Property, Plant and Equipment

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

Subsequent to recognition, property, plant and equipment except for freehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

The Group has adopted the policy to state its landed properties comprising freehold land and buildings, at valuation less accumulated depreciation and impairment losses. These assets are revalued by independent professionally qualified valuers once every five years based on open market value basis. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. The treatment of surplus or deficit from revaluation is as described in Note 3(q).

Freehold land has an unlimited useful life and is therefore not depreciated. Capital work-in-progress are also not depreciated as these assets are not available for use.

Golf course development expenditure are amortised over the period of the lease. All other property, plant and equipment are depreciated to their residual values over their estimated economic useful lives based upon the original cost or subsequent valuation.

The principal annual rates of depreciation used are:

Golf course development expenditure	58 years
Buildings	2 - 5 %
Machinery, equipment and vehicles	10 - 33 1/3%

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property, Plant and Equipment (contd.)

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

(f) Plantation Development Expenditure

Plantation development expenditure, consisting of land clearing and upkeep of trees to maturity, are initially recorded at cost and upon maturity of the crops, the plantation development expenditure is amortised over 20 to 24 years, representing the economic useful lives of the crops.

Subsequent to recognition, the Group has adopted the policy to state the plantation development expenditure at valuation less accumulated amortisation and any accumulated impairment losses. These assets are revalued by independent professionally qualified valuers once every five years based on open market value basis. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. An item of plantation development expenditure is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The treatment of surplus or deficit from revaluation is as described in Note 3(q).

(g) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Leases (contd.)

(ii) Finance Leases (contd.)

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(e).

(iii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. In the case of the lease of land, the minimum lease payments or the up-front payments made representing the prepaid lease payments are amortised on a straight-line basis over the lease term.

The Group and the Company had previously revalued its leasehold land and have retained the unamortised revalued amount as the surrogate cost of prepaid lease payments in accordance with the transitional provisions in FRS 117. Prepaid lease payments on leasehold land are stated at surrogate cost less accumulated amortisation and any impairment loss. The policy for the recognition and measurement of impairment losses are in accordance with Note 3(n).

In respect of the subsidiary companies in Indonesia, prepaid lease payments include deferred land rights which represent the costs associated with the legal transfer or renewal of land titles, including legal fees, area survey and land remeasurement fees, notarial fees, taxes and other expenses. These costs are deferred and amortised using the straight-line method over the legal terms of the related land rights.

The principal annual rates of amortisation used are:

Short-term leasehold land	1 - 49 years
Long-term leasehold land	50 - 99 years
Deferred land rights	21 - 35 years

(h) Land Acquisition

Gains arising from the acquisition of land by the Government are recognised in the income statement upon the physical handing over of land, receipt of compensation or notice in Form K under the Land Acquisition Act, 1960, whichever is the earlier.

Interest receivable in respect of any compensation awarded, of 8% per annum as provided under Section 32(l) of the Land Acquisition Act, 1960, is recognised in the income statement upon receipt.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Land Held for Property Development and Property Development Costs

(i) Land Held for Property Development

Land held for property development consists of land where no development activities have been undertaken or where development activities are not expected to be completed within the normal operating cycle.

Such land is classified within non-current assets and is stated at cost to the Group less any accumulated impairment losses, with the exception of the freehold land held for property development which were revalued by the directors in 1989. According to the transitional provisions of FRS 201, the Group has continued to retain the revalued amount of the land (and subsequently, its carrying costs) as its surrogate cost.

Costs include cost of land, professional fees and other direct development expenditure and related overheads. Land held for property development is reclassified as property development costs at the point when development works have been undertaken and where it can be demonstrated that the development activities are expected to be completed within the normal operating cycle. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

(ii) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Costs include cost of land, development expenditure and allocation of overhead expense, including interest expense incurred during the period of active development.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial 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 will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Investment Property

An investment property is a property which is held either to earn rental income or for capital appreciation or for both. The Group has adopted the policy to measure its investment property at cost, including transaction costs. The depreciation policy for investment property is in accordance with that for depreciable property, plant and equipment as described in Note 3(e).

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rental or for capital appreciation or both. Any such property interest under an operating lease, classified as an investment property, is carried at cost.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits is expected from it. Any gains or losses on the retirement or disposal of an investment property is recognised in income statement in the period in which they arise.

(k) Concession Asset

Concession asset represents development costs incurred to design, construct, manage and maintain the Guthrie Corridor Expressway ("Expressway"), a 25km expressway which links Shah Alam and Kuang, Selangor Darul Ehsan.

Items classified within Concession Asset comprise Expressway Development Expenditure ("EDE") and other Concession Assets.

(i) Expressway Development Expenditure ("EDE")

EDE comprises development and upgrading expenditure including interest charges relating to financing of the development incurred in connection with the Expressway. EDE is stated at cost less accumulated amortisation and any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

The cumulative actual EDE incurred up to the completion of the Expressway and any additions incurred thereafter is to be amortised to the income statement over the concession period upon completion of construction works of the Expressway and the commencement of toll collection, based on the following formula:

$$\frac{\text{Cumulative Toll Revenue to date}}{\text{Projected Total Toll Revenue for the Concession Period}} \times \text{Cumulative Actual Expressway Development Expenditure}$$

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Concession Asset (contd.)

(i) Expressway Development Expenditure ("EDE") (contd.)

The Concession Period is defined as a period of thirty three (33) years commencing from the Effective Date (being the date of fulfillment of the conditions precedent stipulated in the Concession Agreement), which is 1 August 2001. The Concession Period, by way of letter from the Works Minister dated 23 March 2005, has been extended for a further period of twenty two (22) months expiring 30 June 2036 as remedy to meet any loss and cost of expenses incurred as a consequence of the delay on the part of the Government in handing over third party land.

The projected total toll revenue for the Concession Period is based on the best estimate traffic volumes projected by an independent professional firm of traffic consultants in the projection study commissioned by Guthrie Corridor Expressway Sdn. Berhad, a wholly-owned subsidiary of the Company, taking into account the agreed toll rates stipulated in the Concession Agreement.

(ii) Other Concession Assets

Other Concession Assets comprising toll equipment, video surveillance equipment, telecommunication network, and toll operation computer hardware and software, are stated at cost less accumulated amortisation and any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n)

The annual amortisation in respect of these assets is computed on a straight line basis over their estimated useful lives at the following rates:

Software and computers	10%
Others	10%

(l) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold

(ii) Research and Development Costs

All research costs are recognised in the income statement as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Intangible Assets (contd.)

(ii) Research and Development Costs (contd.)

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, the ability of the asset to generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criterias are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

(m) Advances for Plasma PIR-Trans Projects and KKPA Projects

Advances for Plasma PIR-Trans Projects, in respect of the subsidiary companies in Indonesia, represent the accumulated costs (including borrowing costs and indirect overhead costs) to develop plasma plantations. When a plasma plantation project is substantially completed and ready to be transferred or turned-over to the plasma farmers, the corresponding investment credit from the bank is also transferred to the Plasma Farmers. Any gain or loss resulting from the difference between the carrying value of the Plasma PIR-Trans projects and the corresponding investment credit transferred to the plasma farmers is reflected in the income statement.

Advances for KKPA ("Kredit Koperasi Primer untuk Anggotanya") projects represent the accumulated costs to develop plasma plantations which are currently being financed by creditor banks and self-financed by a subsidiary company in Indonesia totalling 16,000 hectares of land. Upon the cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from the cooperative.

An estimate is made at each balance sheet date for losses on recovery of Plasma PIR-Trans projects and KKPA projects based on a review of the recoverable development costs, and anticipated losses are provided for in full.

(n) Impairment of Assets

Inventories, assets arising from construction contracts, investment property, deferred tax assets and assets arising from employee benefits are reviewed in accordance with the relevant accounting policies stated. In addition, the carrying amounts of the assets of the Group and the Company are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Impairment of Assets (contd.)

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. Reversal of an impairment loss for an asset other than goodwill recognised in prior years is recorded if, and only if, there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset other than goodwill is recognised in income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated cost to completion and the estimated costs to be incurred in marketing, selling and distribution.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Inventories (contd.)

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Produce stocks	- weighted average ex-estate cost and includes manufacturing and transport charges, where applicable.
Raw materials	- purchase cost on a first-in, first-out basis.
Work-in-progress	- cost of direct materials, labour and overheads, where appropriate, determined on a specific identification basis.
Completed houses	- relevant costs of land, development expenditure, overheads and related interest costs allocated based on specific identification basis.
Finished goods	- cost of direct materials, labour and manufacturing overheads, where appropriate, determined on a first-in first-out basis.
Stores	- weighted average cost.

(p) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total costs incurred on construction contracts plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(q) Revaluation Reserve

A surplus arising from revaluation is credited to the revaluation reserve included within equity, while a deficit is recognised as an expense in the income statement. However, a deficit relating to previous revaluations is charged directly against revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve for the same asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Revaluation Reserve (contd.)

Each year an amount equal to the depreciation/amortisation charge for the year on the surplus on revaluation of relevant assets is transferred from revaluation reserve to revenue reserve. Upon the disposal or retirement of a revalued asset, the attributable revaluation surplus (net of depreciation/amortisation, where applicable) is transferred from revaluation reserve to revenue reserve.

(r) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provisions for restructuring costs are recognised when the Group's detailed formal plan for the restructuring has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(s) Income Tax

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

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

Deferred tax is measured at tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Income Tax (contd.)

Where there is a change in the carrying amount of an asset arising from revaluation, the tax effects of the asset revaluation are credited or charged to equity. Where an amount equal to depreciation or amortisation of the revalued asset is transferred from revaluation surplus to revenue reserve, the related deferred tax is also transferred. Upon the disposal of the related asset, the attributable portion of the tax effect arising from revaluation is credited or charged to the income statement.

(t) Employee Benefits

(i) Short-Term Benefits

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

(ii) Defined Benefit Plans

Malaysia

The Group's plantation subsidiary companies in Malaysia operate an unfunded, defined retirement benefit scheme ("the Scheme") for its eligible employees. The Group's obligations under the Scheme are determined based on triennial actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. The amount of those benefits is discounted using the Projected Unit Credit Method in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains and losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service cost are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from the calculation is limited to the net total of any unrecognised actuarial losses and past service cost, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Employee Benefits (contd.)

(ii) Defined Benefit Plans (contd.)

Indonesia

Effective 1 January 2003, the Group's subsidiary companies in Indonesia provide for employee benefit liabilities in accordance with the Labour Law No. 13 Year 2003 ("Law No. 13/2003") which was enacted on 25 March 2003. The arising transitional liability, if higher than the liability that was recognised under the subsidiary companies' previous policy (Ministry of Manpower No. Kep.150/Men/2000 on - The Settlement of Work Dismissal and Determination of Termination, Appreciation and Compensation Payments in Companies) is recognised as an expense on a straight-line basis over five years commencing in financial year 2003.

(iii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

The Group's subsidiary companies in Indonesia have established defined contribution retirement plans covering substantially all of the qualified permanent employees. The pension plans' assets are managed by approved pension funds. The retirement plans were approved by the Ministry of Finance of Indonesia in February 1999. Past service costs, which are also being contributed by the subsidiary companies, were computed based on a formula as stated in the Employment Policy already existing before the establishment of the retirement plans. Past service costs are amortised on a systematic basis over the remaining service years of the related employees.

(iv) Share-Based Compensation

The Second ESOS of the Company, an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. As the share options granted to the employees by the Company vests immediately, the total fair value of share options granted to employees is recognised immediately on grant date as an employee cost or charged to related companies with a corresponding increase in the share option reserve within equity. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to revenue reserve.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Employee Benefits (contd.)

(v) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(u) Deferred Income

Deferred income comprises the following:

- (i) the surplus of sales proceeds over the present value of future receivables arising from the sale of land held for property development, which is deferred and amortised to the income statement over the period of instalment payments at a rate representing a constant return on the balance of capital repayment outstanding; and
- (ii) net time share income, which is deferred and amortised to the income statement on a straight-line basis over the term of the time share agreement.

(v) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(v) Foreign Currencies (contd.)

(ii) Foreign Currency Transactions (contd.)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, regardless of the currency of the monetary item, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in income statement of the Company or in the income statement of the foreign operation, as appropriate.

(iii) Foreign Operations

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition. Fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of those foreign subsidiaries and are recorded in the functional currency of the foreign subsidiaries and translated at the closing rate at the balance sheet date.

(w) Revenue Recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(w) Revenue Recognition (contd.)

(i) Sale of Goods/Services

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of goods have been transferred to the buyer. Revenue for services rendered is recognised upon performance of services. Rental income is recognised on an accrual basis.

(ii) Sale of Properties

Revenue from sale of properties is recognised based on the "stage of completion" method as described in Note 3(i).

(iii) Construction Contracts

Revenue from work done on construction contracts is recognised based on the "stage of completion" method as described in Note 3(p).

(iv) Toll Collection

Toll revenue is accounted for as and when toll is chargeable for the usage of the expressway.

(v) Interest Income

Interest income is recognised as interest accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

(vi) Investment Income

Investment income is accounted for when the right to receive is established and no significant uncertainty exists as regards receipt.

(x) Financial Instruments

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

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

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(x) Financial Instruments (contd.)

(ii) Other Non-Current Investments

Non-current investments, other than investments in subsidiaries and associated companies, and investment in a jointly controlled entity are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its net carrying amount is recognised in the income statement.

(iii) Marketable Securities

Marketable securities comprise corporate bonds, quoted shares and quoted warrants/loan stocks.

Marketable securities held as current asset are stated at the lower of cost and market value determined on an aggregate basis. Cost is the purchase price of the securities while market value is determined based on quoted market values. Any reduction to market value or any reversal of such reduction is recognised in the income statement. Gains and losses arising from the disposal of these investments are recognised in the income statement.

(iv) Trade and Other Receivables

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

(v) Trade and Other Payables

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

(vi) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. After initial recognition, interest bearing bank loans are subsequently measured at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(x) Financial Instruments (contd.)

(vii) Islamic Lease SUKUK

Islamic Lease SUKUK issued by the Company are stated at net proceeds received on issue. SUKUK issuance expenses which represent the difference between the net proceeds and the total amount of the payment of the SUKUK are allocated to periods over the terms of the SUKUK at a constant rate on the carrying amounts, and charged to the income statement.

(viii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares will be accounted for as liabilities only when the obligation to pay is established.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition.

When the issued share capital of the Company is repurchased and is not cancelled, the consideration paid, including any attributable transaction costs are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(ix) Derivative Financial Instruments

The Group uses derivative financial instruments in the form of forward foreign exchange contracts and interest rate swap contracts to hedge its exposure to foreign exchange arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are not recognised in the financial statements.

Forward Foreign Exchange Contracts

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

Interest Rate Swap Contracts

Net differentials in interest receipts and payments arising from interest rate swap contracts are recognised as interest income or expense over the period of the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(y) Non-Current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in income statement.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

4. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM APPLICATION OF NEW FRS AND AMENDMENT TO FRS

- (a) The MASB has issued new FRS and Amendment to FRS that are effective for financial periods beginning on or after 1 January 2007. The Group has also early adopted the Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation beginning 1 January 2007.

Except for the changes in accounting policies and their effects as discussed below, the new FRS and Amendments to FRS above do not have any other significant impact on the financial statements of the Group and the Company:

Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

This amendment requires that where an entity has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items should always be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. Prior to this amendment, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements only when that monetary item is denominated either in the functional currency of the reporting entity or the foreign operation. The change in accounting policy has been accounted for retrospectively and as disclosed in Note 5(b), certain comparatives have been restated. The effects on the consolidated balance sheet as at 30 June 2007 and consolidated income statement for the period ended 30 June 2007 are set out in Note 5(a)(i) and 5(a)(ii) respectively. There were no effects on the Company's financial statements.

4. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM APPLICATION OF NEW FRS AND AMENDMENT TO FRS (CONTD.)

(b) Standards and Interpretations Issued but Not Yet Effective

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

FRS and Interpretations	Effective for financial periods beginning on or after
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental and Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and electronic equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above FRSs and Interpretations are not expected to have any significant impact on the financial statements of the Group and the Company upon their initial application.

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

5. SUMMARY OF EFFECTS OF ADOPTING THE AMENDMENT TO FRS 121

- a) The following tables provide estimates of the extent to which each of the line items in the Group Balance Sheet as at 30 June 2007 and the Group Income Statement for the period ended 30 June 2007 is higher or lower than it would have been had the previous policies been applied in the current period:

Balance Sheet as at 30 June 2007

	Increase/ (Decrease) Note 4(a) RM'000
Revenue reserve	40,794
Exchange reserve	(40,794)
Total equity	<u>-</u>

Income Statement for the period ended 30 June 2007

	Increase/ (Decrease) Note 4(a) RM'000
Other income	(381)
Other expenses	(41,175)
Operating profit	40,794
Profit before taxation	40,794
Profit for the period	40,794
Earnings per share (sen):	
- Basic	3.99
- Diluted	<u>3.98</u>

5. SUMMARY OF EFFECTS OF ADOPTING THE AMENDMENT TO FRS 121 (CONTD.)

b) Restatement of Comparatives, for the Group

	Previously Stated RM'000	(Decrease)/ Increase Note 4(a) RM'000	Restated RM'000
<u>Balance Sheet</u>			
At 1 January 2006			
Exchange reserve	(4,881)	(4,739)	(9,620)
Revenue reserve	1,095,680	4,739	1,100,419
At 31 December 2006			
Exchange reserve	17,805	8,802	26,607
Revenue reserve	1,308,479	(8,802)	1,299,677
<u>Income Statement</u>			
For the year ended 31 December 2006			
Other income	328,822	(49,654)	279,168
Other expenses	255,371	(36,113)	219,258
Operating profit	766,140	(13,541)	752,599
Profit before taxation	605,463	(13,541)	591,922
Profit for the year	433,710	(13,541)	420,169
Earnings per share (sen):			
- Basic	28.10	(1.34)	26.76
- Diluted	28.00	(1.33)	26.67

6. SIGNIFICANT ACCOUNTING ESTIMATES

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

(i) Impairment of Goodwill

The Group has not carried out the impairment test on goodwill for the financial period ended 30 June 2007. The last impairment test was carried out in December 2006 and the directors are of the opinion that the results of the test as at 31 December 2006 will not be significantly different.

During the financial year ended 31 December 2006, the Group had recognised impairment losses in respect of goodwill amounting to RM14,688,000. The Group carries out impairment tests on goodwill annually. This requires an estimation of the value-in-use of the cash generating unit (“CGU”) to which goodwill is allocated. Estimating the value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to select a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill of the Group as at 30 June 2007 were RM257,585,000 (2006: RM254,558,000). Further details of the impairment losses recognised are disclosed in Note 22.

(ii) Amortisation of Concession Asset

The costs of the Concession Asset which represent the costs to design, construct, manage and maintain the Guthrie Corridor Expressway (“Expressway”) is amortised to income statement over the concession period based on the following formula:

$$\frac{\text{Cumulative Toll Revenue to date}}{\text{Projected Total Toll Revenue for the Concession Period}} \times \text{Cumulative Actual Expressway Development Expenditure}$$

The Concession Period is defined as a period of thirty three (33) years, expiring on 30 June 2036.

The projected total toll revenue for the Concession Period is based on the best estimate total traffic volumes projected by independent professional firm of traffic consultants in the projection study commissioned by Guthrie Corridor Expressway Sdn Bhd, taking into account the agreed toll rate stipulated in the Concession Agreement.

The traffic consultants have derived future traffic volume based on the following information and assumptions:

- Anticipated level of development that would occur during the concession period based on published information on large-scale land use and the transportation development in the Klang Valley and Selangor that were collated from the respective District Structure Plans and other relevant studies.

6. SIGNIFICANT ACCOUNTING ESTIMATES (CONTD.)

(ii) Amortisation of Concession Asset (contd.)

- Future population and economic growth based on government published economic reports, review of Eighth Malaysian Plan, Third Outline Perspective Plan, Population Census 2000 and previous transportation studies.
- Socio-economic and demographic trends in Klang Valley to establish new forecast for variables such as growth in population, gross domestic product, employment, car ownership and value of time.
- Qualitative judgments to determine the targeted progress of the land use development and their potential impact on the road network in the Klang Valley.

The carrying amount of the Concession Asset as at 30 June 2007 were RM582,857,000 (2006: RM582,366,000).

(iii) Property Development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgments are required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgments, the Group evaluates based on past experience and by relying on the work of specialists.

7. GROUP STRUCTURE

The Company's holding company is Permodalan Nasional Berhad, a company incorporated in Malaysia. The Company's ultimate holding company is Yayasan Pelaburan Bumiputra, a company incorporated in Malaysia, limited by guarantee.

The subsidiary companies are as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 30.6.2007</u>	<u>Principal activities</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>		
		%	%		
<u>PLANTATION</u>					
Kumpulan Jerai Sdn. Bhd.	Malaysia	100	100	RM51,200,000))
))
Kumpulan Kamuning Sdn. Bhd.	Malaysia	100	100	RM30,383,002))
))
Kumpulan Linggi Sdn. Bhd.	Malaysia	100	100	RM35,443,002 )	) Production
				)	) and/or
Guthrie Ropel Berhad	Malaysia	58	58	RM127,036,071 )	) processing
				)	) of palm oil and
				)	) palm kernel
Kumpulan Temiang Sdn. Bhd.	Malaysia	58	58	RM29,652,002))
))
* Highlands & Lowlands Berhad	Malaysia	55	55	RM302,167,829))
))
* Kumpulan Sua Betong Sdn. Bhd.	Malaysia	55	55	RM36,831,002))
))
* Kumpulan Tebong Sdn. Bhd.	Malaysia	55	55	RM32,678,002))
))
* Syarikat Jeleta Bumi Sdn. Bhd.	Malaysia	55	55	RM9,000,000 )	) Production and
				)	) processing of
				)	) palm oil and
				)	) palm kernel
				)	) and property
				)	) development

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 30.6.2007</u>	<u>Principal activities</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>		
		%	%		
<u>PLANTATION (CONTD.)</u>					
** PT Ladangrumpun Suburabadi	Indonesia	100	100	Rp29,435,000,000))
** PT Perkasa Subur Sakti	Indonesia	100	100	Rp14,965,000,000))
** PT Teguh Sempurna	Indonesia	100	100	Rp28,401,000,000 )	) Production and/or
** PT Kridatama Lancar	Indonesia	100	100	Rp28,192,000,000 )	) processing of palm oil and palm kernel
** PT Sajang Heulang	Indonesia	100	100	Rp28,153,000,000))
** PT Aneka Intipersada	Indonesia	100	100	Rp26,000,000,000))
** PT Langgeng Muaramakmur	Indonesia	100	100	Rp35,901,000,000))
** PT Bhumireksa Nusasejati	Indonesia	100	100	Rp41,366,000,000))
** PT Swadaya Andika	Indonesia	100	100	Rp28,026,000,000))
** PT Bina Sains Cemerlang	Indonesia	100	100	Rp55,263,000,000))
** PT Lahan Tani Sakti	Indonesia	100	100	Rp32,981,000,000 )	) Oil palm and rubber cultivation

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 30.6.2007</u>	<u>Principal activities</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>		
		<u>%</u>	<u>%</u>		
<u>PLANTATION (CONTD.)</u>					
** PT Guthrie Pecconina Indonesia	Indonesia	100	95	USD20,000,000))
** PT Bahari Gembira Ria	Indonesia	99	99	Rp15,000,000,000))
** PT Paripurna Swakarsa	Indonesia	93	93	Rp68,897,000,000))
** PT Bersama Sejahtera Sakti	Indonesia	91	91	Rp74,453,000,000 )	) Production and/or
** PT Tamaco Graha Krida	Indonesia	90	90	Rp17,400,000,000 )	) processing of palm oil and palm
** PT Laguna Mandiri	Indonesia	89	89	Rp47,727,000,000 )	) kernel
** PT Perusahaan Perkebunan Industri dan Niaga Sri Kuala	Indonesia	76	76	Rp500,000,000))
** PT Padang Palma Permai	Indonesia	75	75	Rp16,307,000,000))
** PT Tunggal Mitra Plantations	Indonesia	60	60	Rp23,750,000,000))
** PT Indotruba Tengah	Indonesia	50	50	Rp12,400,000,000))
Guthrie Export Sdn. Bhd.	Malaysia	100	100	RM200 )	) Palm oil storage installation

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 30.6.2007</u>	<u>Principal activities</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>		
		%	%		
<u>PLANTATION (CONTD.)</u>					
* Guthrie Plantation & Agricultural Services Sdn. Bhd.	Malaysia	100	100	RM2,000,000	) Provision of) plantation) consultancy) services and) production and) sale of oil palm) seeds, seedlings) and rat baits
* Guthrie Biotech Laboratory Sdn. Bhd.	Malaysia	100	100	RM200,000	) Research and) cloning of oil) palm for sale
* HRU Sdn. Bhd.	Malaysia	55	55	RM205,000	) Production) and sale of) oil palm seeds,) seedlings and) rat baits
<u>PROPERTY</u>					
Guthrie Harta (Damansara) Sdn. Bhd.	Malaysia	100	100	RM2,000,000	) Property) investment)
Harvard Jerai Development Sdn. Bhd.	Malaysia	100	100	RM5,000,000	) ) ) Property) development
* Guthrie Chemara Sdn. Bhd.	Malaysia	100	100	RM2))

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 30.6.2007</u>	<u>Principal activities</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>		
		<u>%</u>	<u>%</u>		
<u>PROPERTY (CONTD.)</u>					
Guthrie Property Development Holding Berhad	Malaysia	79	79	RM243,334,888 )	) Property development
* Syarikat Perumahan Guthrie Sdn. Bhd.	Malaysia	79	79	RM37,423,985 )	) and investment holding
* Syarikat Pembangunan Hartanah Guthrie Sdn. Bhd.	Malaysia	79	79	RM448,560,002))
Guthrie Lukut Development Sdn. Bhd.	Malaysia	79	79	RM9,450,002))
Accord Shipping & Forwarding Sdn. Bhd.	Malaysia	79	79	RM27,725,000 )	) Property development
* Augsburg (M) Sdn. Bhd.	Malaysia	79	79	RM210,360,002))
* Paralimni Sdn. Bhd.	Malaysia	79	79	RM2))
Guthrie Property Management Sdn. Bhd.	Malaysia	79	79	RM22,836,589 )	) Real estate and property management
Guthrie Ropel Development Sdn. Bhd.	Malaysia	58	58	RM2 )	) Property development and cultivation
* Vicworld (M) Sdn. Bhd.	Malaysia	55	55	RM2 )	) of oil palm
* Malaysia Land Development Company Berhad	Malaysia	51	51	RM9,993,470 )	) Property investment
* Genting View Resort Development Sdn. Bhd.	Malaysia	31	31	RM1,000,000 )	) Property development

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 30.6.2007</u>	<u>Principal activities</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>		
		%	%		
<u>MANUFACTURING</u>					
#^ Guthrie MDF Sdn. Bhd.	Malaysia	-	100	RM53,000,000	) Manufacture) of medium-) density) fibreboard
** PT Guthrie Abdinusa Industri	Indonesia	70	70	USD500,000	) Construction) of palm oil) mills
<u>OTHER ACTIVITIES</u>					
The Eden Bungalow Association Sdn. Bhd.	Malaysia	100	100	RM273,470	) ) Operation) of holiday) bungalows
The Whittington Hill Bungalow Association Sdn. Bhd.	Malaysia	100	100	RM133,050)
Guthrie Landscaping Sdn. Bhd.	Malaysia	100	100	RM2,000,000	) Horticultural) supplies, landscape) and design) consultants) and civil works
^ Guthrie Corridor Expressway Sdn. Bhd.	Malaysia	100	100	RM5,000,000	) Road) concession) operation
Harvard Hotel (Jerai) Sdn. Bhd.	Malaysia	100	100	RM7,500,000	) Hotel) operation
* Guthrie Technologies Sdn. Bhd.	Malaysia	100	100	RM7,466,667	) Computer) services
Harvard Golf Resort (Jerai) Bhd.	Malaysia	99	99	RM5,210,100	) Operation) of golf club
* Sanguine (Malaysia) Sdn. Bhd.	Malaysia	55	55	RM2	) Investment) dealing
* Genting View Resort Management Sdn. Bhd.	Malaysia	51	51	RM1,000,000	) Resort) management

Company No: 4001-P

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 30.6.2007</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>	
		<u>%</u>	<u>%</u>	
<u>INVESTMENT HOLDING</u>				
Kumpulan Jelei Sdn. Bhd.	Malaysia	100	100	RM31,036,072
Guthrie International Investments (L) Limited	Malaysia	100	100	USD1
* Guthrie Siam Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Tapis Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Overseas Limited	U.K.	100	100	GBP13,200,000
* Guthrie Symington Overseas Investments Inc.	U.S.A.	100	100	USD2,000,000
* Guthrie Symington Investments (USA) Inc.	U.S.A.	100	100	USD6,000,000
* Mulligan International BV	Netherlands	100	100	Euro18,000
** PT Minamas Gemilang	Indonesia	100	100	Rp391,088,000,000
** PT Anugerah Sumbermakmur	Indonesia	100	100	Rp337,774,000,000
** PT Muda Perkasa Sakti	Indonesia	100	100	Rp100,000,000
** PT Asricipta Indah	Indonesia	90	90	Rp120,000,000
** PT Kartika Inti Perkasa	Indonesia	60	60	Rp23,750,000,000
** PT Sritijaya Abaditama	Indonesia	60	60	Rp120,000,000
<u>INACTIVE COMPANIES</u>				
Chemara Laboratories Sdn. Bhd.	Malaysia	100	100	RM2
Haron Estate Development Sdn. Bhd.	Malaysia	100	100	RM600,000
* Guthrie Dimensional Stones Sdn. Bhd	Malaysia	100	100	RM25,000,000

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 30.6.2007</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>	
		<u>%</u>	<u>%</u>	
<u>INACTIVE COMPANIES (CONTD.)</u>				
* Guthrie Bina Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Wood Products Sdn. Bhd.	Malaysia	100	100	RM30,000,000
Guthrie Industries Malaysia Sdn. Bhd.	Malaysia	100	100	RM5,000,100
Guthrie Furniture Sdn. Bhd.	Malaysia	100	100	RM2,000,000
Guthrie Rubber Processing Sdn. Bhd.	Malaysia	86	86	RM5,747,170
* Sepang Nilai Estate Sdn. Bhd.	Malaysia	55	55	RM10,000,000
* Pekan Plantations Sdn. Bhd.	Malaysia	55	55	RM9,400,000
* GVR Construction Sdn. Bhd.	Malaysia	31	31	RM500,000
* Guthrie Plantations Liberia Inc.	Liberia	100	100	L\$4,649,048
* Guthrie Symington Limited	U.K.	100	100	GBP8,350,000
* Guthrie Furniture Products Limited	U.K.	100	100	GBP100,000
* Laverton Holdings Limited	Mauritius	100	100	USD2

The following subsidiaries have been placed under member's voluntary liquidation and have accordingly been deconsolidated effective from the dates the subsidiaries were placed under liquidation.

				<u>Date placed under liquidation</u>
* Guthrie Wood Industry Sdn. Bhd.	Malaysia	-	100	21 June 2007
Right Class Sdn. Bhd.	Malaysia	-	100	20 April 2007

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Date placed under liquidation</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>	
		<u>%</u>	<u>%</u>	
Ladang Cenas Sdn. Bhd.	Malaysia	-	58	20 April 2007
* Kamuning Marble Sdn. Bhd.	Malaysia	-	100	30 January 2007
* Guthrie Training Centre Sdn. Bhd.	Malaysia	-	-	21 December 2006
Guthrie Land Sdn. Bhd.	Malaysia	-	-	5 June 2006
Guthrie Livestock Corporation Sdn. Bhd.	Malaysia	-	-	5 June 2006
Guthrie Medicare Products (Holdings) Sdn. Bhd.	Malaysia	-	-	5 June 2006
* Guthrie Industries (Indonesia) Sdn. Bhd.	Malaysia	-	-	5 June 2006
Guthrie Medicare Products (Holdings) Sdn. Bhd.	Malaysia	-	-	5 June 2006
* Guthrie Industries (Indonesia) Sdn. Bhd.	Malaysia	-	-	5 June 2006
* Guthrie Pharmaceuticals Sdn. Bhd.	Malaysia	-	-	5 June 2006
* Guthrie KD Sdn. Bhd.	Malaysia	-	-	5 June 2006
* Guthrie Polymer Sdn. Bhd.	Malaysia	-	-	5 June 2006
* Guthrie Solutions Sdn. Bhd.	Malaysia	-	-	5 June 2006
Guthrie Palm Products Sdn. Bhd.	Malaysia	-	-	5 June 2006
Guthrie Assets Management Sdn. Bhd.	Malaysia	-	-	5 June 2006

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Date placed under liquidation</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>	
		%	%	
Guthrie Distributors Sdn. Bhd.	Malaysia	-	-	5 June 2006
Hock Guan Seng Plantations Sdn. Bhd.	Malaysia	-	-	15 November 2006
* Syarikat Yew Lian Plantations Sendirian Berhad	Malaysia	-	-	15 November 2006
* K & K Plantations Sdn. Bhd.	Malaysia	-	-	15 November 2006
* Hatawa Plantation Sdn. Bhd.	Malaysia	-	-	15 November 2006
* Highlands Estates Sdn. Bhd.	Malaysia	-	-	5 June 2006
* Highlands Assets Management Sdn. Bhd.	Malaysia	-	-	7 June 2006

The process of liquidation is currently still on-going for all the above subsidiaries.

* Subsidiary companies audited by firms of auditors other than Ernst & Young.

** Subsidiary companies audited by member firms of Ernst & Young Global in the respective countries.

This subsidiary company was disposed off during the current financial period as disclosed in Note 15.

^ Classified as discontinued operation during the current financial period.

8. SEGMENT INFORMATION - GROUP

The primary segment reporting format is determined to be the business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The secondary information is reported geographically. The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Revenue of plantation companies comprises the aggregate sales proceeds of palm products and rubber sold during the year. Revenue of property development companies represents revenue recognised based on the stage of completion method of the development properties and sale of plots of development land. Revenue of the Company and other subsidiary companies comprises the invoiced value of goods sold and services rendered.

(a) Information on Business Segments

The main business segments of the Group comprise the following:

- | | | |
|--------------------------------------|---|---|
| Plantation and agricultural services | : | Cultivation, processing and sale of palm oil, palm kernel and fresh fruit bunches and the provision of plantation consultancy services, production and sale of oil palm seeds and seedlings and rat baits. |
| Property development | : | Development and construction of residential, commercial and industrial properties and sale of plots of development land. |
| Investment & Others | : | Investment holding, provision of computer services, hotel and resort management, golf club operation, general contracting, road concession operation and the manufacturing and sale of medium-density fibreboard. |

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

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

8. SEGMENT INFORMATION - GROUP (CONTD.)

(a) Information on Business Segments (contd.)

	Continuing Operations								Discontinued Operations					
	Plantation & Agricultural Services		Property Development		Investment & Others		Eliminations		Total Continuing		Discontinued Operations		Consolidated	
	1.1.2007 to 30.6.2007	1.1.2006 to 31.12.2006	1.1.2007 to 30.6.2007	1.1.2006 to 31.12.2006	1.1.2007 to 30.6.2007	1.1.2006 to 31.12.2006	1.1.2007 to 30.6.2007	1.1.2006 to 31.12.2006	1.1.2007 to 30.6.2007	1.1.2006 to 31.12.2006	1.1.2007 to 30.6.2007	1.1.2006 to 31.12.2006	1.1.2007 to 30.6.2007	1.1.2006 to 31.12.2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE														
External sales	1,122,165	1,805,548	291,458	567,828	14,035	33,137	-	-	1,427,658	2,406,513	40,368	106,860	1,468,026	2,513,373
Inter-segment sales	4,893	11,085	240	537	34,448	74,793	(39,581)	(86,415)	-	-	-	-	-	-
Total revenue	1,127,058	1,816,633	291,698	568,365	48,483	107,930	(39,581)	(86,415)	1,427,658	2,406,513	40,368	106,860	1,468,026	2,513,373
RESULTS														
Operating profit/(loss)	457,767	579,806	106,066	170,826	240,856	544,318	(213,186)	(542,351)	591,503	752,599	14,195	7,616	605,698	760,215
Finance expense	(22,490)	(47,265)	(15,617)	(35,375)	(134,181)	(298,072)	98,820	217,325	(73,468)	(163,387)	-	(105)	(73,468)	(163,492)
Gain/(Loss) on disposal of discontinued operation	-	-	-	-	-	-	-	-	-	-	32,751	(23,008)	32,751	(23,008)
Share of results after tax of associated companies	-	-	24,829	25,407	-	-	(22,234)	(22,659)	2,595	2,748	-	-	2,595	2,748
Share of results after tax of a jointly controlled entity	-	-	-	-	-	-	(54)	(38)	(54)	(38)	-	-	(54)	(38)
Profit/(Loss) before taxation	435,277	532,541	115,278	160,858	106,675	246,246	(136,654)	(347,723)	520,576	591,922	46,946	(15,497)	567,522	576,425
Taxation									(155,197)	(158,845)	(1,960)	2,589	(157,157)	(156,256)
Profit/(Loss) for the period/year									365,379	433,077	44,986	(12,908)	410,365	420,169
ASSETS														
Segment assets	6,897,604	6,827,274	1,366,648	1,694,811	9,804,263	5,350,390	(10,391,463)	(6,327,656)	7,677,052	7,544,819	584,782	678,900	8,261,834	8,223,719
Investments in associated companies	104	744	216,360	212,375	12,225	12,225	(211,407)	(208,644)	17,282	16,700	-	-	17,282	16,700
Investment in a jointly controlled entity	-	-	-	-	1,908	1,962	-	-	1,908	1,962	-	-	1,908	1,962
Unallocated corporate assets	-	-	-	-	-	-	-	-	446,202	504,122	-	-	446,202	504,122
Total assets	6,897,708	6,828,018	1,583,008	1,907,186	9,818,396	5,364,577	(10,602,870)	(6,536,300)	8,142,444	8,067,603	584,782	678,900	8,727,226	8,746,503
LIABILITIES														
Segment liabilities	1,001,387	1,006,370	777,718	917,253	7,200,697	7,455,694	(5,834,814)	(6,068,123)	3,144,988	3,311,194	-	9,106	3,144,988	3,320,300
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	685,037	730,615	-	-	685,037	730,615
Total liabilities	1,001,387	1,006,370	777,718	917,253	7,200,697	7,455,694	(5,834,814)	(6,068,123)	3,830,025	4,041,809	-	9,106	3,830,025	4,050,915

8. SEGMENT INFORMATION - GROUP (CONTD.)

(a) Information on Business Segments (contd)

	Continuing Operations								Discontinued Operations		Consolidated			
	Plantation & Agricultural Services		Property Development		Investment & Others		Eliminations		Total Continuing		1.1.2007 to 30.6.2007 RM'000	1.1.2006 to 31.12.2006 RM'000	1.1.2007 to 30.6.2007 RM'000	1.1.2006 to 31.12.2006 RM'000
	1.1.2007 to 30.6.2007 RM'000	1.1.2006 to 31.12.2006 RM'000	1.1.2007 to 30.6.2007 RM'000	1.1.2006 to 31.12.2006 RM'000	1.1.2007 to 30.6.2007 RM'000	1.1.2006 to 31.12.2006 RM'000	1.1.2007 to 30.6.2007 RM'000	1.1.2006 to 31.12.2006 RM'000	1.1.2007 to 30.6.2007 RM'000	1.1.2006 to 31.12.2006 RM'000				
CAPITAL EXPENDITURE	111,290	271,220	1,625	5,746	1,020	976	-	-	113,935	277,942	-	3,150	113,935	281,092
NON-CASH EXPENSES														
Depreciation/Amortisation:														
- Property, plant and equipment	47,683	91,722	703	1,005	2,118	5,454	-	-	50,504	98,181	-	11,751	50,504	109,932
- Plantation development expenditure	63,226	127,513	-	-	-	-	-	-	63,226	127,513	-	-	63,226	127,513
- Prepaid lease payments	4,014	6,353	-	-	40	84	-	-	4,054	6,437	-	-	4,054	6,437
- Concession asset	-	-	-	-	-	-	-	-	-	-	-	4,682	-	4,682
Property, plant and equipment written off	447	3,761	726	86	43	1,326	-	-	1,216	5,173	-	-	1,216	5,173
Plantation development expenditure written off	908	15,528	-	-	-	-	-	-	908	15,528	-	-	908	15,528
Impairment of:														
- Property, plant and equipment	-	5,356	-	-	-	-	-	-	-	5,356	-	-	-	5,356
- Plantation development expenditure	-	4,923	-	-	-	-	-	-	-	4,923	-	-	-	4,923
- Prepaid lease payments	-	388	-	-	-	-	-	-	-	388	-	-	-	388
- Goodwill	-	14,688	-	-	-	-	-	-	-	14,688	-	-	-	14,688
- Other investments	-	-	-	-	-	500	-	-	-	500	-	-	-	500
Write down of inventories	-	-	-	-	-	121	-	-	-	121	-	64	-	185
Provisions for:														
- retirement benefits	16,310	10,922	-	-	5	10	-	-	16,315	10,932	-	-	16,315	10,932
- doubtful debts	-	-	19	422	2,784	1,507	-	-	2,803	1,929	-	962	2,803	2,891
- loss on conversion of plasma projects	3,688	2,675	-	-	-	-	-	-	3,688	2,675	-	-	3,688	2,675
Unrealised loss on foreign exchange differences	2,083	1,841	-	-	(971)	1,538	-	-	1,112	3,379	-	-	1,112	3,379

8. SEGMENT INFORMATION - GROUP (CONTD.)

(b) Geographical Segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's business segments operate in two main geographical areas as follows:

Malaysia - Plantation and agricultural services, property development, investment and others

Indonesia - Plantation

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the Group's geographical segments:

	<u>Capital Expenditure</u>		<u>Segment Assets</u>	
	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000
Malaysia	25,967	68,016	6,057,777	6,019,904
Indonesia	87,968	213,076	2,669,449	2,726,078
Others	-	-	-	521
	<u>113,935</u>	<u>281,092</u>	<u>8,727,226</u>	<u>8,746,503</u>

The following is an analysis of the Group's revenue analysed by the geographical location of customers:

	<u>Continuing Operations</u>		<u>Discontinued Operations</u>		<u>Total</u>	
	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000
Malaysia	766,714	1,396,176	20,421	50,354	787,135	1,446,530
South East Asia	660,944	1,009,339	6,115	19,762	667,059	1,029,101
Asia	-	175	13,242	35,517	13,242	35,692
Others	-	823	590	1,227	590	2,050
	<u>1,427,658</u>	<u>2,406,513</u>	<u>40,368</u>	<u>106,860</u>	<u>1,468,026</u>	<u>2,513,373</u>

9. REVENUE

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
Plantation and Agricultural Services:				
Palm products	1,111,174	1,777,228	-	-
Rubber	1,923	5,499	-	-
Oil palm seeds and seedlings	8,237	20,769	-	-
Consultancy services	831	2,052	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Property development	1,122,165	1,805,548	-	-
Sale of goods	291,458	567,828	-	-
Services rendered	-	4,806	-	-
Construction contracts	14,035	21,834	-	-
	-	6,497	-	-
Dividend income from subsidiary companies	-	-	130,679	427,398
Management fees from subsidiary companies	-	-	27,246	50,448
Rental income from investment property	-	-	-	1,012
	<hr/>	<hr/>	<hr/>	<hr/>
	1,427,658	2,406,513	157,925	478,858
	<hr/>	<hr/>	<hr/>	<hr/>

10. COST OF SALES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
Plantation and Agricultural Services:				
Palm products	592,919	1,167,638	-	-
Rubber	951	5,697	-	-
Oil palm seeds and seedlings	2,428	4,609	-	-
Consultancy services	537	1,131	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Property development	596,835	1,179,075	-	-
Sale of goods	166,173	372,575	-	-
Services rendered	-	2,656	-	-
Construction contracts	7,060	11,201	-	-
	-	17,805	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	770,068	1,583,312	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

11. OTHER INCOME

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
Interest income received/receivable on:				
- Intragroup borrowings	-	-	8,789	23,762
- Fixed deposits with licensed banks and financial institutions	14,995	23,714	1,457	2,813
- Others	2,616	5,865	126	400
Dividend income from investments:				
- Unquoted in Malaysia	-	4,138	-	2,336
- Quoted in Malaysia	55	672	-	-
Accretion of deferred income (Note 42)	1,944	8,330	-	-
Gain on compulsory land acquisitions	10,124	5,980	-	-
Gain on sale of land	28,811	68,515	-	-
Gain on sale of property, plant and equipment	228	803	3	56
Gain on sale of investment property	-	-	-	4,576
Gain on foreign exchange differences:				
- Realised	788	30,204	788	25,876
- Unrealised	37,435	112,212	37,484	94,705
Gain on disposal of marketable securities	924	1,503	-	-
Surplus on liquidation of subsidiary companies	-	945	18,903	17,756
Write back in value of marketable securities	4,518	4,247	-	-
Write back of provision for doubtful debts	155	1,196	-	-
Others	6,292	10,844	977	1,481
	<u>108,885</u>	<u>279,168</u>	<u>68,527</u>	<u>173,761</u>

12. FINANCE EXPENSE

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000
Interest paid/payable on:				
- Intragroup borrowings	-	-	54,799	97,910
- Hire purchase and finance lease liabilities	-	25,607	-	25,564
- Short-term borrowings	3,979	9,989	2,976	6,274
- Bankers acceptances and export credit refinancing loans	1,223	3,974	1,223	3,974
- Long-term borrowings	66,821	120,939	6,527	14,366
	<u>72,023</u>	<u>160,509</u>	<u>65,525</u>	<u>148,088</u>
Less: Interest capitalised in qualifying assets:				
- Capital work-in-progress (Note 18)	-	(115)	-	-
- Plantation development expenditure (Note 19)	-	(801)	-	-
	<u>72,023</u>	<u>159,593</u>	<u>65,525</u>	<u>148,088</u>
Amortisation of:				
- Deferred financing expenses (Note 41)	1,445	2,752	-	-
- SUKUK issuance expenses (Note 41)	-	1,042	-	1,042
	<u>73,468</u>	<u>163,387</u>	<u>65,525</u>	<u>149,130</u>

13. PROFIT BEFORE TAXATION

Profit before taxation from continuing operations has been arrived at after charging:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000
Auditors' remuneration [Note (a)]	700	1,598	90	126
Directors' remuneration [Note (b)]	1,235	2,783	850	2,109
Employees' benefits expense [Note (c)]	175,719	456,768	25,732	38,402
Depreciation of property, plant and equipment (Note 18)	50,504	98,181	1,123	2,053
Amortisation of plantation development expenditure (Note 19)	63,226	127,513	-	-
Amortisation of prepaid lease payments (Note 20)	4,054	6,437	13	30

13. PROFIT BEFORE TAXATION (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> <u>RM'000</u>	<u>1.1.2006 to</u> <u>31.12.2006</u> <u>RM'000</u>	<u>1.1.2007 to</u> <u>30.6.2007</u> <u>RM'000</u>	<u>1.1.2006 to</u> <u>31.12.2006</u> <u>RM'000</u>
Profit before taxation from continuing operations has been arrived at after charging:				
Property, plant and equipment written off (Note 18)	1,216	5,173	38	4
Plantation development expenditure written off (Note 19)	908	15,528	-	-
Impairment of assets included in other expenses:				
- Property, plant and equipment (Note 18)	-	5,356	-	-
- Plantation development expenditure (Note 19)	-	4,923	-	-
- Prepaid lease payments (Note 20)	-	388	-	-
- Goodwill (Note 22)	-	14,688	-	-
- Investments in subsidiary companies (Note 23)	-	-	-	53,673
- Other investments (Note 26)	-	500	-	500
Loss on disposal of property, plant and equipment	-	13	-	-
Loss on disposal of marketable securities	-	262	-	-
Loss on strike off of subsidiary companies	-	-	-	218
Rent of land and buildings	321	602	890	1,780
Research and development costs	6,698	10,657	6,698	10,657
Write down of inventories	-	121	-	-
Provisions for:				
- loss on conversion of plasma projects	3,688	2,675	-	-
- doubtful debts	2,803	1,929	-	-
- amounts due from subsidiary companies (Note 36)	-	-	7,000	19,200
Loss on foreign exchange differences:				
- Realised	1,284	3,996	1,096	3,031
- Unrealised	1,112	3,379	5,768	17,796

13. PROFIT BEFORE TAXATION (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>30.6.2007</u> RM'000
(a) Auditors' Remuneration				
Auditors of the Company				
- audit	183	369	48	95
- other services	132	36	42	31
	<u>315</u>	<u>405</u>	<u>90</u>	<u>126</u>
Other Auditors in Malaysia - audit	135	274	-	-
Other Auditors outside Malaysia - audit	250	919	-	-
Total	<u>700</u>	<u>1,598</u>	<u>90</u>	<u>126</u>
(b) Directors' Remuneration				
Directors of the Company				
Executive Director:				
- salaries and other emoluments	397	1,093	397	1,093
- bonus	160	176	160	176
- benefits-in-kind	20	149	20	149
	<u>577</u>	<u>1,418</u>	<u>577</u>	<u>1,418</u>
Non-Executive Directors:				
- fees	408	958	198	516
- allowances	154	196	59	141
- benefits-in-kind	16	34	16	34
	<u>578</u>	<u>1,188</u>	<u>273</u>	<u>691</u>

13. PROFIT BEFORE TAXATION (CONTD.)

(b) Directors' Remuneration (contd.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
Directors of subsidiary companies				
Non-Executive Directors:				
- fees	55	146	-	-
- allowances	25	31	-	-
	80	177	-	-
	1,235	2,783	850	2,109

The number of directors of the Company whose total remuneration during the financial period/year fell within the following bands is analysed below:

	<u>Executive Director</u>		<u>Non-Executive Directors</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> No.	<u>1.1.2006 to</u> <u>31.12.2006</u> No.	<u>1.1.2007 to</u> <u>30.6.2007</u> No.	<u>1.1.2006 to</u> <u>31.12.2006</u> No.
Executive Director				
RM500,001 - RM600,000	1	-	-	-
RM1,400,001 - RM1,450,000	-	1	-	-
Non-Executive Directors				
RM50,001 - RM100,000	-	-	5	2
RM100,001 - RM150,000	-	-	2	4
RM150,001 - RM200,000	-	-	-	2
RM200,001 - RM250,000	-	-	-	1

(c) Employees' Benefits Expense

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
Wages and salaries	151,158	427,277	22,290	34,247
Social security contributions	152	359	65	128
Pension costs:				
- defined contribution plans	6,521	14,018	1,808	2,772
- retirement benefits (Note 43)	16,315	10,932	5	10
Termination benefits	9	694	-	-
Cost of share options	1,564	3,488	1,564	1,245
	175,719	456,768	25,732	38,402

The remuneration of the executive director amounting to RM577,000 (2006: RM1,418,000) is disclosed in Note 13 (b).

14. TAXATION

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000
<u>Continuing Operations</u>				
Current income tax:				
Malaysian income tax	61,912	70,152	21,483	71,232
Foreign income tax	79,317	83,989	-	-
	<u>141,229</u>	<u>154,141</u>	<u>21,483</u>	<u>71,232</u>
Under/(Over) provision in prior years:				
Malaysian income tax	1,568	2,894	(483)	2,053
Foreign income tax	6,792	(8,431)	-	-
	<u>149,589</u>	<u>148,604</u>	<u>21,000</u>	<u>73,285</u>
Deferred tax				
Relating to origination and reversal of temporary differences	2,888	11,213	26	1,778
Relating to changes in tax rates	(605)	(202)	-	(53)
Under/(Over) provision in prior years	3,325	(770)	-	23
	<u>5,608</u>	<u>10,241</u>	<u>26</u>	<u>1,748</u>
Total income tax expense from continuing operations	155,197	158,845	21,026	75,033
<u>Discontinued Operations</u>				
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	1,960	(2,589)	-	-
Total income tax expense	<u>157,157</u>	<u>156,256</u>	<u>21,026</u>	<u>75,033</u>

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the period/year. The domestic statutory tax rate of 27% will be reduced to 26% effective year of assessment 2008. The computation of deferred tax as at 30 June 2007 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

14. TAXATION (CONTD.)

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

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000	<u>1.1.2007 to 30.6.2007</u> RM'000	<u>1.1.2006 to 31.12.2006</u> RM'000
Profit/(Loss) before taxation				
- Continuing operations	520,576	591,922	113,031	347,988
- Discontinued operations	46,946	(15,497)	20,122	(24,575)
	<u>567,522</u>	<u>576,425</u>	<u>133,153</u>	<u>323,413</u>
Taxation at Malaysia statutory tax rate of 27% (2006: 28%)	153,231	161,399	35,951	90,556
Effects of:				
Income subject to tax rate of 20%	(144)	(215)	-	-
Different tax rates in other countries	7,582	(3,034)	-	-
Income not subject to tax	(29,959)	(80,563)	(18,951)	(49,689)
Changes in tax rate on deferred tax	(605)	(202)	(8)	(53)
Expenses not deductible for tax purposes	14,541	73,599	5,345	32,018
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(2,252)	(5,516)	-	-
Share of results of associated companies	(706)	(793)	-	-
Expenses subject to double deduction	(828)	(1,577)	(828)	(1,577)
Under/(Over) provision of deferred tax in prior years	3,325	(770)	-	23
Under/(Over) provision of income tax in prior years	8,360	(5,537)	(483)	2,053
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances, and other deductible timing differences	4,037	20,019	-	1,702
Deferred tax liability on intragroup assets transfer	575	(554)	-	-
Tax expense for the year	<u>157,157</u>	<u>156,256</u>	<u>21,026</u>	<u>75,033</u>

14. TAXATION (CONTD.)

Tax savings during the financial period/year arose from:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
Utilisation of current year tax losses	38	128	-	-
Utilisation of previously unrecognised tax losses	393	491	-	-
	<u>393</u>	<u>491</u>	<u>-</u>	<u>-</u>

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

In line with the Group's objective to focus on its core businesses of plantation and property development, for the financial period ended 30 June 2007 the Group had disposed/propose to dispose the following:

(i) Disposal of a Subsidiary Company

On 22 February 2007, the Company and Guthrie Wood Industries Sdn. Berhad, a wholly-owned subsidiary, entered into a Share Sale and Purchase Agreement for the disposal of the entire equity interests in Guthrie MDF Sdn. Berhad ("GMDF"). The disposal was completed on 11 May 2007, and a gain on disposal of RM32,751,000 and RM20,122,000 had been recognised by the Group and Company respectively in the financial period ended 30 June 2007.

(ii) Proposed Disposal of a Subsidiary Company

On 27 November 2006, the Company entered into a Sale and Purchase of Shares Agreement for the proposed disposal of the entire equity interests in Guthrie Corridor Expressway Sdn. Berhad ("GCESB"), a wholly-owned subsidiary involved in road concession operations. As at 30 June 2007, the proposed disposal is pending completion of certain conditions precedent. The disposal was completed on 23 July 2007.

(iii) Proposed Disposal of Kampung Pandan Property

The Board of Directors had on 30 May 2007, agreed on the proposed disposal of the Kampung Pandan property held by the Company and, the proposed disposal is pending the execution of the sale and purchase agreement.

Accordingly, the assets and liabilities of GCESB have been presented on the consolidated balance sheet as a disposal group held for sale. The carrying amount of the investment in GCESB have also been presented as non-current assets held for sale on the balance sheet of the Company as at 30 June 2007. The financial results of GCESB and GMDF are presented separately on the consolidated income statement as discontinued operations.

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTD.)

(a) The results of the discontinued operations are as follows:

For the period ended 30 June 2007

	<u>Manufacturing</u>	<u>Investment</u>	<u>Total</u>
	RM'000	& Others	RM'000
	RM'000	RM'000	RM'000
Revenue	29,509	10,859	40,368
Cost of sales	(19,913)	(2,318)	(22,231)
Gross profit	9,596	8,541	18,137
Expenses	(3,501)	(441)	(3,942)
Gain on disposal of discontinued operations	32,751	-	32,751
Profit before taxation	38,846	8,100	46,946
Taxation (Note 14)	-	(1,960)	(1,960)
Profit for the period from discontinued operations	38,846	6,140	44,986

The following amounts have been included in arriving at the profit before taxation of discontinued operations:

	<u>Manufacturing</u>	<u>Investment</u>	<u>Total</u>
	RM'000	& Others	RM'000
	RM'000	RM'000	RM'000
Auditors' remuneration:			
- audit	6	8	14
Directors' remuneration:			
Non-Executive Directors			
- fees and allowances	5	-	5

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTD.)

For the year ended 31 December 2006

	<u>Manufacturing</u> RM'000	<u>Investment & Others</u> RM'000	<u>Total</u> RM'000
Revenue	87,645	19,215	106,860
Cost of sales	(72,639)	(5,033)	(77,672)
Gross profit	15,006	14,182	29,188
Expenses	(14,640)	(6,932)	(21,572)
Loss on disposal of discontinued operations	(23,008)	-	(23,008)
Operating (loss)/profit	(22,642)	7,250	(15,392)
Finance expense	(105)	-	(105)
(Loss)/Profit before taxation	(22,747)	7,250	(15,497)
Taxation (Note 14)	-	2,589	2,589
(Loss)/Profit for the year from discontinued operations	(22,747)	9,839	(12,908)

The following amounts have been included in arriving at the (loss)/profit before taxation of discontinued operations:

	<u>Manufacturing</u> RM'000	<u>Investment & Others</u> RM'000	<u>Total</u> RM'000
Auditors' remuneration:			
- audit	18	15	33
Directors' remuneration:			
Non-Executive Directors			
- fees and allowances	17	26	43
Depreciation/Amortisation:			
- property, plant and equipment	11,457	294	11,751
- concession asset	-	4,682	4,682
Provision for doubtful debts	962	-	962
Write down of inventories	64	-	64
Write back of provision for doubtful debts	(220)	-	(220)

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTD.)

(b) The cash flows attributable to the discontinued operations are as follows:

	<u>Manufacturing</u> RM'000	<u>Investment & Others</u> RM'000	<u>Total</u> RM'000
<u>For the period ended 30 June 2007</u>			
Cash flows from operating activities	7,585	6,980	14,565
Cash flows from investing activities	2,411	(7,049)	(4,638)
Net cash flows	<u>9,996</u>	<u>(69)</u>	<u>9,927</u>
<u>For the year ended 31 December 2006</u>			
Cash flows from operating activities	10,898	10,234	21,132
Cash flows from investing activities	(11,393)	(10,252)	(21,645)
Net cash flows	<u>(495)</u>	<u>(18)</u>	<u>(513)</u>

(c) The assets and liabilities of the subsidiary companies disposed of at the effective date are as follows:

	As at 30.4.2007 RM'000	As at 30.9.2006 RM'000
Property, plant and equipment	70,520	12,838
Inventories	11,033	2,020
Receivables	28,152	3,925
Deposit, bank balances and cash	12,784	284
Payables	(7,268)	(18,273)
Net assets disposed of	<u>115,221</u>	<u>794</u>
Proceeds from disposal of subsidiary company	(150,278)	(1,592)
Provisions and incidental expenses	2,306	23,806
(Gain)/Loss on disposal of a subsidiary company	<u>(32,751)</u>	<u>23,008</u>
Proceeds from disposal of a subsidiary company	150,278	1,592
Cash and cash equivalents of a subsidiary company disposed of	(12,784)	(284)
Net cash inflow	<u>137,494</u>	<u>1,308</u>

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTD.)

(d) The disposal of subsidiary companies had the following effects on the financial results of the Company:

	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
Proceeds from disposal of subsidiary companies	122,228	992
Provisions and incidental expenses	(2,306)	(968)
Net proceeds from disposal of subsidiary companies	119,922	24
Cost of investment in subsidiary companies	(99,800)	(9,000)
Amounts due from subsidiary companies	-	(15,599)
Gain/(Loss) on disposal of subsidiary companies	<u>20,122</u>	<u>(24,575)</u>

(e) The major classes of assets and liabilities classified as held for sale are disclosed in Note 38.

16. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) for the period/year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period/year.

	<u>GROUP</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u>	<u>1.1.2006 to</u> <u>31.12.2006</u>
Profit from continuing operations attributable to ordinary equity holders of the Company (RM'000)	272,351	283,561
Profit/(Loss) from discontinued operations attributable to ordinary equity holders of the Company (RM'000)	44,986	(12,908)
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>317,337</u>	<u>270,653</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,023,011</u>	<u>1,011,222</u>
Basic earnings/(loss) per share (sen) for:		
Profit from continuing operations	26.62	28.04
Profit/(Loss) from discontinued operations	4.40	(1.28)
Profit attributable to ordinary equity holders of the Company	<u>31.02</u>	<u>26.76</u>

16. EARNINGS/(LOSS) PER SHARE (CONTD.)

(a) Basic (contd.)

The comparative basic earnings/(loss) per share has been restated to take into account the effect of the changes in accounting policy (Note 5(b)) on profit for that year.

(b) Diluted

Diluted earnings/(loss) per share are calculated by dividing the profit/(loss) for the period/year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period/year which have been adjusted for the dilutive effects of all share options granted to employees.

	GROUP	
	1.1.2007 to 30.6.2007	1.1.2006 to 31.12.2006
Profit from continuing operations attributable to ordinary equity holders of the Company (RM'000)	272,351	283,561
Profit/(Loss) from discontinued operations attributable to ordinary equity holders of the Company (RM'000)	44,986	(12,908)
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>317,337</u>	<u>270,653</u>
Weighted average number of ordinary shares in issue ('000)	1,023,011	1,011,222
Effects of dilution of share options ('000)	552	3,721
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>1,023,563</u>	<u>1,014,943</u>
Diluted earnings/(loss) per share (sen) for:		
Profit from continuing operations	26.61	27.94
Profit/(Loss) from discontinued operations	4.39	(1.27)
Profit attributable to ordinary equity holders of the Company	<u>31.00</u>	<u>26.67</u>

The comparative diluted earnings/(loss) per share has been restated to take into account the effect of the changes in accounting policy on profit for that year.

17. DIVIDENDS

	<u>GROUP/COMPANY</u>	
	<u>1.1.2007 to</u> <u>30.6.2007</u> RM'000	<u>1.1.2006 to</u> <u>31.12.2006</u> RM'000
(a) Dividends Paid		
Final Dividends:		
2007: 6 sen per ordinary share, tax exempt for the financial year 2006 (2006: Nil)	61,287	-
2006: 4 sen per ordinary share, less 27% tax for the financial year 2006 (2006: 6 sen per ordinary share less 28% tax for the financial year 2005)	29,826	43,500
Adjustment for underprovision of prior year's final dividend due to increase in share capital arising from the Second ESOS	355	79
	<u>91,468</u>	<u>43,579</u>
Interim Dividend:		
2007: Nil (2006: 6 sen per ordinary share, less 28% tax)	-	43,892
	<u>91,468</u>	<u>87,471</u>
(b) Dividends Proposed		
2007: Nil (2006: 6 sen per ordinary share, tax exempt)	-	61,287
2007: Nil (2006: 4 sen per ordinary share, less 27% tax)	-	29,826
	<u>-</u>	<u>91,113</u>

18. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold Land RM'000	Golf Course Development Expenditure RM'000	Buildings RM'000	Machinery, Equipment and Vehicles RM'000	Capital Work-in- Progress RM'000	Total RM'000
Cost or Valuation						
At 1 January 2007						
Cost	357	-	191,646	810,650	121,644	1,124,297
Valuation - 2003	1,655,740	23,571	258,245	-	-	1,937,556
	1,656,097	23,571	449,891	810,650	121,644	3,061,853
Reclassification	-	-	22,829	7,295	(30,124)	-
Additions	458	30	10,199	15,249	51,609	77,545
Disposals	(1,352)	-	-	(700)	-	(2,052)
Write off	-	-	(814)	(7,041)	(341)	(8,196)
Reclassified as held for sale	-	-	(7)	-	-	(7)
Exchange differences	-	-	(5,772)	(11,914)	(2,886)	(20,572)
At 30 June 2007	1,655,203	23,601	476,326	813,539	139,902	3,108,571
Representing:						
Cost	621	-	140,846	813,539	139,902	1,094,908
Valuation - 2003	1,654,582	23,601	335,480	-	-	2,013,663
At 30 June 2007	1,655,203	23,601	476,326	813,539	139,902	3,108,571
Accumulated Depreciation and Impairment Losses						
At 1 January 2007	-	4,320	50,486	472,426	3,845	531,077
Depreciation charge for the period recognised in income statement:						
- Continuing operations	-	283	13,055	37,166	-	50,504
Disposals	-	-	-	(694)	-	(694)
Write off	-	-	(26)	(6,954)	-	(6,980)
Reclassified as held for sale	-	-	(7)	-	-	(7)
Exchange differences	-	-	(2,381)	(5,441)	-	(7,822)
At 30 June 2007	-	4,603	61,127	496,503	3,845	566,078
Net Carrying Amount						
Cost	621	-	164,690	317,036	136,057	618,404
Valuation - 2003	1,654,582	18,998	250,509	-	-	1,924,089
At 30 June 2007	1,655,203	18,998	415,199	317,036	136,057	2,542,493

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>GROUP (CONTD.)</u>	<u>Freehold Land</u> RM'000	<u>Golf course Development Expenditure</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, Equipment and Vehicles</u> RM'000	<u>Capital Work-in- Progress</u> RM'000	<u>Total</u> RM'000
Cost or Valuation						
At 1 January 2006						
Cost	357	-	169,626	916,653	18,398	1,105,034
Valuation - 2003	1,670,463	23,637	284,636	-	-	1,978,736
	1,670,820	23,637	454,262	916,653	18,398	3,083,770
Reclassification	-	-	17,281	24,157	(41,914)	(476)
Additions	-	71	18,832	42,091	148,121	209,115
Disposals	(14,723)	-	(867)	(3,426)	-	(19,016)
Disposal of subsidiary companies	-	-	(6,009)	(21,247)	-	(27,256)
Write off	-	(137)	(4,030)	(10,951)	(6)	(15,124)
Reclassified as held for sale	-	-	(33,389)	(144,628)	(3,150)	(181,167)
Exchange differences	-	-	3,811	8,001	195	12,007
At 31 December 2006	1,656,097	23,571	449,891	810,650	121,644	3,061,853
Representing:						
Cost	357	-	191,646	810,650	121,644	1,124,297
Valuation - 2003	1,655,740	23,571	258,245	-	-	1,937,556
At 31 December 2006	1,656,097	23,571	449,891	810,650	121,644	3,061,853
Accumulated Depreciation and Impairment Losses						
At 1 January 2006	-	3,486	35,023	509,449	-	547,958
Depreciation for the year recognised	-	834	25,107	83,991	-	109,932
in income statement:						
- Continuing operations	-	834	23,985	73,362	-	98,181
- Discontinued operations	-	-	1,122	10,629	-	11,751
Reclassification	-	-	(470)	(6)	-	(476)
Disposals	-	-	(120)	(3,311)	-	(3,431)
Disposal of subsidiary companies	-	-	(359)	(14,059)	-	(14,418)
Impairment losses recognised						
in income statement (Note 13)	-	-	570	941	3,845	5,356
Write off	-	-	(1,152)	(8,799)	-	(9,951)
Reclassified as held for sale	-	-	(8,219)	(99,077)	-	(107,296)
Exchange differences	-	-	106	3,297	-	3,403
At 31 December 2006	-	4,320	50,486	472,426	3,845	531,077

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>GROUP (CONTD.)</u>	<u>Freehold Land</u> RM'000	<u>Golf course Development Expenditure</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, Equipment and Vehicles</u> RM'000	<u>Capital Work-in- Progress</u> RM'000	<u>Total</u> RM'000
Net Carrying Amount						
Cost	357	-	188,284	338,224	117,799	644,664
Valuation - 2003	1,655,740	19,251	211,121	-	-	1,886,112
At 31 December 2006	<u>1,656,097</u>	<u>19,251</u>	<u>399,405</u>	<u>338,224</u>	<u>117,799</u>	<u>2,530,776</u>

The net carrying amount of property, plant and equipment had the assets been carried under the cost model, would have been:

At 30 June 2007	<u>401,209</u>	<u>18,998</u>	<u>415,199</u>	<u>317,036</u>	<u>136,057</u>	<u>1,288,499</u>
At 31 December 2006	<u>443,685</u>	<u>19,251</u>	<u>399,405</u>	<u>338,224</u>	<u>117,799</u>	<u>1,318,364</u>

Interest expense capitalised under capital work-in-progress during the financial period amounted to RM Nil (2006: RM115,000) as disclosed in Note 12.

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>COMPANY</u>	<u>Freehold Land RM'000</u>	<u>Buildings RM'000</u>	<u>Machinery, Equipment and Vehicles RM'000</u>	<u>Total RM'000</u>
Cost or Valuation				
At 1 January 2007				
Cost	-	-	21,992	21,992
Valuation - 2003	10,411	1,395	-	11,806
	10,411	1,395	21,992	33,798
Additions	-	-	344	344
Disposals	-	-	(11)	(11)
Write off	-	-	(3,833)	(3,833)
Reclassified as held for sale	-	(7)	-	(7)
Transfer from subsidiary companies	-	-	2,416	2,416
Transfer to subsidiary companies	-	-	(6)	(6)
At 30 June 2007	10,411	1,388	20,902	32,701
Representing:				
Cost	-	-	20,902	20,902
Valuation - 2003	10,411	1,388	-	11,799
At 30 June 2007	10,411	1,388	20,902	32,701
Accumulated Depreciation				
At 1 January 2007	-	253	16,352	16,605
Depreciation recognised in income statement (Note 13)	-	39	1,084	1,123
Disposals	-	-	(10)	(10)
Write off	-	-	(3,795)	(3,795)
Reclassified as held for sale	-	(7)	-	(7)
Transfer from subsidiary companies	-	-	913	913
Transfer to subsidiary companies	-	-	(6)	(6)
At 30 June 2007	-	285	14,538	14,823
Net Carrying Amount				
Cost	-	-	6,364	6,364
Valuation - 2003	10,411	1,103	-	11,514
At 30 June 2007	10,411	1,103	6,364	17,878

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>COMPANY (CONTD.)</u>	<u>Freehold Land</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, Equipment and Vehicles</u> RM'000	<u>Total</u> RM'000
Cost or Valuation				
At 1 January 2006				
Cost	-	-	22,139	22,139
Valuation - 2003	10,411	1,398	-	11,809
	10,411	1,398	22,139	33,948
Additions	-	-	974	974
Disposals	-	-	(675)	(675)
Write off	-	(3)	(127)	(130)
Transfer to subsidiary companies	-	-	(319)	(319)
At 31 December 2006	10,411	1,395	21,992	33,798
Representing:				
Cost	-	-	21,992	21,992
Valuation - 2003	10,411	1,395	-	11,806
At 31 December 2006	10,411	1,395	21,992	33,798
Accumulated Depreciation				
At 1 January 2006	-	176	15,265	15,441
Depreciation recognised in income statement (Note 13)	-	79	1,974	2,053
Disposals	-	-	(567)	(567)
Write off	-	(2)	(124)	(126)
Transfer to subsidiary companies	-	-	(196)	(196)
At 31 December 2006	-	253	16,352	16,605
Net Carrying Amount				
Cost	-	-	5,640	5,640
Valuation - 2003	10,411	1,142	-	11,553
At 31 December 2006	10,411	1,142	5,640	17,193

Company No: 4001-P

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>COMPANY (CONTD.)</u>	<u>Freehold Land RM'000</u>	<u>Buildings RM'000</u>	<u>Machinery, Equipment and Vehicles RM'000</u>	<u>Total RM'000</u>
The net carrying amount of property, plant and equipment had the assets been carried under the cost model, would have been:				
At 30 June 2007	600	1,103	6,364	8,067
At 31 December 2006	600	1,142	5,640	7,382

The landed properties of the Group and of the Company included within property, plant and equipment were revalued by the directors in 2003 based on open market values on existing use basis carried out by independent professional valuers, CH Williams Talhar & Wong Sdn. Berhad.

19. PLANTATION DEVELOPMENT EXPENDITURE

	<u>GROUP</u>	
	<u>30.6.2007 RM'000</u>	<u>31.12.2006 RM'000</u>
Cost or Valuation		
At 1 January		
Cost	186,131	116,513
Valuation - 2003	2,625,872	2,608,108
	2,812,003	2,724,621
Additions	35,544	64,257
Disposals	(216)	(4,806)
Write off	(2,110)	(16,722)
Exchange differences	(59,601)	44,653
At 30 June/31 December	2,785,620	2,812,003
Representing:		
Cost	104,667	186,131
Valuation - 2003	2,680,953	2,625,872
At 30 June/31 December	2,785,620	2,812,003

19. PLANTATION DEVELOPMENT EXPENDITURE (CONTD.)

	GROUP	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Accumulated Amortisation and Impairment Losses		
At 1 January	377,157	244,010
Amortisation recognised in income statement (Note 13)	63,226	127,513
Impairment losses recognised in income statement (Note 13)	-	4,923
Disposals	(31)	(383)
Write off	(1,202)	(1,194)
Exchange differences	(6,132)	2,288
At 30 June/31 December	<u>433,018</u>	<u>377,157</u>
Net Carrying Amount		
Cost	130,796	183,389
Valuation - 2003	2,221,806	2,251,457
At 30 June/31 December	<u>2,352,602</u>	<u>2,434,846</u>
The net book value of plantation development expenditure comprises:		
Oil Palm	2,352,018	2,433,344
Rubber	584	1,502
	<u>2,352,602</u>	<u>2,434,846</u>
The net carrying amounts of plantation development expenditure had it been carried under the cost model, would have been:		
	<u>2,034,960</u>	<u>2,095,240</u>
Interest expense capitalised during the financial period/year (Note 12)	-	<u>801</u>

The plantation development expenditure of the Group were revalued by the directors in 2003 based on valuations carried out by independent professional valuers, CH Williams Talhar & Wong Sdn. Berhad, to reflect the market values on existing use basis.

The net carrying amounts of plantation development expenditure of the Group amounting to RM441,368,000 (2006: RM447,699,000) in respect of certain subsidiary company in Indonesia have been pledged as securities to financial institutions for banking facilities as referred to in Note 41.

20. PREPAID LEASE PAYMENTS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
At 1 January	342,357	347,202	615	645
Additions	846	1,402	-	-
Amortisation recognised in income statement (Note 13)	(4,054)	(6,437)	(13)	(30)
Impairment losses recognised in income statement (Note 13)	-	(388)	-	-
Disposals	(214)	(358)	-	-
Reclassified as held for sale	(602)	-	(602)	-
Exchange differences	(1,203)	936	-	-
At 30 June/31 December	<u>337,130</u>	<u>342,357</u>	<u>-</u>	<u>615</u>

Analysed as:

Long-term leasehold land	283,431	285,480	-	-
Short-term leasehold land	53,699	56,877	-	615
	<u>337,130</u>	<u>342,357</u>	<u>-</u>	<u>615</u>

Short-term leasehold land amounting to RM14,412,000 (2006: RM14,920,000) of certain subsidiary companies in Indonesia have been pledged as securities to financial institutions for banking facilities as referred to in Note 41.

The leasehold interest in land were revalued in 2003 by independent professional valuers, CH Williams Talhar & Wong Sdn. Berhad to reflect the market value on existing use basis. As allowed by the transitional provisions of FRS 117, where the leasehold land had been previously revalued, the unamortised revalued amount of leasehold land is retained as the surrogate cost of prepaid lease payments and is amortised over the remaining lease term of the leasehold land.

21. LAND HELD FOR PROPERTY DEVELOPMENT

<u>GROUP</u>	<u>Freehold</u>	<u>Development</u>	<u>Total</u>
	<u>Land</u>	<u>Costs</u>	
	RM'000	RM'000	RM'000
At 1 January 2007	84,961	181,239	266,200
Additions	-	23,932	23,932
Disposals	(3)	(688)	(691)
Transfer to property development costs	(5,633)	(45,449)	(51,082)
At 30 June 2007	<u>79,325</u>	<u>159,034</u>	<u>238,359</u>

21. LAND HELD FOR PROPERTY DEVELOPMENT (CONTD.)

<u>GROUP</u>	Freehold	Development	Total
	Land	Costs	
	RM'000	RM'000	RM'000
At 1 January 2006	78,625	320,449	399,074
Additions	405	20,407	20,812
Disposals	(5,585)	(22,967)	(28,552)
Transfer from/(to) property development costs	11,516	(136,650)	(125,134)
At 31 December 2006	84,961	181,239	266,200

Land held for property development comprises land banks which are being held for future development. The land banks are not expected to be developed within the normal operating cycle.

22. GOODWILL ON CONSOLIDATION

	<u>GROUP</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Cost		
At 1 January	269,246	261,510
Acquisition of shares in subsidiary companies	3,027	7,720
Exchange differences	-	16
At 30 June/31 December	272,273	269,246
Accumulated Amortisation and Impairment Losses		
At 1 January	14,688	-
Impairment losses recognised in income statement (Note 13)	-	14,688
At 30 June/31 December	14,688	14,688
Net Carrying Amount	257,585	254,558

(a) Impairment Losses Recognised

In accordance with the revised FRS 136, the Group had carried out its first review of the recoverable amount of its investments in Indonesia in December 2006. The review led to the recognition of an impairment loss of RM14,688,000 for certain subsidiary companies arising from net deficit in the present value of cash flow projections. The recoverable amount was based on value-in-use and was determined at each cash generating unit ("CGU"). In determining value-in-use for the CGU, the cash flows were discounted at a pre-tax rate of 16%.

22. GOODWILL ON CONSOLIDATION (CONTD.)

(a) Impairment Losses Recognised (contd.)

Following this impairment test, impairment losses on the carrying amounts of property, plant and equipment, plantation development expenditure and prepaid lease payments amounting to RM5,356,000, RM4,923,000 and RM388,000 respectively were recognised in the income statement for the financial year ended 31 December 2006 as disclosed in Note 13.

(b) Impairment Tests for Goodwill

Allocation of Goodwill

Goodwill has been allocated to nineteen CGUs which comprises operating plantation subsidiary companies in Indonesia based on the net asset value as at the date of acquisition on 31 March 2001.

Key Assumptions used in Value-in-use Calculations

The principal activities of the subsidiary companies in Indonesia comprise the cultivation of oil palm on plantations. The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections covering a ten-year period. The first three years cash flow projections are based on financial budgets approved by management. The cash flow projections beyond the three-year period are based on the long range expected crude palm oil ("CPO") price and the anticipated palm productivity and cost of production. If the net present value of the respective CGU is less than the carrying amount, the cash flow projections will be extended further until the expiry date of the land rights. The key assumptions used for value-in-use calculations for the financial year ended 31 December 2006 were as follows:

Gross margin	27%
Growth rate	3%
Discount rate	16%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved from the sale of palm products and is increased for expected efficiency improvements.

(ii) Growth rate

The basis used to determine the growth rate is based on the long range expected palm product price, anticipated productivity and cost of production which is comparable with the average productivity of the palms in the industry. Productivity refers to average yield of fresh fruit bunches per mature hectare and average oil and kernel extraction rates.

22. GOODWILL ON CONSOLIDATION (CONTD.)

(b) Impairment Tests for Goodwill (contd.)

(iii) Discount rate

The discount rate used is a pre-tax rate and reflects specific risks relating to the industry. The rate applied has taken into consideration the Government Securities yield, inflation rate and lending rates as announced by Bank Indonesia.

Sensitivity to Changes in Assumptions

With regards to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

23. INVESTMENTS IN SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Unquoted shares in Malaysia, at cost	2,445,987	2,550,787
Written off upon liquidation of subsidiary companies	(31,550)	-
Reclassified as held for sale (Note 38)	-	(104,800)
	<hr/>	<hr/>
Quoted shares in Malaysia, at cost	2,414,437	2,445,987
	394,816	394,816
	<hr/>	<hr/>
Accumulated impairment losses	2,809,253	2,840,803
	(182,727)	(204,277)
	<hr/>	<hr/>
Total	2,626,526	2,636,526
	<hr/> <hr/>	<hr/> <hr/>
Market value of quoted shares in Malaysia	1,809,355	1,264,584
	<hr/> <hr/>	<hr/> <hr/>

Movements in accumulated impairment losses during the financial period/year are as follows:

	<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
At 1 January	204,277	155,071
Impairment losses recognised in income statement (Note 13)	-	53,673
Written off upon liquidation of subsidiary companies	(21,550)	(4,467)
	<hr/>	<hr/>
At 30 June/31 December	182,727	204,277
	<hr/> <hr/>	<hr/> <hr/>

23. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)

In determining the impairment losses, consideration has been given to the history of results and the carrying amounts of underlying assets of these investments and where such analysis has indicated the possibility of impairment, the future operating plans and cash flows have also been considered. The net carrying amounts reflect the extent to which the directors consider the investments are recoverable in light of current plans for future operations and anticipated cash flows.

The unquoted shares of certain subsidiary companies in Indonesia are pledged to financial institutions for credit facilities granted to the subsidiary companies as disclosed in Note 41.

Subsidiary Companies under Members' Voluntary Liquidation

During the financial period, the following subsidiary companies have been placed under members' voluntary liquidation and have accordingly been deconsolidated effective from the dates the subsidiaries were placed under liquidation:

	Date Placed Under Liquidation
Kamuning Marble Sdn. Berhad	30 January 2007
Ladang Cenas Sdn. Berhad	20 April 2007
Right Class Sdn. Berhad	20 April 2007
Guthrie Wood Industry Sdn. Berhad	21 June 2007

The effects of deconsolidation for subsidiaries placed under members' voluntary liquidation during the financial period/year are as follows:

	GROUP	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Total distribution in cash	28,800	28,250
Net assets deconsolidated	(28,800)	(27,305)
Net gain on liquidation of subsidiary companies (Note 11)	-	945

24. INVESTMENTS IN ASSOCIATED COMPANIES

	GROUP		COMPANY	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	12,465	12,465	-	-
Share of post-acquisition reserves	7,594	6,409	-	-
Exchange differences	(2,777)	(2,174)	-	-
	<u>17,282</u>	<u>16,700</u>	<u>-</u>	<u>-</u>

24. INVESTMENTS IN ASSOCIATED COMPANIES (CONTD.)

GROUP
30.6.2007 31.12.2006
 RM'000 RM'000

The Group's interest in the associated companies are analysed as follows:

Share of net tangible assets	17,282	16,700
------------------------------	--------	--------

Details of the associated companies, held by subsidiary companies, are as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Effective interest</u>		<u>Principal activities</u>
		<u>30.6.2007</u> %	<u>31.12.2006</u> %	
Muang Mai Guthrie Co. Ltd.	Thailand	49	49	Processing and distribution of rubber
Boustead Bulking Sdn. Bhd.	Malaysia	24	24	Bulking and marketing services

The financial statements of the associated companies are coterminous with those of the Group.

The summarised financial information of the associated companies are as follows:

	GROUP	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
<u>Assets and Liabilities</u>		
Non-current assets	20,399	20,733
Current assets	29,220	29,984
Total assets	49,619	50,717
Current liabilities	13,993	16,230
<u>Results</u>		
Revenue	88,599	149,089
Profit for the period/year	5,783	5,573

25. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Unquoted shares at cost	2,000	2,000	2,000	2,000
Share of post-acquisition reserves	(92)	(38)	-	-
	<u>1,908</u>	<u>1,962</u>	<u>2,000</u>	<u>2,000</u>

Details of the jointly controlled entity are as follows:

<u>Name of Jointly Controlled Entity</u>	<u>Country of Incorporation</u>	<u>Effective Interest</u>		<u>Principal Activity</u>
		<u>30.6.2007</u>	<u>31.12.2006</u>	
		<u>%</u>	<u>%</u>	
PNB Enterprise Sdn. Berhad	Malaysia	25	25	Animal husbandry

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

	<u>30.6.2007</u>	<u>31.12.2006</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Assets and Liabilities</u>		
Non-current assets	86	44
Current assets	<u>1,953</u>	<u>1,949</u>
Total assets	<u>2,039</u>	<u>1,993</u>
Current liabilities	<u>131</u>	<u>31</u>
<u>Results</u>		
Revenue	34	7
Expenses	<u>76</u>	<u>45</u>

26. OTHER INVESTMENTS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At cost:				
Unquoted shares in Malaysia	3,314	3,314	2,959	2,959
Less: Accumulated impairment losses	(2,500)	(2,500)	(2,500)	(2,500)
	<u>814</u>	<u>814</u>	<u>459</u>	<u>459</u>
Malaysian Government Securities, net of accretion/premium	959	959	-	-
	<u>1,773</u>	<u>1,773</u>	<u>459</u>	<u>459</u>

Company No: 4001-P

26. OTHER INVESTMENTS (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
At market value:				
Malaysian Government Securities	1,031	1,071	-	-

27. LOANS TO/FROM SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Loans to subsidiary companies	394,845	404,548
Provision for doubtful debts	(30,000)	(25,000)
	<u>364,845</u>	<u>379,548</u>
Loans from subsidiary companies	<u>1,626,911</u>	<u>1,664,395</u>

Movements in provision for doubtful debts during the financial period/year are as follows:

	<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
At 1 January	25,000	25,000
Reclassified from provision for doubtful debts in respect of amount due from a subsidiary company (Note 36)	5,000	-
At 30 June/31 December	<u>30,000</u>	<u>25,000</u>

27. LOANS TO/FROM SUBSIDIARY COMPANIES (CONTD.)

The loans to subsidiary companies have been reviewed at balance sheet date for their recoverability. In assessing the extent of the provision required, due consideration has been given to all pertinent information relating to the ability of the subsidiary companies to repay the loans, such as the history of results, recoverability amounts of the underlying assets, the current plans for the future operations and anticipated cash flows.

The loans to subsidiary companies include an amount of RM255,545,000 (2006: RM261,248,000) which bore interest at rates ranging from 5% to 6.88% (2006: 3.5% to 6.9%) per annum. The loans from subsidiary companies include an amount of RM1,626,911,000 (2006: RM1,664,395,000) which bore interest at rates ranging from 5.93% to 6.01% (2006: 5.5% to 6.0%) per annum. All other loans are non-interest bearing.

All loans to/from subsidiary companies are unsecured and have no fixed terms of repayment and are not expected to be repaid within the next twelve months.

28. TRADE RECEIVABLES

	<u>GROUP</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Trade receivables	463,074	375,359
Provision for doubtful debts	(24,940)	(26,925)
	<hr/>	<hr/>
	438,134	348,434
Less: Current portion	(369,787)	(280,087)
	<hr/>	<hr/>
Long-term trade receivables	68,347	68,347
	<hr/>	<hr/>

Long-term trade receivables relate to the proceeds from the sale of development properties by certain subsidiary companies engaged in property development activities which are received on a deferred payment terms.

Included in the current portion of trade receivables is an amount of RM44,420,000 (2006: RM22,350,000) relating to subsidiary companies in Indonesia which are pledged as security for banking facilities granted to the subsidiary companies as disclosed in Note 41.

Other information on financial risks of trade receivables are disclosed in Note 49.

29. ADVANCES FOR PLASMA PIR-TRANS PROJECTS

	<u>GROUP</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
At 1 January	43,369	38,660
Additions	3,930	3,896
Conversion	(941)	-
Exchange differences	(1,193)	813
At 30 June/31 December	45,165	43,369
Accumulated allowance for losses on recovery	(28,313)	(25,351)
	<u>16,852</u>	<u>18,018</u>

In accordance with the Indonesian government policy, oil palm plantation owners/operators (herein referred to as the "Nucleus") are required to develop plantations for small holders (herein referred to as "Plasma Farmers"). This form of assistance to the Plasma Farmers is known as the "Perusahaan Inti Rakyat Transmigrasi (PIR-Trans)" program. Under the PIR-Trans program, the Nucleus is also required to train and develop the skills of the Plasma Farmers, and purchase the fresh fruit bunches harvested by Plasma Farmers at prices determined by the government.

The PIR-Trans program is funded by state-owned banks. The investment credit is rendered to the Nucleus, which receives the funds through several drawdowns during the plantation development period (land preparation up to the end of the immature stage). When the plasma plantation projects are completed and ready for conversion, the investment credit is transferred to the Plasma Farmers who then operate the Plasma PIR-Trans projects under the supervision of the Nucleus. The allowance for losses on recovery of Plasma PIR-Trans projects was provided for to cover the possible non-recoverable investments under the PIR-Trans program.

Three subsidiary companies in Indonesia have commitments to develop oil palm plantations for the Plasma Farmers under this program covering a total area of 16,500 hectares of which 8,024 have been converted.

30. ADVANCES FOR KKPA ("KREDIT KOPERASI PRIMER UNTUK ANGGOTANYA") PROJECTS

	<u>GROUP</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
At 1 January	17,374	26,093
Additions	2,185	13,373
Conversion	-	(22,648)
Exchange differences	(415)	556
At 30 June/31 December	19,144	17,374
Accumulated allowances for losses on recovery	(2,268)	(2,268)
	<u>16,876</u>	<u>15,106</u>

30. ADVANCES FOR KKPA ("KREDIT KOPERASI PRIMER UNTUK ANGGOTANYA") PROJECTS (CONTD.)

Under an existing government policy in Indonesia, oil palm plantation owners/operators (herein referred to as the "Nucleus") are required to assist in the development of plantations for small holders (herein referred to as the "Plasma Farmers") through a program called "Kredit Koperasi Primer untuk Anggotanya" or "KKPA". Under the KKPA program, all participating Plasma Farmers are under the coordination of a cooperative, and any investment credit availed during the development of the plantations (land preparation up to the end of the immature stage) shall also be rendered to the cooperative. The Nucleus, on the other hand, serves as the contractor for developing the plantations.

Advances for present and proposed KKPA projects represent the accumulated costs to develop plasma plantations, totalling 16,000 hectares which are currently being financed by creditor banks and self-financed by a subsidiary company. Upon the cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from the cooperative.

The allowance for losses on recovery of KKPA projects is based on a periodic review of the recoverability of the development costs.

31. DEFERRED TAX

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January				
As previously stated	523,385	512,393	1,394	6,214
Effects of adopting FRS 127	-	-	-	(6,560)
As restated	523,385	512,393	1,394	(346)
Recognised in income statement	5,608	7,652	26	1,748
Effects of changes in tax rates recognised directly in equity	-	(6,821)	-	(8)
Reversal of deferred tax liabilities arising from the exemption of RPGT	(59,474)	-	(491)	-
Reclassified as held for sale (Note 38)	-	2,589	-	-
Exchange differences	(9,460)	7,572	-	-
At 30 June/31 December	<u>460,059</u>	<u>523,385</u>	<u>929</u>	<u>1,394</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	(132,742)	(152,050)	-	-
Deferred tax liabilities				
- subject to income tax	592,801	618,682	929	904
- subject to capital gains tax	-	56,753	-	490
	<u>460,059</u>	<u>523,385</u>	<u>929</u>	<u>1,394</u>

31. DEFERRED TAX (CONTD.)

The components and movements of deferred tax liabilities and assets during the financial period/year prior to offsetting are as follows:

<u>GROUP</u>	<u>Accelerated Capital Allowances</u>	<u>Revaluation of Properties</u>	<u>Others</u>	<u>Total</u>	
DEFERRED TAX LIABILITIES	RM'000	RM'000	RM'000	RM'000	
At 1 January 2007	166,077	530,533	-	696,610	
Recognised in income statement	(12,957)	(10,610)	-	(23,567)	
Reversal of deferred tax liabilities arising from the exemption of RPGT	-	(59,474)	-	(59,474)	
Exchange differences	(919)	(10,409)	-	(11,328)	
At 30 June 2007	152,201	450,040	-	602,241	
At 1 January 2006	174,718	555,046	115	729,879	
Recognised in income statement	29,293	(26,223)	(115)	2,955	
Effects of changes in tax rates recognised directly in equity	-	(6,821)	-	(6,821)	
Reclassified as held for sale	(38,826)	-	-	(38,826)	
Exchange differences	892	8,531	-	9,423	
At 31 December 2006	166,077	530,533	-	696,610	
DEFERRED TAX ASSETS	<u>Unabsorbed Tax Losses</u>	<u>Unutilised Capital Allowances</u>	<u>Unrealised Intragroup Profits</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007	39,239	129	118,594	15,263	173,225
Recognised in income statement	(13,357)	(23)	(6,452)	(9,343)	(29,175)
Exchange differences	(1,868)	-	-	-	(1,868)
At 30 June 2007	24,014	106	112,142	5,920	142,182
At 1 January 2006	49,329	2,736	153,004	12,417	217,486
Recognised in income statement	(8,952)	36,408	(34,410)	2,257	(4,697)
Reclassified as held for sale	(2,400)	(39,015)	-	-	(41,415)
Exchange differences	1,262	-	-	589	1,851
At 31 December 2006	39,239	129	118,594	15,263	173,225

31. DEFERRED TAX (CONTD.)

The net deferred tax liabilities prior to appropriate offsetting are as follows:

	<u>GROUP</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Deferred tax liabilities	602,241	696,610
Deferred tax assets	(142,182)	(173,225)
	460,059	523,385

The Government of Malaysia has announced the exemption of the Real Property Gains Tax ("RPGT") effective on 1 April 2007. The Group and Company had previously provided deferred tax liabilities on the revaluation surplus on freehold land of the Group and Company, representing 5% of the RPGT payable in the future. As a result of the exemption, the Group and the Company has reversed deferred tax liabilities amounting to RM59,474,000 and RM491,000 respectively in the revaluation reserve in which the deferred tax liabilities originated.

<u>COMPANY</u>	<u>Accelerated Capital Allowances</u>	<u>Revaluation of Properties</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
DEFERRED TAX LIABILITIES				
At 1 January 2007	810	603	(19)	1,394
Recognised in income statement	32	(3)	(3)	26
Effects of changes in tax rates recognised directly in equity	-	(491)	-	(491)
At 30 June 2007	842	109	(22)	929
At 1 January 2006				
As previously stated	(947)	7,179	(18)	6,214
Effects of adopting FRS 127	-	(6,560)	-	(6,560)
As restated	(947)	619	(18)	(346)
Recognised in income statement	1,757	(8)	(1)	1,748
Effects of changes in tax rates recognised directly in equity	-	(8)	-	(8)
At 31 December 2006	810	603	(19)	1,394

31. DEFERRED TAX (CONTD.)

Deferred tax assets have not been recognised in respect of the following items:

	<u>GROUP</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Unused tax losses	166,968	166,586
Unabsorbed capital allowances	44,142	40,563
Reinvestment and investment tax allowances	11,922	11,922
Other deductible timing differences	16,182	13,263
	<u>166,968</u>	<u>166,586</u>

The unused tax losses and unabsorbed capital allowances of the subsidiary companies in Malaysia amounting to RM150,236,000 (2006: RM158,207,000) and RM44,142,000 (2006: RM40,563,000) respectively are available indefinitely for offset against future taxable profits of the subsidiary companies in which those items arose. The availability for utilisation is subject to no substantial changes in shareholdings of the subsidiary companies under Section 44(5A) and (5B) of the Income Tax Act 1967.

32. DEPOSITS, BANK BALANCES AND CASH

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
Long-term deposits with:				
Licensed banks	18,750	-	-	-
Short-term deposits, bank balances and cash				
Fixed deposits with:				
Licensed banks	395,131	380,196	83,060	2,549
Licensed financial institutions	404,396	271,510	113,071	18,110
	<u>799,527</u>	<u>651,706</u>	<u>196,131</u>	<u>20,659</u>
Cash held under Housing Development Accounts	140,174	102,357	-	-
Cash and bank balances	97,505	55,873	9,137	8,371
	<u>1,037,206</u>	<u>809,936</u>	<u>205,268</u>	<u>29,030</u>

The long-term fixed deposits with licensed banks has been placed in a designated bank account for the repayment of the MMTN loan due in December 2008.

32. DEPOSITS, BANK BALANCES AND CASH (CONTD.)

Cash held under the Housing Development Accounts represents receipts from purchasers of residential properties less payments or withdrawals provided under Section 7A of the Housing Development (Control and Licensing) Amendment Act, 2002. These accounts are available only to the subsidiary companies involved in the property development activities.

The range of interest rates per annum for fixed deposits at the balance sheet dates are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	%	%	%	%
Licensed banks	2.90 - 5.28	1.50 - 5.28	2.90 - 5.28	2.30 - 5.28
Licensed financial institutions	3.25 - 3.70	2.72 - 4.05	3.25 - 3.50	2.72 - 3.61

The range of maturities of fixed deposits at the end of the financial period/year were are follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	Days	Days	Days	Days
Licensed banks	1 - 153	1 - 182	1 - 51	1 - 44
Licensed financial institutions	1 - 183	1 - 367	1 - 42	1 - 58

33. PROPERTY DEVELOPMENT COSTS

	<u>GROUP</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Property development costs at 1 January:		
Freehold land	203,332	121,952
Development costs	2,070,246	1,675,274
	<u>2,273,578</u>	<u>1,797,226</u>
Accumulated costs reversed during the period/year in respect of completed products:		
Freehold land	(63,457)	(266)
Development costs	(1,023,181)	(2,324)
	<u>(1,086,638)</u>	<u>(2,590)</u>
Costs incurred during the period/year:		
Development costs	18,497	308,994

33. PROPERTY DEVELOPMENT COSTS (CONTD.)

	GROUP	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Costs charged to income statement:		
At 1 January	(1,937,990)	(1,568,005)
Accumulated costs reversed during the period/year in respect of completed products	1,086,638	2,590
Charge for the period/year	(166,173)	(372,575)
At 30 June/31 December	<u>(1,017,525)</u>	<u>(1,937,990)</u>
Transfers:		
From land held for property development	51,082	125,134
To inventories	(89,613)	(32,594)
	<u>(38,531)</u>	<u>92,540</u>
Accrued billings	71,221	155,264
Property development costs at 30 June/31 December	<u>220,602</u>	<u>413,444</u>

34. INVENTORIES

	GROUP		COMPANY	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
At cost:				
Produce stocks	57,309	28,783	-	-
Raw materials	432	380	-	-
Completed properties	107,662	81,059	-	-
Stores	101,587	79,043	-	-
	<u>266,990</u>	<u>189,265</u>	<u>-</u>	<u>-</u>

Produce stocks at cost amounting to RM4,573,000 (2006: RM3,905,000) relating to certain subsidiary companies in Indonesia are pledged to financial institutions as securities for credit facilities granted to the subsidiary companies as disclosed in Note 41.

35. OTHER RECEIVABLES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
Deposits	9,861	9,954	70	70
Prepayments	18,472	21,312	14	516
Staff loans	12,226	13,300	11,948	12,474
Project cost	2,803	1,813	-	-
Interest receivable	4,186	3,954	2,564	2,630
Insurance claims recoverable	3,671	4,416	363	235
Other taxes	37,091	35,481	-	-
Proceeds arising from the disposal of land	27,000	7,649	-	-
Sundry receivables	73,607	38,877	11,373	11,753
	<u>188,917</u>	<u>136,756</u>	<u>26,332</u>	<u>27,678</u>
Amount due from an associated company	368	505	368	505
	<u>189,285</u>	<u>137,261</u>	<u>26,700</u>	<u>28,183</u>

The amount due from an associated company is unsecured, non-interest bearing and has no fixed term of repayment.

Other information on financial risks of other receivables are disclosed in Note 49.

36. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Amounts due from subsidiary companies	861,163	972,129
Provision for doubtful debts	(178,493)	(176,493)
	<u>682,670</u>	<u>795,636</u>
Amounts due to subsidiary companies	<u>507,426</u>	<u>503,297</u>

36. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES (CONTD.)

Movements in provision for amounts due from subsidiary companies during the financial period/year are as follows:

	<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
At 1 January	176,493	167,697
Recognised in income statement (Note 13)	7,000	19,200
Reclassified to provision for doubtful debts in respect of loan to a subsidiary company (Note 27)	(5,000)	-
Written off upon members' voluntary liquidation	-	(10,404)
At 30 June/31 December	<u>178,493</u>	<u>176,493</u>

The amounts due from subsidiary companies include an amount of RM35,853,000 (2006: RM58,746,000) which bore interest at rates ranging from 4.28% to 5% (2006: 4.04% to 5%) per annum. The amounts due to subsidiary companies include an amount of RM495,738,000 (2006: RM496,602,000) which bore interest at rates ranging from 4.28% to 5% (2006: 4.04% to 5%) per annum. All other amounts due from/to subsidiary companies are non-interest bearing.

All amounts due from/to subsidiary companies are unsecured and have no fixed terms of repayment.

37. MARKETABLE SECURITIES

	<u>GROUP</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
At cost, net of accretion/premium:		
Shares quoted in Malaysia	-	14,212
Corporate bonds	-	23,191
	<u>-</u>	<u>37,403</u>
At market value:		
Shares quoted in Malaysia	-	14,815
Corporate bonds	-	23,241
	<u>-</u>	<u>38,056</u>

38. ASSETS OF DISPOSAL GROUPS AND NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

The following classes of assets and liabilities of the disposal groups have been classified as held for sale:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Assets</u>				
Property, plant and equipment	694	73,871	-	-
Prepaid lease payments	602	-	602	-
Concession asset	582,857	582,366	-	-
Investments in subsidiary companies	-	-	5,000	104,800
Deferred tax assets	629	2,589	-	-
Inventories	-	9,664	-	-
Trade receivables	-	6,990	-	-
Other receivables	-	548	-	-
Deposits, bank balances and cash	-	2,872	-	-
	<u>584,782</u>	<u>678,900</u>	<u>5,602</u>	<u>104,800</u>
<u>Liabilities</u>				
Trade payables	-	2,780	-	-
Other payables	-	6,326	-	-
Amounts due to subsidiary companies	-	-	-	22,523
	<u>-</u>	<u>9,106</u>	<u>-</u>	<u>22,523</u>

The disposal groups are in respect of the following:

(a) Proposed Disposal of Guthrie Corridor Expressway Sdn. Berhad ("GCEsb")

On 27 November 2006, the Company had entered into a Share Sale Agreement with Projek Lintasan Kota Holdings Sdn. Berhad ("Prolintas") for the proposed disposal of the entire equity interest in GCEsb, a wholly-owned subsidiary of the Company, which involves the following:

- (i) the disposal of the entire equity interest in GCEsb comprising 5,000,000 ordinary shares of RM1 each to Prolintas for a disposal consideration of RM5,000,000; and
- (ii) the settlement of intercompany balance owing by GCEsb to Kumpulan Jelei Sdn. Bhd. ("Jelei") a wholly-owned subsidiary of the Company through cash payment of RM431 million and issuance of RM500 million nominal value by Redeemable Loan Stocks ("RLS") by GCEsb to Jelei.

In conjunction with the proposed divestment, the Company, Prolintas and GCEsb have also entered into an agreement ("GCE Agreement") to deal with, inter alia, future access roads, utility corridor and landscaping in relation to the Expressway and the agreed land banks along the Expressway.

Subsequent to the end of the financial period, the proposed disposal of GCEsb was completed on 23 July 2007 upon all conditions precedent being met.

38. ASSETS OF DISPOSAL GROUPS AND NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE (CONTD.)

(b) Proposed Disposal of Kampung Pandan property

The Board of Directors had, on 30 May 2007, agreed on the proposed disposal of the Kampung Pandan property held by the Company and the proposed disposal is pending the execution of the sale and purchase agreement.

39. SHARE CAPITAL

	<u>GROUP/COMPANY</u>			
	<u>Number of Ordinary Shares of RM1 each</u>		<u>Amount</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	'000	'000	RM'000	RM'000
Authorised share capital				
At 1 January/30 June/31 December	1,500,000	1,500,000	1,500,000	1,500,000
Issued and fully paid share capital				
At 1 January	1,021,449	1,006,939	1,021,449	1,006,939
Issued pursuant to the Second ESOS	4,046	14,510	4,046	14,510
At 30 June/31 December	1,025,495	1,021,449	1,025,495	1,021,449

Ordinary Shares Issued for Cash

During the financial period, the issued and paid-up share capital of the Company was increased from 1,021,449,400 ordinary shares of RM1 each to 1,025,495,400 ordinary shares of RM1 each following the issue of 4,046,000 ordinary shares of RM1 each pursuant to the Second Employees' Share Option Scheme ("Second ESOS") of the Company. The new shares were issued and credited as fully paid and ranked pari passu in all respects with the existing ordinary shares of the Company. The share premium arising from this issue amounting to RM6,837,000 has been credited to the share premium account.

Second Employees' Share Option Scheme

The Second ESOS of the Company was approved by the shareholders at the Extraordinary General Meeting of the Company held on 18 June 2003. The Scheme came into effect on 30 July 2003 and will be in force for a period of five years and can be extended for another maximum period of five years, subject to approvals by the relevant authorities.

39. SHARE CAPITAL (CONTD.)

Second Employees' Share Option Scheme (contd.)

The salient features of the Scheme are as follows:

- (a) The maximum number of new ordinary shares to be made available under the Scheme should not in aggregate, exceed five percent of the total issued and paid-up share capital of the Company, at any one time during the existence of the Scheme provided that:
 - (i) not more than fifty percent of the new shares available under the Scheme shall be allocated, in aggregate, to executive directors and senior management; and
 - (ii) not more than ten percent of the new shares available under the Scheme shall be allocated to any individual or eligible employee who, individually or collectively through his associates, holds twenty percent or more of the issued and paid-up share capital of the Company.
- (b) Eligible employees comprise employees of the Company and its eligible subsidiary companies incorporated in Malaysia ("the Group") including executive directors of the Company, who have attained the age of eighteen years and whose employment have been confirmed with at least one continuous year of service (inclusive of service during any probationary period) in the Group prior to the date of offer of options to subscribe for shares in the Company. An employee or executive director who is employed on a contract basis must have served the Group for a duration of at least three years (inclusive of service under any previous contract).
- (c) The total number of new shares for subscription and allotment to eligible employees under the Scheme shall not exceed twenty percent of the Maximum Allowable Allotment of the eligible employee in any year.
- (d) Eligible employees are allowed to participate in the Scheme currently in operation of only one member company of the Group.
- (e) The options to subscribe for new shares may be exercised at any time before the expiry of the Scheme and may be exercised either in full or in part or in lesser number of shares, provided that the number shall be in multiples of and not less than one hundred shares.
- (f) The price at which the employees are entitled to exercise their options under the Scheme shall be at a discount of not more than ten percent on the simple weighted average market price of the Company's shares, as shown in the daily official list issued by Bursa Malaysia Securities for five market days immediately preceding the respective dates of offer of the option shares or at par value of the Company's shares, whichever is higher.

Pursuant to the offer by Synergy Drive Berhad as disclosed in Note 50(b), the expiry of the Second ESOS has been brought forward to 30 August 2007.

39. SHARE CAPITAL (CONTD.)

The terms of share options granted and outstanding as at the end of the financial period/year are as follows:

Grant Date	Expiry Date	Exercise Price RM	<----- Number of Share Options ----->				As at 30 June '000
			As at 1 January '000	Granted '000	Exercised '000	Lapsed '000	
<u>30.6.2007</u>							
08.08.03	29.07.08	2.16	601	-	(393)	-	208
28.10.03	29.07.08	2.31	33	-	(7)	-	26
04.02.04	29.07.08	2.32	31	-	(7)	(18)	6
30.04.04	29.07.08	2.26	31	-	(23)	-	8
02.08.04	29.07.08	2.12	566	-	(316)	-	250
28.10.04	29.07.08	2.41	98	-	(54)	(27)	17
02.02.05	29.07.08	2.02	5	-	-	-	5
04.05.05	29.07.08	1.94	53	-	(13)	(1)	39
28.07.05	29.07.08	2.16	302	-	(179)	(107)	16
28.10.05	29.07.08	2.17	43	-	-	-	43
27.01.06	29.07.08	2.16	23	-	(16)	-	7
28.04.06	29.07.08	2.32	9	-	-	-	9
31.07.06	29.07.08	2.65	737	-	(515)	(11)	211
07.11.06	29.07.08	3.33	823	-	(805)	(7)	11
19.04.07	29.07.08	5.58	-	977	(100)	(14)	863
08.06.07	29.07.08	6.09	-	120	-	-	120
			3,355	1,097	(2,428)	(185)	1,839
<u>31.12.2006</u>							
08.08.03	29.07.08	2.16	1,631	-	(1,030)	-	601
28.10.03	29.07.08	2.31	192	-	(159)	-	33
04.02.04	29.07.08	2.32	146	-	(115)	-	31
30.04.04	29.07.08	2.26	84	-	(53)	-	31
02.08.04	29.07.08	2.12	3,706	-	(3,140)	-	566
28.10.04	29.07.08	2.41	447	-	(349)	-	98
02.02.05	29.07.08	2.02	352	-	(347)	-	5
04.05.05	29.07.08	1.94	246	-	(193)	-	53
28.07.05	29.07.08	2.16	3,635	-	(3,333)	-	302
28.10.05	29.07.08	2.17	355	-	(307)	(5)	43
27.01.06	29.07.08	2.16	-	614	(575)	(16)	23
28.04.06	29.07.08	2.32	-	341	(322)	(10)	9
31.07.06	29.07.08	2.65	-	3,725	(2,981)	(7)	737
07.11.06	29.07.08	3.33	-	1,143	(320)	-	823
			10,794	5,823	(13,224)	(38)	3,355

39. SHARE CAPITAL (CONTD.)

Details of shares allotted pursuant to exercise of the Second ESOS during the financial period/year and the fair value, at exercise date, of ordinary shares issued are as follows:

<u>Exercise Date</u>	<u>Exercise Price</u> RM	<u>Fair Value of Ordinary Shares</u> RM	<u>Number of Share Options</u> '000	<u>Consideration Received</u> RM'000
<u>30.6.2007</u>				
January - March	1.94	4.88 - 5.05	13	26
January - March	2.02	4.88 - 5.25	11	22
January - March	2.12	4.76 - 5.25	584	1,239
January - March	2.16	4.76 - 5.25	842	1,818
January - March	2.17	4.88 - 5.30	14	31
January - March	2.26	4.88 - 5.10	23	52
January - March	2.31	4.88 - 4.90	21	49
January - March	2.32	4.88 - 5.10	76	177
January - March	2.41	4.88 - 5.25	109	262
January - March	2.65	4.76 - 5.25	964	2,554
January - March	3.33	4.76 - 5.25	954	3,176
April - June	1.94	6.55	5	10
April - June	2.02	6.80	4	8
April - June	2.12	6.20 - 6.60	34	72
April - June	2.16	6.20 - 6.80	50	107
April - June	2.26	6.60	1	2
April - June	2.32	6.80	1	2
April - June	2.41	6.60	2	5
April - June	2.65	6.20 - 6.80	119	315
April - June	3.33	6.20 - 6.80	119	395
April - June	5.58	6.45 - 6.80	100	561
			4,046	10,883
Less: Par value of ordinary shares				(4,046)
Share premium				6,837

39. SHARE CAPITAL (CONTD.)

<u>Exercise Date</u>	<u>Exercise Price</u> RM	<u>Fair Value of Ordinary Shares</u> RM	<u>Number of Share Options</u> '000	<u>Consideration Received</u> RM'000
31.12.2006				
January - March	2.12	2.35 - 2.42	8	16
January - March	2.16	2.35 - 2.58	29	63
April - June	1.94	2.56 - 2.75	138	268
April - June	2.02	2.57 - 2.75	102	206
April - June	2.12	2.55 - 2.76	495	1,049
April - June	2.16	2.55 - 2.76	976	2,108
April - June	2.17	2.55 - 2.75	71	154
April - June	2.26	2.65	1	2
April - June	2.31	2.66	5	12
April - June	2.41	2.67	15	36
July - September	1.94	2.62 - 3.74	51	99
July - September	2.02	3.02 - 3.76	761	1,537
July - September	2.12	2.62 - 3.76	2,143	4,543
July - September	2.16	2.62 - 3.76	2,981	6,439
July - September	2.17	2.62 - 3.76	156	339
July - September	2.26	3.60 - 3.76	102	231
July - September	2.31	3.60 - 3.74	570	1,317
July - September	2.32	3.18 - 3.74	229	531
July - September	2.41	3.02 - 3.74	171	412
July - September	2.65	3.62 - 3.74	172	456
October - December	1.94	3.66 - 4.24	29	56
October - December	2.02	3.64 - 4.58	147	297
October - December	2.12	3.64 - 4.58	857	1,817
October - December	2.16	3.64 - 4.58	1,523	3,290
October - December	2.17	3.64 - 4.56	71	154
October - December	2.26	3.64 - 4.56	27	61
October - December	2.31	3.66 - 4.56	55	127
October - December	2.32	3.64 - 4.58	131	304
October - December	2.41	3.66 - 4.56	133	321
October - December	2.65	3.66 - 4.58	2,321	6,151
October - December	3.33	4.56 - 4.58	40	133
			14,510	32,529
Less: Par value of ordinary shares				(14,510)
Share premium				18,019

39. SHARE CAPITAL (CONTD.)

The number of unexercised share options granted and vested as at the end of the financial period/year is as follows:

	<u>30.6.2007</u> '000	<u>31.12.2006</u> '000
At 1 January	3,355	10,794
At 30 June/31 December	<u>1,839</u>	<u>3,355</u>

Fair value of share options granted during the period/year

The fair value of share options granted during the period/year was estimated by an external valuer using a trinomial method, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions used are as follows:

30.6.2007

<-----Grant Date----->

	<u>19 April</u>	<u>8 June</u>
Number of options granted ('000)	977	120
Fair value of share options (RM'000)	1,427	137
Weighted average share price (RM)	6.50	6.50
Weighted average exercise price (RM)	5.58	6.09
Expected volatility (%)	34.45	34.45
Expected life (year)	1.3	1.0
Risk free rate (%)	3.3	3.3
Expected dividend yield (%)	2.49	2.49

31.12.2006

<-----Grant Date----->

	<u>27 January</u>	<u>28 April</u>	<u>31 July</u>	<u>7 November</u>
Number of options granted ('000)	614	341	3,725	1,143
Fair value of share options (RM'000)	256	157	2,166	909
Weighted average share price (RM)	2.39	2.58	3.02	3.84
Weighted average exercise price (RM)	2.16	2.32	2.65	3.33
Expected volatility (%)	25.1	25.1	25.1	25.1
Expected life (year)	2.5	2.3	2.0	1.7
Risk free rate (%)	3.45	3.82	3.99	3.56
Expected dividend yield (%)	5.02	4.65	3.74	2.00

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

40. RESERVES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
Distributable:				
Revenue reserve	1,538,012	1,299,677	282,496	261,829
Capital reserve	47,694	47,444	-	-
	<u>1,585,706</u>	<u>1,347,121</u>	<u>282,496</u>	<u>261,829</u>
Non-distributable:				
Share premium	36,509	28,584	36,509	28,584
Revaluation reserve	738,102	691,403	10,296	10,122
Capital reserves:				
Capital redemption reserve	10,892	10,972	-	-
Legal reserve	444	309	-	-
Exchange reserve	(26,098)	26,607	-	-
Share option reserve	1,577	1,101	1,577	1,101
Attributable to non-current assets held for sale	309	-	309	-
	<u>761,735</u>	<u>758,976</u>	<u>48,691</u>	<u>39,807</u>
	<u>2,347,441</u>	<u>2,106,097</u>	<u>331,187</u>	<u>301,636</u>

Movements in reserves are shown in the statement of changes in equity.

The nature and purpose of each category of reserve are as follows:

(a) Revenue Reserve

Distributable reserves are those available for distribution by way of dividends. Based on estimated tax credits and tax exempt income balance available, the entire distributable reserves of the Company is available for distribution by way of dividends without the Company having to incur additional tax liability.

(b) Revaluation Reserve

The revaluation reserve is used to record the increase in fair value, net of deferred tax liabilities, if any, of freehold land, plantation development expenditure, land held for property development and prepaid lease payments and decrease to the extent such decrease relates to an increase on the same asset previously recognised in equity. The Group has applied FRS 117 in accordance with the transitional provisions which allow the Group to retain the unamortised revalued amount as the surrogate cost of prepaid lease payments and accordingly the Group has retained the outstanding revaluation reserve attributable to the prepaid lease payments. In accordance with the transitional provisions of FRS 201, the Group has continued to retain the revalued amount of land (subsequently, its carrying costs) as its surrogate cost.

40. RESERVES (CONTD.)

(c) Capital Redemption Reserve

Capital redemption reserve represents a transfer from revenue reserve arising from the redemption of redeemable preference shares by certain subsidiary companies.

(d) Legal Reserve

Legal reserve arises from the provisions of the Civil and Commercial Code in Thailand, where an associated company is required to set aside legal reserve of at least 5% of net income at each dividend declaration until the reserve reaches 10% of the said company's authorised share capital.

(e) Exchange Reserve

Exchange reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It also includes exchange differences arising from monetary items which form part of the Group's net investment in foreign operations.

(f) Share Option Reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

41. BORROWINGS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
<u>Long-Term Borrowings</u>				
Secured:				
Term loans	164,235	175,885	-	-
Unsecured:				
Al-Bai Bithaman Ajil	81,899	113,465	81,899	113,465
Murabahah Medium Term Notes	400,000	400,000	-	-
Term loans	1,816,911	1,854,395	190,000	190,000
	<u>2,298,810</u>	<u>2,367,860</u>	<u>271,899</u>	<u>303,465</u>

41. BORROWINGS (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
Total long-term borrowings	2,463,045	2,543,745	271,899	303,465
Less: Current portion of borrowings included under current liabilities				
- Secured	(32,730)	(18,733)	-	-
- Unsecured	(255,171)	(63,808)	(255,171)	(63,808)
	2,175,144	2,461,204	16,728	239,657
Unamortised deferred financing expenses	(9,099)	(10,769)	-	-
	<u>2,166,045</u>	<u>2,450,435</u>	<u>16,728</u>	<u>239,657</u>
<u>Short-Term Borrowings</u>				
Secured:				
Current portion of long-term borrowings	32,730	18,733	-	-
Unsecured:				
Bankers acceptances and export credit refinancing loans	32,443	66,556	32,443	66,556
Murabahah Commercial Papers	149,198	149,073	149,198	149,073
Current portion of long-term borrowings	255,171	63,808	255,171	63,808
	<u>469,542</u>	<u>298,170</u>	<u>436,812</u>	<u>279,437</u>
TOTAL BORROWINGS	<u>2,635,587</u>	<u>2,748,605</u>	<u>453,540</u>	<u>519,094</u>
Unamortised deferred financing expenses:				
At 1 January	10,769	14,407	-	-
Amortisation for the period/year (Note 12)	(1,445)	(2,752)	-	-
Exchange differences	(225)	(886)	-	-
At 30 June/31 December	<u>9,099</u>	<u>10,769</u>	<u>-</u>	<u>-</u>
Unamortised SUKUK issuance expenses:				
At 1 January	-	1,042	-	1,042
Amortisation for the year (Note 12)	-	(1,042)	-	(1,042)
At 30 June/31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

41. BORROWINGS (CONTD.)

The repayment schedule on total long-term borrowings are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Within one year	287,901	82,541	255,171	63,808
Between one to two years	387,281	696,809	16,728	239,657
Between two to five years	974,408	932,198	-	-
More than five years	813,455	832,197	-	-
	<u>2,463,045</u>	<u>2,543,745</u>	<u>271,899</u>	<u>303,465</u>

(a) Term Loans

The term loans of the Group comprise the following:

- (i) Secured term loans of RM164,235,000 in respect of the Indonesian subsidiary companies.
- (ii) An unsecured syndicated term loan facility of USD471.5 million with a yield of 0.55% above USD LIBOR and is repayable over eight equal semi-annual instalments commencing 42 months after the first drawdown date on 29 August 2005.
- (iii) An unsecured three year term loan facility of RM190 million drawdown on 15 December 2005.

(b) Al-Bai Bithaman Ajil ("BBA facility")

The BBA facility is based on the Syariah principle of deferred payment sale and is repayable over three years commencing December 2006.

(c) Murabahah Medium Term Notes ("MMTN")

The MMTN totalling RM400 million, consists of RM300 million five-year tranche and RM100 million seven-year tranche, drawdown in March 2004 with profit rate of 5.98% per annum and 6.20% per annum respectively. The MMTN was structured under the Syariah principle of Murabahah or deferred payment concept.

(d) Murabahah Commercial Papers ("CP")

The Murabahah Commercial Papers was issued for RM150 million nominal value at a discount with maturity period of six months and at a profit rate of 3.67% - 3.85% per annum.

41. BORROWINGS (CONTD.)

The range of interest rates per annum for all borrowings are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	%	%	%	%
Floating Rates:				
Term loans:				
Malaysian subsidiary companies	5.90 - 6.01	5.53 - 6.01	-	-
Overseas subsidiary companies	6.28 - 14.00	4.00 - 15.58	-	-
Murabahah Medium-Term Notes	5.98 - 6.20	5.15 - 6.29	-	-
Murabahah Commercial Papers	3.67 - 3.85	3.80 - 4.23	3.67 - 3.85	3.80 - 4.23
Short-term loans:				
Overseas subsidiary companies	6.28 - 14.00	15.33	-	-
Bankers acceptances and export credit refinancing loans	3.77 - 3.93	3.25 - 4.37	3.77 - 3.93	3.25 - 4.37
Fixed Rates:				
Term loan	4.70	4.70	4.70	4.70
Al-Bai Bithaman Ajil	4.25	4.25	4.25	4.25

Details of net book value of collaterals pledged against long-term borrowings of the Indonesian subsidiary companies as at 30 June 2007 are as follows:

<u>Long-term Borrowings</u> RM'000	<u>Net Book Value of Collaterals</u> RM'000	<u>Year of Maturity</u>	<u>Collaterals</u>
1,087	98,291	2008	Property, plant and equipment, trade receivables, inventories and shares of certain subsidiary companies in Indonesia
44,921	311,494	2009	Fixed and floating charge over assets of certain subsidiary companies and corporate guarantee of the Company
13,557	37,062	2009	Property, plant and equipment, trade receivables and inventories of certain subsidiary companies and corporate guarantee of the Company
104,670	337,304	2010	Fixed and floating charge over assets of certain subsidiary companies and corporate guarantee of the Company
<u>164,235</u>	<u>446,847</u>		

42. DEFERRED INCOME

	GROUP	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Surplus of sales proceeds over present value of future receivables	8,885	17,215
Net time share income	1,501	1,518
	<hr/>	<hr/>
	10,386	18,733
Accretion for the period/year (Note 11)	(1,944)	(8,330)
	<hr/>	<hr/>
	8,442	10,403
Less: Long-term portion	(6,813)	(8,123)
	<hr/>	<hr/>
	1,629	2,280
	<hr/> <hr/>	<hr/> <hr/>

43. RETIREMENT BENEFITS

GROUP

Movements in net liability during the period/year are as follows:

	<u>Malaysia</u>	<u>Indonesia</u>	<u>Total</u>
	RM'000	RM'000	RM'000
At 1 January 2007	6,276	18,670	24,946
Recognised in income statement [Note 13(c)]	446	15,869	16,315
Contributions paid	(173)	(734)	(907)
Exchange differences	-	(583)	(583)
At 30 June 2007	<hr/>	<hr/>	<hr/>
	6,549	33,222	39,771
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 January 2006	5,943	9,441	15,384
Recognised in income statement [Note 13(c)]	795	10,137	10,932
Contributions paid	(462)	(855)	(1,317)
Exchange differences	-	(53)	(53)
At 31 December 2006	<hr/>	<hr/>	<hr/>
	6,276	18,670	24,946
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

43. RETIREMENT BENEFITS (CONTD.)

GROUP (CONTD.)

The amounts recognised in the balance sheet are determined as follows:

	<u>Malaysia</u> RM'000	<u>Indonesia</u> RM'000	<u>Total</u> RM'000
At 30 June 2007:			
Present value of defined benefit obligations	6,572	37,988	44,560
Unrecognised actuarial losses	(23)	(4,766)	(4,789)
	<u>6,549</u>	<u>33,222</u>	<u>39,771</u>
At 31 December 2006:			
Present value of defined benefit obligations	6,089	31,728	37,817
Unrecognised net actuarial gains/(losses)	187	(13,058)	(12,871)
	<u>6,276</u>	<u>18,670</u>	<u>24,946</u>

The amounts recognised in the income statement are as follows:

	<u>Malaysia</u> RM'000	<u>Indonesia</u> RM'000	<u>Total</u> RM'000
At 30 June 2007:			
Current service cost	333	3,270	3,603
Interest cost	113	1,607	1,720
Net actuarial loss	-	10,992	10,992
	<u>446</u>	<u>15,869</u>	<u>16,315</u>
At 31 December 2006:			
Current service cost	667	8,070	8,737
Interest cost	128	5,030	5,158
Expected return on plan assets	-	(3,525)	(3,525)
Net actuarial loss	-	562	562
	<u>795</u>	<u>10,137</u>	<u>10,932</u>

	<u>GROUP</u>	
	<u>30.6.2007</u> RM'000	<u>31.12.2006</u> RM'000
Recognised in income statement:		
Cost of sales	16,244	10,742
Administration expenses	71	190
	<u>16,315</u>	<u>10,932</u>

43. RETIREMENT BENEFITS (CONTD.)

COMPANY

	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Movements in net liability during the financial period/year are as follows:		
At 1 January	73	63
Recognised in income statement [Note 13(c)]	5	10
Transfer from a subsidiary company	7	-
At 30 June/31 December	<u>85</u>	<u>73</u>

The amount recognised in the balance sheet is determined as follows:

At 30 June/31 December:		
Present value of defined benefit obligations	73	72
Unrecognised net actuarial gains	12	1
	<u>85</u>	<u>73</u>

The amount recognised in the income statement is as follows:

At 30 June/31 December:		
Current service cost	3	6
Interest cost	2	4
	<u>5</u>	<u>10</u>
Recognised in income statement:		
Administration expenses	<u>5</u>	<u>10</u>

The subsidiary companies of the Group in Malaysia, involved in plantation operations, operate an unfunded, defined retirement benefit scheme for plantation workers as provided under the agreement between the Malayan Agricultural Producers Association and the National Union of Plantation Workers. The benefits payable are determined based on the length of service at predetermined contractual rates.

Certain subsidiary companies in Indonesia operate a funded defined benefit scheme for qualified permanent employees in accordance with Labour Law No. 13 Year 2003.

The obligations under the schemes are calculated using the Projected Unit Credit Method carried out at least every three years based on actuarial computations by independent actuaries. The most recent review for the Company and subsidiary companies in Malaysia was performed in September 2006 whilst for subsidiary companies in Indonesia, the review was performed in June 2007. The principal actuarial assumptions used are as follows:

	<u>Malaysia</u>		<u>Indonesia</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	%	%	%	%
Discount rate	6.8	6.8	10	10
Expected return on plan assets	N/A	N/A	9	9
Expected rate of salary increases	4	4	8	8

44. OTHER PAYABLES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
Staff costs	11,738	13,062	2,274	1,659
Retrenchment benefits	377	59	-	-
Advances from third parties	44,052	43,534	-	-
Accruals	66,987	69,945	9,159	11,984
Interest payable	41,613	35,309	-	-
Other taxes payable	22,092	17,664	-	-
Sundry payables	41,329	20,748	4,227	11,839
	<u>228,188</u>	<u>200,321</u>	<u>15,660</u>	<u>25,482</u>

Other information on financial risk of other payables are disclosed in Note 49.

45. SIGNIFICANT RELATED PARTY TRANSACTIONS

- a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial period/year:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1.1.2007 to</u>	<u>1.1.2006 to</u>	<u>1.1.2007 to</u>	<u>1.1.2006 to</u>
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
<u>Trade transactions:</u>				
Agency fees charged to subsidiary companies	-	-	21,841	41,059
Marketing charges and other expenses charged to subsidiary companies	-	-	5,405	9,389
Purchases from a company in which Datuk Alladin Mohd. Hashim, a director of the Company, was a former director	-	4,736	-	-
Sale of property to Dato' Abd Wahab Maskan, a director of the Company	-	1,436	-	-
<u>Non-trade transactions:</u>				
Fees and benefits-in-kind paid to non-executive directors of the Company	578	1,188	273	691
Remuneration and benefits-in-kind paid to an executive director of the Company	577	1,418	577	1,418
Interest paid/payable to subsidiary companies	-	-	54,799	97,910
Interest received/receivable from subsidiary companies	-	-	(8,789)	(23,762)
Advances to subsidiary companies	-	-	126,827	721,744
Advances from subsidiary companies	-	-	(189,988)	(646,440)
Services rendered by a company in which Dato' Muhammad Nawawi Haji Mohd. Arshad, a director of the Company, is a director	-	84	-	-

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

The above transactions have been entered into in the normal course of business at terms mutually agreed between the parties. All the transactions have been fully settled as at balance sheet dates, except for the following amounts:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
Trade transactions due from subsidiary companies	-	-	27,703	46,846
Non-trade transactions due from subsidiary companies	-	-	142,398	402,687

b) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including the executive director of the Group and of the Company.

The remuneration of the key management, excluding the executive director which is disclosed in Note 13(b), are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	1,493	2,046	711	1,004
Defined contribution plan	214	279	107	135
Share-based payment	137	42	137	42
	<u>1,844</u>	<u>2,367</u>	<u>955</u>	<u>1,181</u>

The members of key management have been granted the following number of options under the Second Employees Share Option Scheme ("Second ESOS"):

	<u>GROUP/COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	'000	'000
At 1 January	-	358
Granted during the period/year	120	71
Exercised during the period/year	-	(429)
At 30 June/31 December	<u>120</u>	<u>-</u>

46. COMMITMENTS

(a) Capital Expenditure

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment:				
Approved and contracted for	17,994	61,373	-	-
Approved but not contracted for	366,381	480,316	5,377	5,721
Concession asset	-	111	-	-
	<u>384,375</u>	<u>541,800</u>	<u>5,377</u>	<u>5,721</u>

(b) Plasma PIR-Trans Projects

Three subsidiary companies in Indonesia, PT Bahari Gembira Ria, PT Tamaco Graha Krida and PT Guthrie Pecconina Indonesia have commitments to develop 16,500 hectares of oil palm plantations for the plasma farmers under PIR-Trans program at Kabupaten Batanghari, Province of Jambi, Kabupaten Poso, Province of Central Sulawesi and Kabupaten Musi Banyuasin, Province of South Sumatera, respectively. A total of 12,091 hectares have been developed of which about 3,626 hectares are pending conversion.

(c) KKPA ("Kredit Koperasi Primer untuk Anggotanya") Projects

PT Sajang Heulang, a subsidiary company in Indonesia, has entered into Cooperation Agreements and Credit Agreements to develop 16,000 hectares of oil palm plantations for the plasma farmers under the KKPA program at Kabupaten Kotabaru and Kabupaten Tanah Bumbu, Province of South Kalimantan. A total of 15,846 hectares have been developed of which 5,466 hectares have been converted and 10,380 hectares are pending conversion.

47. CONTINGENT LIABILITIES

(a) Material Litigations

COMPANY

(i) Alleged breach of contract

On 3 May 2001, a legal suit was filed against the Company for an alleged breach of contract on the provision for consultancy services in connection with the acquisition of subsidiary companies in Indonesia. The amount claimed by the plaintiff was for a sum of USD25.8 million (equivalent to RM88.9 million) (2006: RM90.93 million), damages of 9% per annum and interest of 6% per annum, both calculated from the date of submission of the claim until the full settlement of the amount claimed.

47. CONTINGENT LIABILITIES (CONTD.)

(a) Material Litigations (contd.)

COMPANY (CONTD.)

(i) Alleged breach of contract (contd.)

On 29 October 2001, the District Court dismissed the plaintiff's civil suit with costs. The plaintiff appealed to the High Court of Jakarta. On 27 February 2003, the High Court of Jakarta rejected the appeal by the plaintiff.

On 17 September 2003, the plaintiff filed a fresh legal suit against the Company and six of its Indonesian subsidiary companies on the same alleged breach of contract. On 28 October 2004, the District Court of South Jakarta rejected the plaintiff's claim in its entirety and decided in favour of the Company and the six Indonesian subsidiary companies. On 20 January 2005, the plaintiff filed an appeal against the decision of the District Court. On 25 May 2005, the Court of Appeal of Jakarta rejected the appeal by the plaintiff and affirmed the decision of the District Court of South Jakarta.

On 25 November 2005, the plaintiff filed a Notice of Appeal against the decision of the Court of Appeal of Jakarta rejecting the claims. The Company filed a Notice of Appeal on 30 November 2005 against the decision of the Court of Appeal in disallowing its counterclaim. The Company has opposed the appeal made by the plaintiff and sought that the Supreme Court of Jakarta upholds the decision of the Court of Appeal.

On 1 May 2007, the Company received an official notification from the Court of South Jakarta that the Supreme Court had refused the appeal (Cassation) by the Indonesian party. On 21 June 2007, the Company was informed by its Indonesian counsel that they received an official notification from the District Court of South Jakarta that the plaintiff has submitted an application for Judicial Review against the decision of the Supreme Court. On 17 July 2007, the Company submitted its opposition to the application for the Judicial Review.

47. CONTINGENT LIABILITIES (CONTD.)

(a) Material Litigations (contd.)

GROUP

Subsidiary Companies in Indonesia

The following pending legal actions were instituted against certain subsidiary companies in Indonesia:

(ii) Damages/alleged losses suffered involving land disputes

In 1999, a legal suit was filed against a subsidiary company for damages/losses suffered of approximately Rp22 billion (equivalent to RM8.4 million)(2006: RM8.6 million) for material loss and Rp50 billion (equivalent to RM19.1 million)(2006: RM19.6 million) for morale loss allegedly caused by clearing, occupying and planting of oil palm on the plaintiff's land. At the District Court, the plaintiff's claim was rejected. At the High Court, the plaintiff's claim was partially accepted and the High Court ordered the subsidiary company to cease all activities on the disputed land and to surrender the said land to the plaintiff. The subsidiary company has subsequently filed an appeal to the Supreme Court of Jakarta. The case is presently pending decision of the Supreme Court.

(iii) Damages/alleged losses suffered involving land disputes

In 2006, a legal suit was filed against a subsidiary company and three other external parties involving land disputes. The plaintiffs are claiming for the subsidiary to surrender the land or to pay the sum of Rp86 billion (equivalent to RM33.0 million)(2006: RM34.0 million). The plaintiffs are also claiming for the other three external parties, among others, to revoke the rights to use the land by the subsidiary company and for a conservatory order against moveable and immovable property of the subsidiary company. On 24 August 2006, the District Court dismissed the plaintiffs' claims. The plaintiffs have appealed to the High Court against the decision of the District Court. On 3 April 2007, the High Court dismissed the plaintiffs' appeal.

(iv) Alleged issuance of land certificate

In 2006, a legal suit was filed at the Administrative Court against a subsidiary company and three other external parties alleging that the land certificate issued to the subsidiary company was issued on an illegal basis. The Administrative Court had dismissed the plaintiff's claim. The plaintiff appealed to the High Court. On 19 February 2007, the High Court overturned the decision of the Administrative Court and allowed the plaintiff's appeal. The subsidiary company has appealed to the Supreme Court against the decision of the High Court. The case is presently pending decision of the Supreme Court.

Based on legal counsel's advice, the directors are of the opinion that the outcome of the abovementioned cases are not determinable at the date of this report.

47. CONTINGENT LIABILITIES (CONTD.)

(b) Guarantees (Unsecured)

- (i) The Company has provided guarantees amounting to RM1,869,655,000 (2006: RM1,927,408,000) to financial institutions in respect of credit facilities granted to certain subsidiary companies.
- (ii) In prior years, certain subsidiary companies have given guarantees to the liquidators of certain other companies for which liquidation commenced in 1977, to indemnify them against any claims and damages which may be sustained in connection with the settlement or discharge of any liabilities arising out of the distribution of assets 'in specie' by the liquidators. The directors are of the opinion that there would not be any material liability arising from the guarantees given.
- (iii) The Company has provided guarantees amounting to RM76,820,000 (2006: RM76,820,000) to third parties in respect of certain tenders awarded to a subsidiary company.
- (iv) Certain subsidiary companies in Indonesia have provided guarantees amounting to approximately Rp311 billion (equivalent to RM119.0 million)(2006: RM122.0 million) for the development of oil palm plantations for small holders through the KKPA program as disclosed in Note 46(c).

(c) Others

- (i) There are claims for interest on certain payables of a subsidiary company in Indonesia amounting to Rp57 billion (equivalent to RM22.0 million)(2006: RM23.0 million). In the absence of any agreement between both parties, there is uncertainty of the amount of interest charges that should be accrued and recorded in the financial statements of the subsidiary company and the Group. The directors are of the opinion that such payables should be non-interest bearing and, accordingly, such interest claims are not accrued and recorded in the financial statements.
- (ii) In relation to the construction of the Guthrie Corridor Expressway, several former landowners have filed appeals under Form N of the Land Acquisition Act, 1960 claiming for higher land values than the compensations awarded to them. In the event the said landowners are successful in their appeals, the additional compensations payable by the Company is estimated to be approximately RM5.7 million (2006: RM9.7 million).

In addition, several former landowners have requested additional compensation for their remaining land area that has proved uneconomical for usage. In the event the said landowners are successful in their appeals, the additional compensations payable by the Company is estimated to be approximately RM2.5 million (2006: RM9.9 million).

48. CONTINGENT ASSETS

	<u>GROUP</u>	
	<u>30.6.2007</u>	<u>31.12.2006</u>
	RM'000	RM'000
Difference between the amount claimed and the amount awarded by the Government in respect of land acquired or utilised by the Government	188,983	189,075

49. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly Indonesian Rupiah and United States Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

<u>Functional Currency of Group Companies</u>	Net Financial Assets/(Liabilities) Held in			
	<----- Non-Functional Currencies ----->			
	United States	Ringgit		Total
	Dollars	Euro	Malaysia	
	RM'000	RM'000	RM'000	RM'000
At 30 June 2007:				
Indonesian Rupiah	(485,907)	(11)	(32,422)	(518,340)
At 31 December 2006:				
Ringgit Malaysia	2,427	(159)	-	2,268
Indonesian Rupiah	(508,069)	-	(32,019)	(540,088)
	(505,642)	(159)	(32,019)	(537,820)

As at 30 June 2007, the Group has no outstanding forward foreign currency contracts.

49. FINANCIAL INSTRUMENTS (CONTD.)

(c) Interest Rate Risk

The Group had no substantial long-term interest-bearing assets as at 30 June 2007. The investments in financial assets are mainly short-term in nature and have been mostly placed in fixed deposits or occasionally, in short-term commercial papers which yield better returns than cash at bank.

The Group's primary interest rate risk relates to interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group also uses hedging instruments such as interest rate swaps to minimise its exposure to interest rate volatility.

The information on maturity period and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

As at 30 June 2007, the Group has entered into interest rate swaps to convert floating rate liabilities to fixed rate liabilities and vice versa to reduce the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments as follows:

Interest Rate Swap	Notional Amount	Effective Period	Weighted Average Rate per annum
USD Term Loan	RM724.6 million (equivalent to USD210 million)	28/02/06 to 28/02/08	4.98% - 5.15% for the entire tenure of the liability
		28/02/08 to 29/08/12	4.98% - 5.15% for the entire tenure of the liability, provided the spread is within range
USD Term Loan	RM517.6 million (equivalent to USD150 million)	28/02/06 to 28/02/09	4.80% - 5.00% for the entire tenure of the liability
		28/02/09 to 29/08/12	Floating but capped at 6.00% provided the 6 month LIBOR is within specified ranges
USD Term Loan	RM33.8 million (equivalent to USD9.8 million)	27/07/06 to 26/07/10	6.43% for the entire tenure of the liability
USD Term Loan	RM33.8 million (equivalent to USD9.8 million)	27/07/06 to 26/07/07	5.60% for the entire tenure of the liability
		27/07/07 to 26/07/10	5.60% for the entire tenure of the liability, provided the spread is within range
Ringgit 5-7 Year Islamic Bond	RM40.0 million	19/03/04 to 18/03/11	6 month KLIBOR + 1.80%

49. FINANCIAL INSTRUMENTS (CONTD.)

(c) Interest Rate Risk (contd.)

All the above instruments were executed with creditworthy financial institutions and the directors are of the view that the possibility of non-performance by these financial institutions is unlikely on the basis of their respective financial strengths.

(d) Price Fluctuation Risk

The Group is exposed to price fluctuation risk on commodities particularly of palm oil. The Group mitigates its risk to the price volatility through forward hedging contracts in futures and selling forward in the physical market.

(e) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

(f) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis through Group management reporting procedures.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

The Group's normal trade credit terms granted to customers range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The normal trade credit terms granted to the Group by its creditors range from 14 to 90 days.

49. FINANCIAL INSTRUMENTS (CONTD.)

(g) Fair Values

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

<u>GROUP</u>	Note	<u>30.6.2007</u>		<u>31.12.2006</u>	
		<u>Carrying Amount</u> RM'000	<u>Fair Value</u> RM'000	<u>Carrying Amount</u> RM'000	<u>Fair Value</u> RM'000
<u>Financial Assets</u>					
Long-term trade receivables	28	68,347	61,741	68,347	61,741
Other investments					
- Unquoted shares	26	814	#	814	#
- Malaysian Government Securities	26	959	1,031	959	1,071
Marketable securities					
- Quoted shares	36	-	-	14,212	14,815
- Corporate bonds	36	-	-	23,191	23,241
<u>Financial Liabilities</u>					
Borrowings	41	2,166,045	2,101,581	2,450,435	2,391,468
<u>COMPANY</u>					
<u>Financial Assets</u>					
Other investments					
- Unquoted shares	26	459	#	459	#
Loans to subsidiary companies	27	364,845	##	379,548	##
Amounts due from subsidiary companies	35	682,670	##	795,636	##
<u>Financial Liabilities</u>					
Loans from subsidiary companies	27	1,626,911	##	1,664,395	##
Amounts due to subsidiary companies	35	507,426	##	503,297	##
Long-term borrowings	41	16,728	16,688	239,657	244,962

It is not practicable to estimate the fair value of the non-current investments in unquoted shares because of the lack of quoted market prices. However, the Group believes that the carrying amount represents the recoverable values.

49. FINANCIAL INSTRUMENTS (CONTD.)

(g) Fair Values (contd.)

It is also not practicable to estimate the fair values of balances due to/from subsidiary companies due principally to a lack of fixed repayment terms entered into by the parties involved. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at 30 June 2007 are as follows:

	Nominal/ Notional Amount RM'000	Net Fair Value RM'000
Interest rate swap agreements	<u>1,349,810</u>	<u>13,748</u>

The methods and assumptions used to estimate the fair values of financial instruments other than those whose carrying amount reasonably approximate their fair values are as follows:

(i) Marketable securities/Malaysian Government Securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

(ii) Long-term receivables/Borrowings

Fair value has been determined using discounted estimated cashflows. The discount rates used are the current market incremental lending rates for similar types of lending and borrowings with similar risk profiles.

(iii) Derivative Financial Instruments

The fair value of a forward foreign currency contract is the estimated amount which the Group would expect to pay or receive on the termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

The fair value of an interest rate swap is the amount that would be payable or receivable upon termination of the position at the balance sheet date, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the market rate at the balance sheet date.

50. SIGNIFICANT AND SUBSEQUENT EVENTS DURING THE FINANCIAL PERIOD

(a) Disposal of Guthrie MDF Sdn. Berhad

On 22 February 2007, the Company and Guthrie Wood Industries Sdn. Berhad (“GWI”), a wholly-owned subsidiary of the Company, entered into a Share Sale and Purchase Agreement with Dongwha GH International Sdn. Bhd. for the proposed divestment which includes the following:

- (i) the disposal of the entire equity interest of the Company in GMDF, comprising 9,800,000 ordinary shares of RM1.00 each which is equivalent to 49% of its issued ordinary share capital to DGI;
- (ii) the disposal of the entire equity interest of GWI in GMDF, comprising 10,200,000 ordinary shares of RM1.00 each which is equivalent to 51% of its issued ordinary share capital to DGI;
- (iii) the disposal of 60,000,000 Class A redeemable preference shares of RM0.50 each and 30,000,000 Class B redeemable preference shares of RM0.10 each of GMDF held by the Company to DGI;

for a disposal consideration of RM150,278,000, after the adjustment to the sales consideration amounting to RM5,278,000 arising from changes in the shareholders’ funds of GMDF.

In conjunction with the proposed divestment, Highlands & Lowlands Berhad, a subsidiary of the Company had entered into a Land Sale and Purchase Agreement with Dongwha Fibreboard Sdn. Bhd. for the disposal of 459,922 square meters of land for a total cash consideration of RM30,000,000

The disposals were completed on 11 May 2007 upon all conditions precedent being met.

(b) Offer by Synergy Drive Berhad

The Board of Directors had on 21 December 2006, announced that it has decided to accept the offer from Synergy Drive Berhad (“SD”) to acquire the entire business and undertaking including all the assets and liabilities of the Company at an aggregate purchase consideration equivalent to RM4.27 per ordinary share of RM1 each in the issued and paid-up capital of the Company multiplied by the total outstanding ordinary shares as at completion (“Disposal Consideration”), to be satisfied by the issuance of an equivalent value of Series A redeemable convertible preference shares of SD (“RCPS A”) (“Proposed Disposal”).

Subsequently on 24 January 2007, it was announced that the Company, its two listed subsidiaries, Guthrie Ropel Berhad (“GRopel”), Highlands & Lowlands Berhad (“H&L”), and 5 other listed companies, namely Sime Darby Berhad (“Sime Darby”), Sime Engineering Services Berhad (“Sime Engineering”), Sime UEP Properties Berhad (“Sime UEP”), Golden Hope Plantations Berhad (“GHope”) and Mentakab Rubber Company (Malaya) Berhad (“Mentakab”) (collectively known as “Participating Companies”) had on the same date entered into separate conditional Sale of Business Agreements with SD in relation to the proposed disposals.

50. SIGNIFICANT AND SUBSEQUENT EVENTS DURING THE FINANCIAL PERIOD (CONTD.)

(b) Offer by Synergy Drive Berhad (contd.)

Following the completion of the Proposed Disposal, the Company shall propose to carry out a proposed capital repayment to return all the RCPS A (or such consideration as may be derived from the RCPS A) received or receivable from SD representing the Disposal Consideration to the Company's shareholders ("Proposed Capital Repayment"). Upon completion of the Proposed Capital Repayment, the Company will be de-listed from the Official List of the Main Board of Bursa Malaysia Securities. Simultaneous, with the Proposed Capital Repayment, the Company shall carry out the proposed share issue, which involves the proposed issuance of 2 new ordinary shares of RM1 each in the Company to SD at par value ("Proposed Share Issue"), resulting in the Company becoming a subsidiary of SD.

On 10 July 2007, it was announced that as part of the Proposed Capital Repayment, the Company will propose to increase its authorised share capital and to undertake a bonus issue upon the Completion of the Proposed Disposal to capitalise all its reserves, including the reserves arising from the Proposed Disposal, into share capital. The Company also proposed to include a variation in the Proposed Share Issue to allow the Company to issue 2 new ordinary shares or such number of new ordinary shares for SD to maintain shareholding interest of not less than 90% in the Company immediately after the completion of the Proposed Capital Repayment.

The Securities Commission ("SC"), SC (on behalf of the Foreign Investment Committee) and Ministry of International Trade and Industry had via their letters dated 16 July 2007 and 15 August 2007 respectively, given their approvals on the above proposals.

The approval of the shareholders of the Company was obtained at the Extraordinary General Meeting held on 16 August 2007 on the Proposed Disposal, Proposed Capital Repayment and Proposed Share Issue. On 28 August 2007, Bank Negara Malaysia had given its approval for the issuance of RCPS A to the non-resident shareholders of the Company.

As at the date of this report, the approval of the Proposed Disposal, Proposed Capital Repayment and Proposed Share Issue are conditional to, amongst others, the following:

- (i) Confirmation of the High Court of Malaya in relation to the Proposed Capital Repayment of the Company, GRopel and H&L;
- (ii) PNB and the unit trust funds providing SD with an undertaking in writing to convert any RCPS A received/receivable by each of them pursuant to the Proposed Capital Repayment of any Participating Company or otherwise, into SD shares prior to the listing of SD on Bursa Malaysia Securities; and
- (iii) The approval of any authorities or parties, if required

50. SIGNIFICANT AND SUBSEQUENT EVENTS DURING THE FINANCIAL PERIOD

(b) Offer by Synergy Drive Berhad (contd.)

The completion of the Proposed Disposal is conditional upon the proposed disposals of the entire businesses and undertakings of Sime Darby and GHope becoming unconditional. The completion of the Proposed Disposal shall occur simultaneously with the completion of the proposed disposals of the entire businesses and undertakings of Sime Darby and GHope.

As at the end of the financial period, as the Proposed Disposal is still inter-conditional principally upon the completion of the proposed disposals of the Company, Sime Darby and GHope, the assets and liabilities of the Group and of the Company have not been classified as Non-Current Assets/Disposal Group Held for Sale following the provisions of FRS 5.