

7. APPROVALS AND CONDITIONS

The FIC and MITI approved the Public Issue on 9 October 1999 and 20 October 1999 respectively. The SC approved the Public Issue and the issuance of the Company's Prospectus on 23 February 2000 and 17 July 2000 respectively. The conditions imposed by all the authorities and the status of compliance are as follows:-

	Details of Conditions Imposed	Status of Compliance	
FIC	(i) KLR to maintain at least 30% bumiputera equity interest after listing; and	To be complied after listing.	
	(ii) KLR to obtain the approval of MITI on Bumiputera equity interest.	Met. KLR received the approval from the MITI on 20 October 1999 and 13 October 2000.	
MITI	(i) The existing 3.64% bumiputera equity interest in KLR is recognized by MITI; and	Met	
	(ii) The remaining 26.36% to be allocated to bumiputera shall be allocated by MITI after the approval of the SC.	Met	
SC	(i) Total gross proceeds of RM72,367,400 arising from Rights Issue, Special Issue and Public Issue, based on the issue price of RM1.80 per share, shall be utilized as follows:-	The status of utilization of proceeds is as follows:-	
	RM'000		
	(a) Repayment of SKL's advances to KLR	13,619	Completed via the issuance of 13,619,000 new ordinary shares of RM1.00 each pursuant to the Rights Issue on 19 July 2000.
	(b) Part cash settlement for the acquisitions of KLC, KLPO and OMSB	43,019	Completed pursuant to the finalisation of the Acquisitions on 20 July 2000.
	(c) Working capital	13,729	To be utilized as set out in Section 3.7 (c) and (d) of this Prospectus.
	(d) Estimated listing expenses	2,000	
	<u>72,367</u>		
(ii)	Upon completion of the shares allocation to the eligible employees, Aseambankers to confirm that such allocation is in accordance with the SC Guidelines;	To be complied	
(iii)	Prospectus can only be issued after KLR has complied with the stipulated terms and conditions on land matters, as mentioned in Section 4(n) of this Prospectus.	The SC has granted exemptions to KLR from complying with the land conditions subject to the conditions as mentioned in items (vi) to (viii) below.	
(iv)	The Promoters and Directors of KLR are not allowed to venture into any business that is similar, in conflict of interest with or unrelated to KLR. Any involvement in similar business have to be fully disclosed in the Prospectus.	The Promoters and Directors had, on 10 October 2000, provided an undertaking that they shall not venture into any new business that could result in a potential conflict of interest with KLR's existing businesses.	
(v)	Any future business transactions between KLR and its Promoters and/or Directors have to be at arms-length and on commercial terms.	The Promoters and Directors had, on 10 October 2000, provided an undertaking that all business transactions between KLR and the Promoters and Directors and/or any companies related to the Promoters or Directors shall be on an arms length basis and on commercial terms.	

7. APPROVALS AND CONDITIONS (Cont'd)

	Details of Conditions Imposed	Status of Compliance
	<p>(vi) KLR must furnish the SC with copies of all receipts for the settlement of any premium/penalty imposed on the Company by the land office, and to inform/update the SC's Asset Valuation Department on the status of the application for the separate land titles for the respective lands (i.e. CL 135328782, CL 095317123 and CL 135345069) on a monthly basis effective from the date of the aforesaid SC's approval letter;</p> <p>(vii) KLR must disclose in the Company's Quarterly Report to the Kuala Lumpur Stock Exchange the status of the settlement of any premium/penalty and application for the separate land titles for the respective lands until such application is approved; and</p> <p>(viii) KLR must make appropriate disclosure in the Company's Prospectus the status of the registration of the separate titles for the respective lands.</p>	<p>The Promoters and Directors had, on 10 October 2000, provided an undertaking to comply with the requirement from time to time until full compliance with the land conditions as mentioned in Section 4(n) of this Prospectus</p> <p>The Promoters and Directors had, on 10 October 2000, provided an undertaking to comply with the requirement until such application is approved by the relevant authorities.</p> <p>Met as set out in Section 4(n) of this Prospectus.</p>

The SC, via its approval letter dated 13 September 2000 for the extension of time for the utilisation of the proceeds arising from the Rights Issue, Restricted Issue and Public Issue, has imposed the following additional conditions:-

	Details of Conditions Imposed	Status of Compliance
	<p>(i) KLR must disclose in the Prospectus the timeframe for the proposed utilization of proceeds for the plantation development expenditure.</p> <p>Any further extension of time for the utilization of proceeds must be approved by a clear resolution by the Board of Directors of KLR and be communicated to the KLSE.</p> <p>(ii) KLR must obtain the approval of the SC for any variation to the original utilization of proceeds (as disclosed in Section 3.7 of this Prospectus), if such new utilization are for non-core business activities of KLR Group.</p> <p>(iii) Any subsequent changes to the utilization of proceeds that deviates by 25% or more from the original utilization of proceeds require the approval of the shareholders of KLR.</p> <p>If such variation be less than 25%, the shareholders of KLR would need to be informed of the variation.</p> <p>(iv) KLR must make appropriate disclosure in the Company's Quarterly and Annual Report the status of utilization of proceeds until the proceeds have been fully utilized.</p>	<p>Met, as disclosed in Section 3.7 of this Prospectus.</p> <p>To be met if there is any further variation to the original time frame for the utilisation of proceeds as disclosed in Section 3.7 of this Prospectus.</p> <p>To be met if there is any further variation to the original utilization of proceeds as disclosed in Section 3.7 of this Prospectus.</p> <p>To be met if there is any further variation to the original utilization of proceeds as disclosed in Section 3.7 of this Prospectus.</p> <p>The Promoters and Directors had, on 10 October 2000, provided an undertaking to comply with the requirement until full utilization of the proceeds.</p>

8. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST

8.1 Related-party Transactions

8.1.1 Promotions of any assets acquired/to be acquired within two years preceding the date of Prospectus

Save as disclosed below, none of the Directors nor substantial shareholders of the Company has any interest, direct or indirect, in the Acquisitions of KLC, KLPO and OMSB by the Company, and none of the Directors has any interest, directly or indirectly in the promotion of or in any assets acquired or proposed to be acquired or disposed of or proposed to be disposed of by or leased or proposed to be leased to the Company or any of its subsidiary companies within the two (2) years preceding the date of this Prospectus.

Acquisition Of KLC	
Persons interested	Nature of relationship
Loo Geok Eng, Gooi Seong Lim, Gooi Seong Heen, Gooi Seong Chneh, Gooi Seong Gum and Gooi Seow Mee	Directors and indirect shareholders of KLC by virtue of their direct shareholdings in SKL and the Directors and substantial shareholders of KLR

Acquisition Of KLPO	
Persons interested	Nature of relationship
Loo Geok Eng, Gooi Seong Lim, Gooi Seong Heen, Gooi Seong Chneh, Gooi Seong Gum and Gooi Seow Mee	Directors and indirect shareholders of KLPO by virtue of their direct shareholdings in SKL and HYSB and the Directors and substantial shareholders of KLR
Datuk Haji Mohd Zamani bin Samah	Director and shareholder of KLPO and the Chairman of KLR

Acquisition Of OMSB	
Persons interested	Nature of relationship
Gooi Seong Lim, Gooi Seong Heen, Gooi Seong Chneh, Gooi Seong Gum and Gooi Seow Mee	Directors and shareholders of OMSB and the Directors and substantial shareholders of KLR

8.1.2 Transactions between KLR and the Promoters/Directors

Save as disclosed below, there is no other transaction between KLR and the Promoters/Directors of KLR or their related companies:-

Financial Year ended 31 January	1999		2000	
	RM'000	% Of KLR's Turnover*	RM'000	% Of KLR's Turnover *
Fees paid to companies in which one of the Directors has financial interest	9	0.01	16	0.01

8. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)**8.1.2 Transactions between KLR and the Promoters/Directors (Cont'd)**

Financial Year ended 31 January	1999		2000	
	RM'000	% Of KLR's Turnover*	RM'000	% Of KLR's Turnover *
Rental paid to a related company	17	0.01	16	0.01
Management fee paid to a related party	282	0.12	281	0.18
Purchases of FFB from a related company	5,262	2.32	3,496	2.22

* Based on the proforma Group turnover.

As at 31 January	1999		2000	
	RM'000	% Of KLR's Assets	RM'000	% Of KLR's Assets
Net advances from the holding company	50.46	29.7	54.73	30.9

As a condition stated in the approval letter of the SC dated 23 February 2000, the Directors of KLR has, via its letter dated 10 October 2000, provided an undertaking that all the business transactions between KLR and the companies related to the Promoters or Directors that are outside the KLR Group, shall be transacted based on the arms length basis and on commercial terms.

8.2 Declaration by the Advisers

Aseambankers hereby confirms that there is no conflict of interest in its capacity as the Adviser for the Issue.

Messrs Lee Choon Wan & Co. has given its confirmation that there is no conflict of interest in its capacity as the Solicitors for the Issue.

Messrs Liang & Co., jointly with Messrs Ong & Wong, have given their confirmation that there is no conflict of interest in their capacity as joint Reporting Accountants.

Jones Lang Wootton Sdn Bhd has given its confirmation that there is no conflict of interest in its capacity as the Valuers in relation to the Issue.

9. LANDED PROPERTIES

9.1 Summary of Landed Properties

The following sets out the details of the properties belonging to the KLR Group:-

Registered Owner / Location	Description and Existing Use	Land area (acres)	Build-up area (sq.m.)	Tenure - leasehold interest expiring on	Approx. Age of Building	Audited NBV as at 31 January 2000 (RM)	Audited NBV as at 31 January 1999 (RM)	Open Market value as at the Date of Valuation (1) (RM)	Date of Valuation (1)	Open market value as approved by the SC (RM)	Approved Revaluation Surplus based on NBV as at 31 January 1999 (RM)
KLR CL 085311253 CL 085313079 District of Labuk/ Sugut, Sabah	Oil palm plantation	199.80 949.50	Not applicable	31/12/2077 31/12/2078	} } Nil	916,083 2,651,387	881,625 2,496,224	1,509,000 7,172,000	18 June 1999	1,509,000 7,172,000	627,375 4,675,776
KLR CL 095317552 CL 095317561 CL 095315058 CL 095317436 CL 095310777 CL 095315049 CL 095316957 CL 095310428 District of Kinabatangan, Sabah	Oil palm plantation	15.00 14.66 749.70 35.21 978.00 849.80 199.70 200.30	Not applicable	31/12/2085 31/12/2085 31/12/2085 31/12/2087 31/12/2078 31/12/2085 31/12/2086 31/12/2077	} } } } Nil } } } }	90,278 88,232 1,247,071 210,310 3,981,806 3,028,286 1,767,974 926,338	87,827 85,837 1,218,458 151,145 3,815,641 2,886,053 1,817,618 891,754	113,000 111,000 5,663,000 266,000 7,387,000 6,419,000 1,509,000 1,513,000	18 June 1999	113,000 111,000 5,663,000 266,000 7,387,000 6,419,000 1,509,000 1,513,000	25,173 25,163 4,444,542 114,855 3,571,359 3,532,947 (308,618) 621,246
SSB CL 085311306 District of Labuk/Sugut Sabah	Oil palm and cocoa plantation	300.10	Not applicable	31/12/2077	Nil	9,609	9,609	2,267,000	18 June 1999	2,267,000	2,257,391
LDSB CL 095310526 District of Kinabatangan Sabah	Oil palm plantation	602.30	Not applicable	31/12/2077	Nil	24,398	24,398	4,550,000	18 June 1999	4,550,000	4,525,602
SaESB CL 085311315 District of Labuk/Sugut Sabah	Oil palm and cocoa plantation	253.30	Not applicable	31/12/2077	Nil	10,603	10,603	1,913,000	18 June 1999	1,913,000	1,902,397
Sykt KFS CL 085311244 District of Labuk/Sugut Sabah	Oil palm and cocoa plantation	411.50	Not applicable	31/12/2077	Nil	18,823	18,823	3,108,000	18 June 1999	3,108,000	3,089,177
SUB-TOTAL		5,758.87				14,971,198	14,395,615	43,500,000		43,500,000	29,104,385

9. LANDED PROPERTIES (Cont'd)

Registered Owner/ Location	Description and Existing Use	Land area (acres)	Built-up area (sq. m.)	Tenure - leasehold interest expiring on	Approx. Age of Building	Audited NBY as at 31 January 2000 (RM)	Audited NBY as at 31 January 1999 (RM)	Open Market value as at the Date of Valuation ^(b) (RM)	Date of Valuation ^(a)	Open market value as approved by the SC (RM)	Approved Revaluation Surplus based on NBY as at 31 January 1999 (RM)
DKLPFB CL 095317123 ⁽¹⁾ District of Kinabatangan, Sabah	Being planted with oil palm ⁽⁷⁾	4,000.00	Not applicable	31/12/2086	Nil	7,769,280	4,463,050	11,400,000	18 June 1999	11,400,000	6,936,950
OHSB ⁽⁴⁾ CL 135328782 ⁽²⁾ Sook, District of Keningau, Sabah	Being planted with oil palm ⁽⁷⁾	6,850.00	Not applicable	31/12/2083	Nil	16,729,712	16,489,591	15,900,000	17 June 1999	15,900,000	(589,591)
CL 135320295 ⁽³⁾ Mile 32, Keningau-Pensiangan Keningau, Sabah	Jungle land for oil palm plantation	389.00	Not applicable	31/12/2077	Nil	389,116	-	-	-	-	-
DOSB ⁽⁵⁾ Part of CL 135345069 ⁽²⁾ Sook, District of Keningau, Sabah	Being planted with oil palm ⁽⁷⁾	10,781.00	Not applicable	31/12/2080	Nil	25,814,536	25,814,536	20,014,000	17 June 1999	20,014,000	(5,800,536)
DKLPO ⁽⁶⁾ Part of CL 135345069 ⁽²⁾ Sook, District of Keningau, Sabah	Designated for palm oil mill and cattle rearing	100.00	798.41	31/12/2080	Nil	240,901	240,901	186,000	17 June 1999	186,000	(54,901)
KLPOM HS(D) 15057, Kota Tinggi, Johor	Palm oil mill	59.74	16,254,000	Freehold	4 years	1,483,746	1,483,746	^(b) 8,000,000	18 June 1999	8,000,000	6,516,254
SUB-TOTAL		22,179.74				52,427,292	48,491,824	55,500,000		55,500,000	7,008,176
GRAND TOTAL		27,938.61				67,398,490	62,887,439	99,000,000		99,000,000	36,112,561

Notes:-

- (1) As part of the Restructuring and Listing exercise of KLR, valuations were carried out on these properties by Messrs Jones Lang Wootton.
- (2) Details of regulatory requirements of the respective properties are set out in Section 4(n) of this Prospectus.
- (3) Except for CL135320295, all other lands/properties have been acquired more than two (2) years prior to the date of this Prospectus.
- (4) OHSB is the beneficial owner of CL135328782 and CL135320295.
- (5) DOSB and DKLPO are the beneficial owners of 10,781/12,881 acres and 100/12,881 acres of CL135345069 respectively.
- (6) The open market value for HS(D) 15057 ignores all the structures and buildings on site.
- (7) The "Description and Existing Use" is based on the present use of the land. The status of the land use and basis of valuation as at the abovementioned valuation dates are set out in the Valuers' Letter in Section 12 of this Prospectus.

10. FINANCIAL INFORMATION

10.1 Profit And Dividend Record

The following table sets out a summary of the proforma KLR Group's financial performance for the five (5) financial years/period ended 31 January 2000 and the three (3) months period ended 30 April 2000 based on the assumption that the Group structure has been in existence since 1 January 1995. The proforma consolidated profit and dividend records are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus:-

	←----- Year/Period ended -----→					3 months period ended 30 April 2000 RM'000
	31 December 1995 RM'000	13 months ended 31 January 1997 RM'000	←----- 31 January -----→			
			1998 RM'000	1999 RM'000	2000 RM'000	
Turnover	81,311	76,486	114,797	226,853	157,128	31,298
Consolidated profit before depreciation, interest and taxation	5,663	6,312	10,653	23,031	22,834	4,282
Depreciation/amortisation	(806)	(2,035)	(253)	(3,061)	(3,235)	(814)
Interest expenses	(45)	(830)	(1,308)	(1,296)	(523)	(100)
Consolidated profit before taxation and exceptional items	4,812	3,447	9,092	18,674	19,076	3,368
Exceptional items	206	(426)	(1,720)	-	-	-
	5,018	3,021	7,372	18,674	19,076	3,368
Taxation	(1,477)	(43)	(979)	(8)	(4,316)	(847)
Consolidated profit after taxation	3,541	2,978	6,393	18,666	14,760	2,521
Extraordinary item	-	-	-	-	-	-
Consolidated profit after taxation & extraordinary item	3,541	2,978	6,393	18,666	14,760	2,521
Minority interests	-	-	-	2	3	4
Consolidated profit after taxation, extraordinary item & minority interests	3,541	2,978	6,393	18,668	14,763	2,525
Number of ordinary shares in issue ('000) ⁽¹⁾	74,112	74,112	74,112	74,112	74,112	74,112
Gross EPS (sen)	6.77	⁽²⁾ 3.76	9.95	25.20	25.74	⁽²⁾ 18.19
Net EPS (sen)	4.78	⁽²⁾ 3.71	8.63	25.19	19.92	⁽²⁾ 13.63
Fully diluted gross EPS (sen) ⁽³⁾	4.70	⁽²⁾ 2.61	6.91	17.49	17.87	⁽²⁾ 12.62
Fully diluted net EPS (sen) ⁽³⁾	3.32	⁽²⁾ 2.58	5.99	17.49	13.83	⁽²⁾ 9.46
Gross dividend rate (%)	-	-	-	-	-	-

Notes :

- (1) KLR's enlarged issued and paid-up share capital of 74,112,000 ordinary shares of RM1.00 each following the restructuring and listing scheme but before the Restricted Issue and Public Issue.
- (2) Annualised.
- (3) Based on KLR's enlarged issued and paid-up share capital of 106,750,000 ordinary shares of RM1.00 each after the Restricted Issue and Public Issue.

10. FINANCIAL INFORMATION (Cont'd)

10.2 Segmental Analysis of Revenue and Profits

10.2.1 Analysis of Turnover

Analysis by groups	Year ended 31 December 1995	13 months period ended 31 January 1997	Year ended 31 January			3 months ended 30 April 2000
	RM'000	RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
KLR	8	9	1,985	11,067	12,022	1,560
LDSB	6	7	9	6	7	1
SSB	5	6	5	4	5	1
SuESB	5	5	4	3	5	1
Sykt KFS	5	7	5	5	6	1
DKLPSB	-	-	-	-	-	-
	29	34	2,008	11,085	12,045	1,564
Adjustment:- Eliminate inter-company lease rental	-	-	-	(11)	(16)	(4)
KLR GROUP	29	34	2,008	11,074	12,029	1,560
KLPO GROUP	81,282	76,452	112,789	215,775	145,085	29,738
KLC GROUP	-	-	-	-	-	-
OMSB	11	-	-	34	14	-
Adjustments:- - Interest income not disclosed as turnover in audited accounts	(11)	-	-	-	-	-
- Eliminate dividend income from KLPOM	-	-	-	(30)	-	-
OMSB – adjusted	-	-	-	4	14	-
TOTAL GROUP	81,311	76,486	114,797	226,853	157,128	31,298
Analysis by divisions						
Plantation	29	34	2,008	11,074	12,029	1,560
Mill	81,282	76,452	112,789	215,779	145,099	29,738
TOTAL GROUP	81,311	76,486	114,797	226,853	157,128	31,298
Analysis by products						
Plantation division	Year ended 31 December 1995	13 months period ended 31 January 1997	Year ended 31 January			3 months ended 30 April 2000
	RM'000	RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
FFB	-	-	1,870	10,819	11,763	1,514
Dry cocoa bean	-	-	116	248	259	46
Land rental	29	34	22	7	7	-
Sub-total	29	34	2,008	11,074	12,029	1,560
Mill division						
CPO	67,988	59,724	93,884	180,708	110,292	22,993
PKO	10,760	13,398	16,644	32,207	32,049	6,167
PKE	1,826	2,467	1,670	2,444	2,288	445
PK	524	714	-	-	-	-
Others	184	149	591	420	470	133
Sub-total	81,282	76,452	112,789	215,779	145,099	29,738
TOTAL GROUP	81,311	76,486	114,797	226,853	157,128	31,298

10. FINANCIAL INFORMATION (Cont'd)**10.2.2 Analysis of profit before taxation but after minority interests**

Analysis by group	Year ended 31 December 1995	13 months period ended 31 January 1997	Year ended 31 January			3 months ended 30 April 2000
	RM'000	RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
KLR	*	2	1,080	6,720	5,906	300
LDSB	*	2	*	*	*	*
SSB	*	2	*	*	*	*
SuESB	*	2	*	*	*	*
Sykt KFS	*	1	*	*	*	*
DKLPSB	-	-	-	(5)	(10)	(1)
	3	9	1,083	6,715	5,899	299
Adjustments:-						
- Eliminate unrealised profit on closing stocks	-	-	-	(31)	(32)	-
- Minority interests on DKLPSB	-	-	-	2	3	1
KLR GROUP	3	9	1,083	6,686	5,870	300
KLPO GROUP	5,007	3,015	6,295	12,001	13,187	3,070
KLC GROUP	-	-	-	(11)	9	(1)
OMSB	8	(3)	(6)	29	10	2
Adjustment:-						
- Eliminate dividend income from KLPOM	-	-	-	(30)	-	-
OMSB – adjusted	8	(3)	(6)	(1)	10	2
TOTAL GROUP	5,018	3,021	7,372	18,675	19,076	3,371
Analysis by divisions						
Plantation	3	9	1,083	6,675	5,879	299
Mill	5,015	3,012	6,289	12,000	13,197	3,072
TOTAL GROUP	5,018	3,021	7,372	18,675	19,076	3,371

* Below RM1,000.

KLR sold all its FFB to local palm oil mills. Hence, analysis of its turnover and profits by market and geographical location is not given.

The overview of the revenue and profits, including taxation, exceptional and extraordinary items for the five (5) financial years/period ended 31 January 2000 and the three (3) months period ended 30 April 2000 is in the Accountants' Report, which is set out in Section 11 of this Prospectus.

10.2.3 Impact of interest rates on operating profits

Impact of interest rates on operating profits is minimal as KLR Group has a very low gearing level for the five financial years/period ended 31 January 2000 and the three months period ended 30 April 2000. The interest cover as compared to operating profit before depreciation, interest and taxation ranged between 7.6 times and 125.0 times.

10. FINANCIAL INFORMATION (Cont'd)

The following table sets out the interest rates, interest expenses and profits before depreciation, interest and taxation for the past five (5) financial years/period ended 31 January 2000:-

		Year ended 31 December	13 months period ended 31 January	Year ended 31 January		
		1995	1997	1998	1999	2000
Average annual interest rate *	%	9.17	10.73	11.41	12.27	8.75
Interest expenses	RM'000	45	830	1,308	1,296	523
Profit before depreciation, interest and taxation	RM'000	5,663	6,312	10,653	23,031	22,834
Interest coverage ratio	Times	125.2	7.6	8.1	17.8	43.7

* Based on the average annual interest rate.

It has to be emphasised that interest rate was not the only factor that affected the interest expenses and profit of the Group as the tenure and the outstanding balances of the borrowings would also affect the interest expenses for the past five (5) financial years/period ended 31 January 2000.

10.2.4 Impact of commodity prices on operating profits**(a) Plantation operation**

Plantation operation is sensitive to FFB price fluctuation. However, as shown in section 10.2.2, contribution from the plantation operation to date was small and ranged between 11% and 36% in the past three financial years ended 31 January 2000. As the plantations mature, commodity prices will have a direct impact on the profitability of the KLR Group favourably or adversely depending on the commodity prices.

The following table sets out the FFB prices and profit before taxation but after minority interests for the plantation division for the past five (5) financial years/period ended 31 January 2000:-

		Year ended 31 December	13 months period ended 31 January	Year ended 31 January		
		1995	1997	1998	1999	2000
Weighted average FFB prices	RM/MT	N/A *	N/A *	337	477	264
Profit before taxation but after minority interests	RM'000	3	9	1,083	6,675	5,879

* The plantation operations only commenced in the financial year ended 31 January 1998.

It has to be emphasised that FFB price was not the only factor that affected the profits of the plantation division. The other factors that would affect the profit of the plantation division include, but are not limited to, the yield per acre, field costs and indirect costs, such as financing and administrative costs.

10. FINANCIAL INFORMATION (Cont'd)

(b) Milling operation

Milling operation is less sensitive to fluctuation in commodity prices as compared to the plantation operation as the significant portion of milling income is derived from processing fee income which is fixed based on per MT of FFB processed and does not fluctuate with CPO and PKO prices.

The purchase price of FFB is based on monthly MPOB average CPO and PK prices as well as the OER assessed with respect to the quality of the crop.

There will be a time lag between the time FFB are purchased and the time CPO and PKO are processed and sold. If the actual CPO and PKO prices are higher than their monthly average, the operating profit will increase and vice-versa. However to minimise the impact of CPO and PKO price fluctuations, the mill has entered into long term contracts with some of its major customers to sell CPO and PKO based upon the monthly average price of MPOB plus an agreed premium. This has indirectly hedged the risks of price fluctuations.

The following table sets out the CPO and PKO prices and profits before taxation but after minority interests for the mill division for the past five (5) financial years/period ended 31 January 2000:-

		Year ended 31 December 1995	13 months period ended 31 January 1997	Year ended 31 January		
				1998	1999	2000
Weighted average CPO prices	RM/MT	1,471	1,209	1,315	2,375	1,375
Weighted average PKO prices	RM/MT	1,560	1,687	1,769	2,552	2,408
Profit before taxation but after minority interests	RM'000	5,015	3,012	6,289	12,000	13,197

It has to be emphasised that CPO and PKO prices were not the only factors that affected the profit of the mill division. The other factors that would affect the profit of the mill division include, but are not limited to, the production volume, processing margin and indirect costs, such as financing and administrative costs.