



SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD

(Company No: 3327 U)
Incorporated in Malaysia

2008
ANNUAL REPORT

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
(Incorporated in Malaysia)

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fiftieth Annual General Meeting of SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD will be held at Hyatt Regency Hotel, Sri Muar Lower Ground Floor, 80720 Johor Bahru, Johor, Malaysia on Thursday, 27 November 2008 at 11.00 a.m. to transact the following businesses:-

Agenda

ORDINARY BUSINESS

- | | |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 30 June 2008 together with the Directors' and Auditors' Reports thereon. | RESOLUTION 1 |
| 2. To approve the payment of a first and final dividend of 2.0% less income tax for the financial year ended 30 June 2008. | RESOLUTION 2 |
| 3. To approve the payment of a bonus dividend of 2.5% less income tax for the financial year ended 30 June 2008. | RESOLUTION 3 |
| 4. To approve the payment of Directors' Remuneration for the financial year ended 30 June 2008. | RESOLUTION 4 |
| 5. To approve the payment of Directors' Fees of up to the maximum amount of RM300,000 for the financial year ending 30 June 2009. | RESOLUTION 5 |
| 6. To re-elect the following Directors who retire during the year in accordance with the Company's Article of Association and being eligible, offer themselves for re-election: a) Lee Chung Shih - Article 84 b) Huang Yuan Chiang - Article 84 | RESOLUTION 6 RESOLUTION 7 |
| 7. To consider, and if thought fit, to pass the following resolution: "THAT pursuant to Section 129(6) of the Companies Act, 1965, Cecil V R Wong be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." | RESOLUTION 8 |
| 8. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorize the Directors to fix their remuneration. | RESOLUTION 9 |

SPECIAL BUSINESS

- | | |
|---|----------------------|
| 9. To consider and, if thought fit, to pass the following Special Resolution: SPECIAL RESOLUTION PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY "THAT the alterations, modifications or additions to the Articles of Association of the Company as contained in the Circular dated 6 November 2008 be and are hereby approved." | RESOLUTION 10 |
| 10. To consider and, if thought fit, to pass the following Ordinary Resolutions: PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE FOR SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD AND GROUP'S DAY-TO-DAY OPERATIONS ENTERED INTO WITH KLUANG ESTATE (1977) SDN. BHD., PURSUANT TO PARAGRAPH 10.09 OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD | RESOLUTION 11 |

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
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- i) “**THAT** pursuant to Paragraph 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, the Company and/or its subsidiaries be and are hereby authorized to enter into and give effect to recurrent related party transactions of a revenue and trading nature with Kluang Estate (1977) Sdn. Bhd., as set out in section 2.1.1 of the Circular to Shareholders dated 6 November, 2008, provided that such transactions are necessary for the day-to-day operations and undertaken in the ordinary course of business and at arm’s length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and not prejudicial to the shareholders of the Company **AND THAT** such approval, unless revoked or varied by the Company in general meeting, shall continue in force until: -
- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
 - (b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.”

PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE FOR SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD AND GROUP’S DAY-TO-DAY OPERATIONS ENTERED INTO WITH THE NYALAS RUBBER ESTATES LIMITED, PURSUANT TO PARAGRAPH 10.09 OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

RESOLUTION 12

- ii) “**THAT** pursuant to Paragraph 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, the Company and/or its subsidiaries be and are hereby authorized to enter into and give effect to recurrent related party transactions of a revenue and trading nature with The Nyalas Rubber Estates Limited, as set out in section 2.1.1 of the Circular to Shareholders dated 6 November, 2008 provided that such transactions are necessary for the day-to-day operations and undertaken in the ordinary course of business and at arm’s length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and not prejudicial to the shareholders of the Company **AND THAT** such approval, unless revoked or varied by the Company in general meeting, shall continue in force until: -
- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
 - (b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.”

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11. To transact any other business of which due notice has been given.

**NOTICE OF DIVIDEND ENTITLEMENT
FIRST AND FINAL DIVIDEND OF 2.0% LESS INCOME TAX AND A BONUS
DIVIDEND OF 2.5% LESS INCOME TAX**

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Fiftieth Annual General Meeting, the first and final dividend of 2.0% less income tax and a bonus dividend of 2.5% less income tax in respect of the financial year ended 30 June 2008 will be payable on 17 December 2008 to Depositors registered in the Record of Depositors at the close of business on 3 December 2008.

A Depositor shall qualify for entitlement only in respect of:-

- a) Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 1 December 2008 in respect of shares which are exempted from mandatory deposits;
- b) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 3 December 2008 in respect of transfers; and
- c) Securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

CHIN NGEOK MUI (MAICSA 7003178)
LEONG SIEW FOONG (MAICSA NO. 7007572)
Company Secretaries
Johor Bahru
6 November 2008

NOTES :

- a. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and if he is not a Member of the Company, Section 149 of the Companies Act, 1965 shall not be applicable.
- b. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- c. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- d. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its officer or attorney.
- e. The instrument appointing the proxy must be deposited at the Company's Registered Office situated at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia not less than forty-eight hours before the time appointed for holding the Meeting and any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

I. Pursuant to Resolution 10

The proposed Resolution 10 is to update and streamline the Articles of Association of the Company, to be consistent and in compliance with the Listing Requirements for the Main Board, Second Board and other regulations.

II. Pursuant to Resolution 11 and Resolution 12

The Shareholders' Mandate under Ordinary Resolution 11 and Ordinary Resolution 12 were intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 29 October 2007. The proposed renewal of shareholders' mandate is to facilitate transactions in the normal course of business of the Company and its subsidiaries ("the Group") which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the Shareholders' Mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

CORPORATE INFORMATION

DIRECTORS

CECIL V R WONG
LEE CHUNG SHIH
LEE SOO HOON
HAN TENG JUAN
LIEW CHUAN HOCK
HUANG YUAN CHIANG

SECRETARIES

CHIN NGEOK MUI
LEONG SIEW FOONG

AUDIT COMMITTEE MEMBERS

LEE SOO HOON
Chairman
Independent Non-Executive Director

CECIL V R WONG
Independent Non-Executive Director

LIEW CHUAN HOCK
Independent Non-Executive Director

HUANG YUAN CHIANG
Independent Non-Executive Director

NOMINATION COMMITTEE MEMBERS

HUANG YUAN CHIANG
Chairman
Independent Non-Executive Director

LEE SOO HOON
Independent Non-Executive Director

CECIL V R WONG
Independent Non-Executive Director

LIEW CHUAN HOCK
Independent Non-Executive Director

REMUNERATION COMMITTEE MEMBERS

LIEW CHUAN HOCK
Chairman
Independent Non-Executive Director

CECIL V R WONG
Independent Non-Executive Director

LEE SOO HOON
Independent Non-Executive Director

HUANG YUAN CHIANG
Independent Non-Executive Director

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
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INVESTMENT COMMITTEE MEMBERS

HUANG YUAN CHIANG

Chairman

Independent Non-Executive Director

LEE CHUNG SHIH

Executive Director

LIEW CHUAN HOCK

Independent Non-Executive Director

AUDITORS

ERNST & YOUNG

Chartered Accountants

REGISTERED OFFICE

SUITE 6.1A, LEVEL 6, MENARA PELANGI,
JALAN KUNING, TAMAN PELANGI,
80400 JOHOR BAHRU, JOHOR
TEL: 07-3323536 FAX: 07-3324536

SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS SDN BHD (Company No. 378993-D)
LEVEL 26, MENARA MULTI PURPOSE,
CAPITAL SQUARE,
NO. 8, JALAN MUNSHI ABDULLAH,
50100 KUALA LUMPUR.
TEL: 03-27212222 FAX: 03-27212530

BANKER

OCBC BANK (MALAYSIA) BERHAD

STOCK EXCHANGE

MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD
(“Bursa Securities”)

CHAIRMAN'S STATEMENT

Overview

Total revenue achieved for the financial year ended 30 June 2008 amounted to RM20,693,808 for the Group as compared to RM14,678,000 for 2007. This was due to the higher crop sales from the Estate Operations, resulting from the increase of the average FFB price.

The higher contributions from the Estate Operations were further enhanced by higher dividend income achieved by the Group from its long-term investment.

Share of profits from associated companies had increased to RM3,527,623 as compared to RM1,112,386 for 2007.

Prospects

The prospect of the plantation performance for the next financial year ending 30 June 2009 is expected to be challenging for the following reasons:-

1. Prices of Crude palm oil ("CPO") have recently dropped about 25% from the high in 2008
2. The windfall profit levy on CPO threshold at RM2,000 per ton to be imposed on the Estate and
3. Higher fuel, fertiliser, labour and recruitment costs

The results of the associated companies may be further affected by the market valuation of their investments and currency fluctuations due to the jittery capital markets and global economic slowdown.

Subsequent to the balance sheet date, the world's financial markets became volatile following the mortgage crisis in the United States. A loss of investor confidence in the world's financial system may cause a significant slowdown or a severe adverse growth to the world's economies and this could have adverse impact on the Company's business, financial condition, results of operations and prospects.

At the date of this report, the Directors are unable to ascertain the absolute impact, if any, on the Group's financial condition and results of operation arising from the current economic crisis. The financial statements for the year ended 30 June 2008 do not include any adjustments that might result from these uncertainties.

Dividends

The Board is recommending a first and final dividend of 2% less tax and a bonus dividend of 2.5% less tax on 60,491,552 ordinary shares for the year ended 30 June 2008. These proposed dividends are subject to your approval at the forthcoming Annual General Meeting.

Appreciation

The Board would like to express their sincere thanks to the management and estate staff and workers for their good work during the year.

On behalf of the Board of Directors

CECIL V R WONG
Chairman

STATEMENT OF CORPORATE GOVERNANCE

THE CODE OF CORPORATE GOVERNANCE

The Board of Sungei Bagan Rubber Company (Malaya) Berhad (“the Company”) recognizes the paramount importance of practicing good corporate governance to direct the businesses of the Company and its subsidiaries (“the Group”) towards enhancing business value and long term value for its shareholders. The Board is fully committed to ensuring that the high standards of corporate governance are practiced throughout the Group as the underlying principle in discharging its responsibilities.

The only area of non-compliance with the Code is with regards to recommended disclosure of details of the remuneration of each director. Details of the Directors’ remuneration are set out in Note 6 to the financial statements by applicable bands of RM50,000, which complies with the disclosure requirements under the Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Listing Requirements. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors’ remuneration are appropriately served by the band disclosure made.

DIRECTORS

The Board

The Board’s responsibilities are for setting the strategic direction of the Group, establishing goals for the management and continuously improving its performance so as to protect and enhance shareholders’ value in the Company. They are hence responsible for the overall standards of conduct, risk management, succession planning, strategic planning as well as the system of internal controls within the Group.

Board Composition and Balance

The Board comprises six (6) members; of whom two (2) are Executive Directors and four (4) are Independent Non-Executive Directors. The Board composition complies with the Listing Requirements of Bursa Securities that requires a minimum of 2 or 1/3 of the Board to be Independent Directors. A brief profile of each Director is presented on pages 22 to 25 of the Annual Report.

The Board has a good balance of members who are Executive and Non-Executive Independent Directors such as no one individual or a small group of individuals can dominate the Board’s decision-making process. With their different backgrounds and specialization, the Directors bring along a wide range of experience, expertise and perspective in discharging their responsibilities and duties in managing the business affairs of the Group.

Board Committees

To assist the Board in fulfilling its roles, the Board has four (4) committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Investment Committee, to support and assist in discharging its fiduciary duties and responsibilities. The respective functions and terms of reference of the Board committees as well as authority delegated to these Board committees have been defined by the Board. The Committees report and make recommendations to the Board on matters delegated to them for deliberation. The ultimate responsibility for the final decisions on all matters lies with the Board.

Audit Committee

Details of Audit Committee are presented on pages 18 to 21.

Nomination Committee

The Board has established a Nomination Committee which is to ensure that the Directors of the Board bring characteristics to the Board which should provide a required mix of responsibilities, skills and experience. The Nomination Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, and contribution of each individual Director and Committee of the Board.

Where a vacancy exists or when it is considered that the Board would benefit from the services of a new Director with particular skills, the Nomination Committee will select one or more candidates with the appropriate expertise and experience.

The Nomination Committee that was set up on 18 February 2002, consist of at least two (2) members and shall exclusively comprise of Non-Executive Directors with a majority of Independent Directors.

The members are as follows:

Chairman

Huang Yuan Chiang

Members

Cecil V R Wong

Liew Chuan Hock

Lee Soo Hoon

The responsibilities of the Nomination Committee are as follows:

- (a) Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness.
- (b) Recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.
- (c) Assess annually the effectiveness of the Board as a whole, the committee of the Board and the contribution of each individual Director based on the process implemented by the Board.
- (d) Assess and recommend to the Board, the re-election by rotation or re-appointment of Directors in accordance with the Company's Articles of Association or other prevailing law.

The Nomination Committee met two (2) times for the financial year ended 30 June 2008. All its members attended the meetings.

Remuneration Committee

The Board has established a Remuneration Committee which is responsible in assessing the appropriate remuneration of the senior management. The Remuneration Committee that was set up on 18 February 2002, consist of at least three (3) members, the majority of which Non-Executive Directors.

The members are as follows:

Chairman

Liew Chuan Hock

Members

Cecil V R Wong

Lee Soo Hoon

Huang Yuan Chiang

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The responsibilities of Remuneration Committee are as follows:

- (a) Review and recommend to the Board the remuneration of the Executive and Non-Executive Directors, and key senior management.
- (b) Assist the Board in assessing the responsibility and commitment undertaken by the Board membership.
- (c) Assist the Board in ensuring the remuneration of the Directors reflects the responsibility and commitment of the Director concerned.

The Remuneration Committee met three (3) times during the financial year ended 30 June 2008. All its members attended the meetings.

Investment Committee

The Investment Committee was set up on 3rd December 2007. The primary objective is to oversee the Company's investment transactions, management, policies and guidelines, including review of investment manager selection, establishment of investment benchmarks, review of investment performance and oversight of investment risk management exposure policies and guidelines.

The members are as follows:

Chairman

Huang Yuan Chiang

Members

Liew Chuan Hock

Lee Chung-Shih

The Investment Committee consisting of two (2) Independent Non-Executive Directors and one (1) Executive Director met four (4) times during the financial year ended 30 June 2008. All its members attended the meeting.

Amongst the responsibilities of Investment Committee, Investment Committee shall review any investment of the Company, policies and guidelines governing the Company's investment portfolio and monitor compliance with the policies.

Board Meetings

Board meetings are scheduled for every quarter with additional meetings to be convened as and when required. During the financial year under review, the Board met a total of six (6) times. The attendance record of each Director since the last financial year is as follows:

| Name of Director | Attendance of meetings |
|-------------------------|-------------------------------|
| Cecil V R Wong | 6/6 |
| Lee Chung-Shih | 5/6 |
| Lee Soo Hoon | 6/6 |
| Han Teng Juan | 6/6 |
| Liew Chuan Hock | 6/6 |
| Huang Yuan Chiang | 4/6 |

Supply of Information

Prior to any Board meeting, every Director is given an agenda with the relevant documents and information on each agenda item to be deliberated on. The Chairman will lead the presentation of Board papers and discussion. All Directors are entitled to call for additional clarification and information to assist them in matters that require their decision-making.

All Directors have unrestricted access to the advice as well as services of the Company Secretaries and external auditors whether as a full Board or in their individual capacity, in the furtherance of their duties. They may obtain independent professional advice at their discretion at the Company's expense.

Appointment to the Board

The Company has a transparent and formal procedure for the appointment of new Directors to the Board.

The Nomination Committee of the Company comprises four (4) Independent Non-Executive Directors. The Nomination Committee is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience and other qualities, including core competencies which the Directors should bring to the Board. Any new nomination received is put to the full Board for assessment and endorsement.

The Board, through the Nomination Committee annually reviews its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors bring to the Board.

The Board has implemented a process, to be carried out by the Nomination Committee annually, for assessing the effectiveness of the Board as a whole, the Committees of the Board, and for assessing the contribution of each individual member of the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented.

Re-election

In accordance with the Company's Articles of Association, the newly appointed Directors will retire at the first Annual General Meeting ("AGM") and are eligible for re-election by shareholders. The Articles also provide that at least one third of the Board including Executive Directors is subject to re-election annually and each Director shall stand for re-election at least once every 3 (three) years.

Directors' Training

All the Directors have completed the Mandatory Accreditation Programme as required by Bursa Securities.

Training needs as deemed appropriate by individual Board members are provided. Board members keep abreast with general economic, industry and technical developments by their attendances at various appropriate conferences, seminars and briefings.

During the financial year, all the Directors have attended the following briefings in Singapore:

- i. Core Satellite Investments conducted by UBS on 3 December 2007; and
- ii. Investment and Cash Solution conducted by Deutsche Bank on 25 January 2008.

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DIRECTORS' REMUNERATION

The Remuneration Committee, consisting of four (4) Independent Non-Executive Directors, ascertains and recommends the remuneration packages of Executive Directors to the Board for its approval. Fees for Directors are determined by the full Board with the approval from shareholders at the AGM.

Details of the remuneration of each Director for the financial year are as follows:

(i) Aggregate remuneration of Directors categorised into appropriate components:

| | <u>Salaries and Allowances</u> RM | <u>Fees</u> RM | <u>Total</u> RM |
|-------------------------|--|-------------------|--------------------|
| Executive Directors | 232,400 | 42,500 | 274,900 |
| Non-Executive Directors | - | 190,000 | 190,000 |
| Total | 232,400 | 232,500 | 464,900 |

The remuneration of the Executive Directors were remunerated according to their performance whilst the fees paid to all Directors were approved in advance by the shareholders at the Annual General Meeting.

(ii) Number of Directors whose remuneration falls into the following bands:

| <u>Range of remuneration</u> | <u>Number of Directors</u> | |
|------------------------------|----------------------------|----------------------|
| | <u>Executive</u> | <u>Non-Executive</u> |
| Below RM50,000 | - | 4 |
| RM100,001 to RM150,000 | 1 | - |
| RM150,001 to RM200,000 | 1 | - |

SHAREHOLDERS COMMUNICATION AND INVESTORS RELATIONS POLICY

Dialogue Between the Company and Investors

The Company places great importance on regular, effective and fair communication with shareholders. The Company makes quarterly announcements of the financial results of the Company and the Group within the time frame prescribed in the Listing Requirements of Bursa Securities, accompanied by a balanced and comprehensive assessment of the performance and position of the Company and the Group. The Company's Annual Report, containing the Financial Statements of the Company and the Group for the financial year, also contains other pertinent information and disclosures to enable shareholders and investors to have a better understanding of the Group's business and performance.

Annual General Meeting

The AGM is the principal forum of dialogue with shareholders. Shareholders are notified of the meeting and provided with a copy of the Notice of the AGM and the Company's Annual Report at least 21 days before the date of the meeting. Besides the normal agenda for the AGM, shareholders are given the opportunities to raise questions pertaining to the Group. Members of the Board and the auditors of the Company are available at the meeting to respond to all queries and to provide clarification on issues and concerns raised by shareholders.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for Preparing the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and the provisions of the Act. The Board of Directors is responsible for taking reasonable steps to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company, and of their results and cash flows for the financial year under review.

In preparing the financial statements of the Group and the Company for the year ended 30 June 2008, the Board of Directors has adopted and applied appropriate accounting policies on a consistent basis, made judgements and estimates where applicable that are reasonable and prudent and ensured that applicable accounting standards have been followed.

The Directors have ensured that the Group and Company keep proper accounting and other records that will disclose with reasonable accuracy at any time the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Act and the applicable approved accounting standards.

Financial Reporting

In presenting the annual financial statements and quarterly financial results announcements to shareholders, the Board aims to present a balanced and fair assessment of the Group's financial position and prospects and ensures that the financial results are released to Bursa Securities well within the stipulated time frame and the financial statements comply with regulatory reporting requirements. In this regard, the Board is assisted by the Audit Committee.

The Audit Committee assists the Board in its responsibility to oversee and scrutinise the financial reporting and the effectiveness of the internal control of the Group. The Audit Committee comprises four (4) Directors, all of whom are independent non-executive. The term of references and activities of the Audit Committee are detailed in the Audit Committee Report of pages 18 to 21 of this Annual Report.

Internal Control

The Directors acknowledge their responsibility to maintain a sound system of internal controls to safeguard the shareholders' investment and the Company's assets. The Board also recognises its overall responsibility for continuous reviewing and maintenance of the system of internal controls of the Group.

The Statement of Internal Control in this Annual Report herein details the state of internal controls within the Company.

Relationship with Auditors

The Board of Directors has established a formal and transparent arrangement with the external auditors of the Company through the Audit Committee. The Audit Committee communicated directly and independently with the auditors once (1) a quarter where necessary and without the presence of the Executive Directors at twice (2) a year.

The role of the Audit Committee in relation to the external auditors is stated on pages 19 to 20.

CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

The Group is mindful of the need to be an organization which is responsible socially by integrating it into the way the business is run.

At the workplace, recreational activities were organised for the employees and educational financial assistance was given to the children of the employees. The Group also provides its employees and families in our estates with quality facilities and amenities to live and work comfortably.

ADDITIONAL COMPLIANCE INFORMATION

Disclosure of Related Party Transactions

The Group has taken all necessary steps to ensure that transactions which were deemed to be related party transactions were appropriately disclosed in accordance with the Listing Requirements and good corporate governance.

Utilisation of Proceeds

There were no issuance of new shares and right issue carried out during the year ended 30 June 2008 to raise any cash proceeds.

Share Buy-Backs

There was no share buy-back by the Company during the financial year under review.

Options, Warrants or Convertible Exercised

There were no other options, warrants or convertible securities exercised in respect of the financial year ended 30 June 2008.

American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”)

The Company did not sponsor any ADR or GDR programmes for the financial year ended 30 June 2008.

Sanctions and/or Penalties

The Company and its subsidiaries Directors and management have not been imposed with any sanctions and/or penalties during the financial year.

Non-Audit Fees

During the financial year under review, the Group’s non-audit fees paid or payable to the external auditors amounted to RM38,000 whilst the fees paid to the internal auditors was RM12,000.

Variation in Results

There is no material variance between the results for the financial year ended 30 June 2008 and the unaudited results previously announced by the Company.

Profit Guarantee

No profit guarantee was given for the financial year under review.

Revaluation of Landed Properties

The Company had adopted a policy on annual revaluations on its investment properties in accordance with FRS 140. Details are reflected in page 70.

Material Contracts

There is no material contract involving the Company and its subsidiaries with directors and major shareholders of the Company either still subsisting at the end of the financial year ended 30 June 2008 or entered into since the end of that financial year.

STATEMENT ON INTERNAL CONTROL

Introduction

The Board of Directors is pleased to present the Statement on Internal Control pursuant to Paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements, which outlines the Group’s key elements of internal control system for the financial year ended 30 June 2008.

Board Responsibility

The Board acknowledges its responsibility in maintaining a sound system of internal controls and risk management practices to safeguard shareholders’ investment and the Group’s assets, and for reviewing the adequacy and integrity of the system. However, the Board recognizes that reviewing of the Group’s system of internal controls is a concerted and on-going process whereby such system is designed to manage rather than eliminate the risk of failure to achieve the Group’s business objectives. In pursuing these objectives, the system of internal controls can only provide reasonable and not absolute assurance against any material misstatement or loss.

Risk Management Framework

The Board regards risk management as an integral part of the business operations. The Board confirms that there is a continuous process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of the Group’s business objectives on an informal basis via its Board and Audit Committee meetings.

No major internal controls weaknesses were identified during the financial year under review that requires disclosure in the Company’s Annual Report.

Internal Audit

The outsourced Internal Auditors annually reviews the Group’s system of internal controls to address the related internal control weaknesses. The Internal Audit team independently reviews the risk identification procedures and control processes implemented by the management. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee.

Other Key Elements of Internal Control

Other key elements of the system of internal control of the Group are as follows:-

- The Group has an appropriate organizational structure, which enables adequate monitoring of the activities and ensures effective flow of information across the Group.
- Responsibilities are clearly defined and delegated to the committees of the Board.
- Key processes of the Group are governed by written policies and procedures.
- Quarterly and annual financial statements with detailed analysis of financial results are reviewed by the Audit Committee who then recommended to the Board for approval prior to submission to Bursa Securities.
- The Investment Committee was set to oversee the Company’s investment transactions, management, policies and guidelines, including review of investment manager selection, establishment of investment benchmarks, review of investment performance and oversight of investment risk management exposure policies and guidelines. The Investment Committee ultimately reports the overall investment results to the Board.
- Regular visits to the estates are made by the Executive Director to observe the operation of the estates.

Board's Conclusion

Overall, the Board is satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives is in place to provide reasonable assurance. The Group will strive to ensure that the system of internal controls will be continuously enhanced and will seek regular assurance on the effectiveness and soundness of the internal control systems through appraisals by the internal as well as external auditors.

In consideration of the Internal Auditors' report, the Board is pleased to report that there were no significant internal control deficiencies for areas that have been reviewed.

In addition, in accordance with the paragraph 15.24 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement of Internal Control and reported that nothing has come to their attention that causes them to believe that the contents of this Statement is inconsistent with their understanding of the actual processes carried out in the Group.

AUDIT COMMITTEE REPORT

MEMBERS

Chairman

Lee Soo Hoon

Members

Cecil V R Wong

Liew Chuan Hock

Huang Yuan Chiang

COMPOSITION AND TERMS OF REFERENCE

Membership

The Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:-

- a) the audit committee must be composed of no fewer than 3 members of whom a majority of the Audit Committee must be Independent Directors;
- b) all members of the Audit Committee should be Non-Executive Directors and financially literate; and
- c) at least one (1) member of the Committee;
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years.

Procedure of the Audit Committee meetings

- a) The members of the Committee shall elect a Chairman from among their numbers who is an Independent Director.
- b) The Company Secretary shall be the Secretary to the Committee. The Secretary shall circulate minutes of the Committee meeting to all members of the Board.
- c) The Committee shall meet not less than four (4) times a year and report to the Board of Directors.

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- d) Written notice of the meeting together with the agenda shall be given to the members of the Committee; the external auditors and any other person invited to attend the meeting, where applicable.
- e) The quorum for meetings of the Committee shall be two (2) members and shall comprise of Independent Directors.
- f) A representative of the external and internal auditors and the Senior Finance Manager should normally attend meetings. Any other Directors, employees and any other persons, where applicable, shall attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.
- g) The Chairman shall convene a meeting of the Committee if requested to do so in writing by any member, the management, or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee.
- h) The Committee should meet with the external auditors without Executive Board members present at least twice a year.

Rights of the Committee

The Committee shall:

- (a) have explicit authority to investigate any matter within its term of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

Function of the Committee

The functions of the Audit Committee shall be:

- (a) To review the following and report the same to the Board of Directors -
 - (i) with the external auditors, the audit plan;
 - (ii) with the external auditors, his evaluation of the system of internal controls;
 - (iii) with the external auditors, his audit report;
 - (iv) the assistance given by the employees of the Company to the external auditors;
 - (v) the quarterly results and the year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - changes in or the implementation of major accounting policy changes;
 - significant and unusual events;
 - compliance with accounting standards and other legal requirements;

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- (vi) any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (vii) any letter of resignation including the written explanations of the resignation from the external auditors of the Company; and
 - (viii) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.
- (b) To do the following, in relation to the internal audit function:-
- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (c) To recommend the nomination of a person or persons as external auditors and the external audit fee.
- (d) To carry out other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Company's duties and responsibilities.
- (e) To verify the criteria for allocation of options pursuant to a share scheme for employee.

Summary Of Activities Of The Audit Committee For The Financial Year

During the financial year ended 30 June 2008, the main activities undertaken by the Audit Committee were as follows:

1. Reviewed the unaudited quarterly financial results of the Group prior to the Board's approval and subsequent announcements.
2. Reviewed the external auditors' scope of work and their audit plan and discuss results of their examination and recommendations.
3. Reviewed with the external auditors the audited financial statements for the financial year ended 30 June 2008, the results of the audit, audit report and recommendation prior to the approval of the Board and subsequent announcements
4. Reviewed and discussed the new developments on accounting standards issued by the Malaysian Accounting Standards Board and its adoption and impact to the Group's and Company's financial statements.
5. Reviewed the internal audit plan and programme for the financial year under review.
6. Reviewed the reports prepared by the outsourced internal auditors on the state of internal controls of the Group.
7. Reviewed the related party transactions and conflict of interest situations that arose within the Group for compliance with the Listing Requirements of Bursa Securities.
8. Reviewed the extent of the Group's compliance with the relevant provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement and Statement on Internal Control pursuant to the Listing Requirements of Bursa Securities.

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Meetings and Minutes

The Committee shall meet not less than four times a year and report to the Board of Directors. The Committee's meetings shall be planned to coincide with the audit cycle and the timing of publication of financial statements. In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, the management, or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee. The quorum for meetings of the Committee shall be two (2).

A representative of the external and internal auditors and the Senior Finance Manager should normally attend meetings. However, the Committee may invite any person to be in attendance to assist in its deliberations. Any other Directors and employees shall attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.

The auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.

Upon the request of the auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the auditors believe should be brought to the attention of the Directors or shareholders.

The Committee may regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

During the financial year ended 30 June 2008, six (6) Audit Committee meetings were held. The record of attendance of its members during their membership was as follows:

| Name of Audit Committee Members | Attendance of meetings |
|--|-------------------------------|
| Lee Soo Hoon | 6/6 |
| Cecil V R Wong | 6/6 |
| Liew Chuan Hock | 6/6 |
| Huang Yuan Chiang | 4/6 |

Internal Audit Function

The Committee is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

After assessing the Company's current level of activities and the risk that the Company is exposed to, the Committee has recommended to the Board that the Internal Audit function be outsourced. An independent professional firm has been engaged to handle this function. Their report has been received by the Committee, discussed and recommendations implemented, where necessary and appropriate, to tighten the Company's internal control procedures.

PROFILE OF DIRECTORS

CECIL V R WONG

| | |
|---|--|
| Position | Independent Non-Executive Chairman |
| Age | 86 |
| Nationality | Singaporean |
| Work Experience/Occupation | a) Partner, Public Accounting Firm, Singapore (1953 - 1983) b) Director, Public Limited Companies listed on the Bursa Securities and SGX (1969 to present) |
| Qualification | a) F.C.A., Institute of Chartered Accountants of England & Wales b) C.P.A., Singapore |
| Date of Appointment | 29 November 1969 |
| Details of any board committee to which Director belongs | a) Member of Audit Committee b) Member of Remuneration Committee c) Member of Nomination Committee |
| Directorship in other listed companies | a) British & Malayan Trustees Limited b) Bukit Sembawang Estates Limited c) CK Tang Limited d) Pan-United Corporation Ltd e) Venture Manufacturing (Singapore) Ltd f) Kluang Rubber Company (Malaya) Berhad g) Kuchai Development Berhad |
| Securities holding in the Company (as at 30 June 2008) | Direct interest of 40,800 shares in the Company equivalent to 0.07% |
| Relationship with other Directors and/or substantial shareholders | No family relationship with other Directors and/or substantial shareholders of the Company |
| Conflict of interest with the Company | Nil |

LEE CHUNG SHIH

| | |
|----------------------------|---|
| Position | Executive Director |
| Age | 46 |
| Nationality | Singaporean |
| Work Experience/Occupation | a) Managing Director, The Emerald Hill Group of Companies b) Executive Director, Public Unlisted Real Estate Investment Company c) Director, Public Unlisted Licenced Trust Company |
| Qualification | B. Sc., International Business |
| Date of Appointment | 19 February 1990 |

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| | |
|---|--|
| Details of any board committee to which Director belongs | Member of Investment Committee |
| Directorship in other listed companies | a) Kuchai Development Berhad b) Kluang Rubber Company (Malaya) Berhad |
| Securities holding in the Company (as at 30 June 2008) | Direct interest of 32,000 shares and deemed interest of 35,170,752 shares in the Company equivalent to 0.05% and 58.14% respectively |
| Relationship with other Directors and/or substantial shareholders | Son of Lee Thor Seng and brother of Lee Yung Shih |
| Conflict of interest with the Company | Nil |

LEE SOO HOON

| | |
|---|---|
| Position | Independent Non-Executive Director |
| Age | 66 |
| Nationality | Malaysian |
| Work Experience/Occupation | a) Partner of Ernst & Young, Singapore (1978 - 1997) b) Independent Director of Singapore Public Companies c) Provides management and financial consultancy services |
| Qualification | a) F.C.A. Institute of Chartered Accountants in England and Wales b) Member of Singapore Institute of Certified Public Accountants c) Member of Malaysian Institute of Certified Public Accountants d) Member of Malaysian Institute of Accountants e) Member of Singapore Institute of Directors |
| Date of Appointment | 19 October 2001 |
| Details of any board committee to which Director belongs | a) Chairman of Audit Committee b) Member of Remuneration Committee c) Member of Nomination Committee |
| Directorship in other listed companies | a) IPC Corporation Ltd b) CSE Global Ltd c) Transview Holdings Ltd d) Kuchai Development Berhad e) Kluang Rubber Company (Malaya) Berhad f) G.K. Goh Holdings Ltd |
| Securities holding in the Company (as at 30 June 2008) | Nil |
| Relationship with other Directors and/or substantial shareholders | No family relationship with other Directors and/or substantial shareholders of the Company |
| Conflict of interest with the Company | Nil |

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HAN TENG JUAN

| | |
|---|---|
| Position | Executive Director |
| Age | 59 |
| Nationality | Malaysian |
| Work Experience/Occupation | 36 years experience in the plantation industry involved in the management of rubber and oil palm estates |
| Qualification | a) Member of Malaysian Institute of Management, Incorporated Society of Planter b) Committee Member of Royal Johore Planters Association c) Honorary Treasurer of Malaysian Palm Oil Association (Johor Branch) |
| Date of Appointment | 31 December 2002 |
| Details of any board committee to which Director belongs | Nil |
| Directorship in other listed companies | a) Kuchai Development Berhad b) Kluang Rubber Company (Malaya) Berhad |
| Securities holding in the Company (as at 30 June 2008) | Nil |
| Relationship with other Directors and/or substantial shareholders | No family relationship with other Directors and/or substantial shareholders of the Company |
| Conflict of interest with the Company | Nil |

LIEW CHUAN HOCK

| | |
|----------------------------|--|
| Position | Independent Non-Executive Director |
| Age | 47 |
| Nationality | Malaysian |
| Work Experience/Occupation | a) Vice President Institutional Sales, HwangDBS Investment Bank Berhad. Holds dealers representative licence b) Executive Director, Britac Bhd c) Head of Institutional Sales, Sime Securities Sdn Bhd d) Head of Institutional Sales, HLG Securities Bhd |
| Qualification | a) Masters in Business Administration, University of Manchester b) B.Sc. (Eng.) Hons. Bachelors Degree in Civil Engineering, University of London |
| Date of Appointment | 18 November 2002 |

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| | |
|---|---|
| Details of any board committee to which Director belongs | a) Chairman of Remuneration Committee b) Member of Audit Committee c) Member of Nomination Committee d) Member of Investment Committee |
| Directorship in other listed companies | a) Kuchai Development Berhad b) Kluang Rubber Company (Malaya) Berhad |
| Securities holding in the Company (as at 30 June 2008) | Nil |
| Relationship with other Directors and/or substantial shareholders | No family relationship with other Directors and/or substantial shareholders of the Company |
| Conflict of interest with the Company | Nil |

HUANG YUAN CHIANG

| | |
|---|---|
| Position | Independent Non-Executive Director |
| Age | 49 |
| Nationality | Malaysian |
| Work Experience/Occupation | Mr Huang is a lawyer by training and an investment banker by vocation. His career in investment banking spanned 12 years and he has held senior management positions with various international banks including Standard Chartered Bank, HSBC, Bankers Trusts and Deutsche Bank. His last position at Bankers Trust was Managing Director, overseeing the Mergers & Acquisitions Division of Bankers Trust for Singapore, Malaysia, Thailand, Indonesia, Philippines and India. |
| Qualification | a) Bachelor of Laws (LL.B) Monash University b) Bachelor of Economics (B.Ec) Monash University |
| Date of Appointment | 18 November 2003 |
| Details of any board committee to which Director belongs | a) Chairman of Nomination Committee b) Chairman of Investment Committee c) Member of Audit Committee d) Member of Remuneration Committee |
| Directorship in other listed companies | a) Kuchai Development Berhad b) Kluang Rubber Company (Malaya) Berhad c) MTQ Corporation Limited d) Broadway Industrial Group Limited e) Mercator Lines (Singapore) Limited f) Omega Navigation Enterprises Inc |
| Securities holding in the Company (as at 30 June 2008) | Nil |
| Relationship with other Directors and/or substantial shareholders | No family relationship with other Directors and/or substantial shareholders of the Company |
| Conflict of interest with the Company | Nil |

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the production and sale of fresh oil palm fruit bunches. The Company is also a long term portfolio investor in securities.

The principal activities of the subsidiaries are described in Note 11 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

| | Group RM | Company RM |
|-------------------------------|---------------------|-----------------------|
| Profit for the year | 31,239,605 | 3,473,457 |
| Attributable to : | | |
| Equity holders of the Company | 31,239,605 | 3,473,457 |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 30 June 2007 were as follows :

| | Amount RM | Net dividend per share Sen |
|--|----------------------|---|
| In respect of the financial year ended 30 June 2007 on 60,491,552 ordinary shares, declared on 29 October 2007 and paid on 6 December 2007 : | | |
| First and final ordinary dividend of 2% less 27% taxation | 883,176 | 1.4 |
| Bonus dividend of 0.5% less 27% taxation | 220,794 | 0.4 |
| | 1,103,970 | 1.8 |

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At the forthcoming Annual General Meeting, the following dividends in respect of the financial year ended 30 June 2008 on 60,491,552 ordinary shares, will be proposed for shareholders' approval:

| | Amount RM | Net dividend per share Sen |
|---|----------------------|---|
| First and final ordinary dividend of 2% less 25% taxation | 907,373 | 1.5 |
| Bonus dividend of 2.5% less 25% taxation | 1,134,217 | 1.9 |
| | 2,041,590 | 3.4 |
| | 2,041,590 | 3.4 |

The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2009.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are :

Cecil V R Wong
Lee Chung Shih
Lee Soo Hoon
Liew Chuan Hock
Han Teng Juan
Huang Yuan Chiang

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

| | ←—Number of Ordinary Shares of RM1 Each—→ | | | 30 June 2008 |
|------------------------|---|--------|------|-----------------|
| | 1 July 2007 | Bought | Sold | |
| Direct interest | | | | |
| Cecil V R Wong | 40,800 | - | - | 40,800 |
| Deemed interest | | | | |
| Lee Chung Shih | | | | |
| - Direct interest | 32,000 | - | - | 32,000 |
| - Indirect interest | 35,170,752 | - | - | 35,170,752 |

Lee Chung Shih by virtue of his interest in the Company is deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

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None of the other directors in office at the end of the financial year had any interest in shares in the Company during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps :
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render :
- (i) it necessary to write off any debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist :
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors :
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 October 2008.

HAN TENG JUAN

CECIL VR WONG

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**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Han Teng Juan and Cecil V R Wong, being two of the directors of Sungei Bagan Rubber Company (Malaya) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 32 to 65 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 October 2008.

HAN TENG JUAN

CECIL VR WONG

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Corinna Foo Kim Joke, being the Officer primarily responsible for the financial management of Sungei Bagan Rubber Company (Malaya) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 65 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed CORINNA FOO KIM JOKE)
at Johor Bahru in the State of Johor)
on 6 October 2008.)

CORINNA FOO KIM JOKE

Before me,

No. J075
HJ BAHARI HJ MAHADI
Pesuruhjaya Sumpah
Johor Bahru

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Sungei Bagan Rubber Company (Malaya) Berhad, which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 65.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 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 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
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- (c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF 0039
Chartered Accountants

WUN MOW SANG
1821/12/08(J)
Partner

Johor Bahru, Malaysia
6 October 2008

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
(Incorporated in Malaysia)

**INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

| | Note | Group 2008 RM | Group 2007 RM | Company 2008 RM | Company 2007 RM |
|---|------|---------------------|---------------------|-----------------------|-----------------------|
| Revenue | 3 | 20,693,808 | 14,678,000 | 17,551,339 | 11,134,997 |
| Other income | | 1,300 | 8,765 | 1,300 | 8,765 |
| Changes in inventories | | 43,896 | (27,201) | 43,896 | (27,201) |
| Employee benefits expenses | 4 | (1,052,381) | (858,534) | (1,052,381) | (858,534) |
| Depreciation | | (23,082) | (23,155) | (23,082) | (23,155) |
| Subcontract labour cost, fertilizer and chemical costs | | (2,962,754) | (2,159,302) | (2,962,754) | (2,159,302) |
| Foreign exchange gain/(loss) | | 11,421,596 | 2,978,944 | (6,150,760) | (7,063,041) |
| Other expenses | | (1,659,984) | (1,417,246) | (1,458,438) | (1,206,966) |
| Fair value gain | | | | | |
| - Investment property | | 4,678,246 | 8,505,055 | - | - |
| Write back of provision for diminution in value of investment | | - | 188,752 | - | 188,752 |
| Profit/(Loss) from operations | 5 | 31,140,645 | 21,874,078 | 5,949,120 | (5,685) |
| Share of results of associates | 12 | 3,527,623 | 1,112,386 | - | - |
| Profit/(Loss) before taxation | | 34,668,268 | 22,986,464 | 5,949,120 | (5,685) |
| Income tax expense | 7 | (3,428,663) | (3,600,707) | (2,475,663) | (1,049,707) |
| Profit/(Loss) for the year | | 31,239,605 | 19,385,757 | 3,473,457 | (1,055,392) |
| Attributable to : | | | | | |
| Equity holders of the Company | | 31,239,605 | 19,385,757 | 3,473,457 | (1,055,392) |
| Earnings per share (Sen) | | | | | |
| Basic | 8(a) | 51.6 | 32.0 | | |
| Diluted | 8(b) | 51.6 | 32.0 | | |

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

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
(Incorporated in Malaysia)

**BALANCE SHEETS
AS AT 30 JUNE 2008**

| | Note | Group 2008 RM | 2007 RM | Company 2008 RM | 2007 RM |
|---|---------|---------------------------|---------------------------|---------------------------|---------------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 1,465,186 | 1,488,268 | 1,465,186 | 1,488,268 |
| Investment properties | 10 | 27,820,375 | 24,464,600 | - | - |
| Investment in subsidiaries | 11 | - | - | 10 | 10 |
| Investment in associates | 12 | 72,281,002 | 83,644,528 | 188,753 | 188,753 |
| Due from subsidiaries | 13 | - | - | 84,811,987 | 89,751,986 |
| Available-for-sale investments | 14 | 107,895,524 | 114,728,252 | 104,627,705 | 111,287,286 |
| Deferred tax asset | 15 | 135,000 | 135,000 | 135,000 | 135,000 |
| | | <u>209,597,087</u> | <u>224,460,648</u> | <u>191,228,641</u> | <u>202,851,303</u> |
| Current assets | | | | | |
| Inventories | 16 | 51,334 | 7,438 | 51,334 | 7,438 |
| Trade and other receivables | 17 | 883,614 | 467,817 | 20,956,950 | 21,910,750 |
| Cash and bank balances | 18 | 141,963,411 | 124,991,578 | 28,144,229 | 20,948,630 |
| | | <u>142,898,359</u> | <u>125,466,833</u> | <u>49,152,513</u> | <u>42,866,818</u> |
| TOTAL ASSETS | | <u><u>352,495,446</u></u> | <u><u>349,927,481</u></u> | <u><u>240,381,154</u></u> | <u><u>245,718,121</u></u> |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 19 | 60,491,552 | 60,491,552 | 60,491,552 | 60,491,552 |
| Reserves | 20 & 21 | 283,099,657 | 280,151,626 | 177,539,371 | 181,829,464 |
| | | <u>343,591,209</u> | <u>340,643,178</u> | <u>238,030,923</u> | <u>242,321,016</u> |
| Non-current liabilities | | | | | |
| Provision for retirement benefits | 22 | 175,425 | 383,069 | 175,425 | 383,069 |
| Deferred tax liabilities | 15 | 6,413,000 | 5,779,000 | - | - |
| | | <u>6,588,425</u> | <u>6,162,069</u> | <u>175,425</u> | <u>383,069</u> |
| Current liabilities | | | | | |
| Trade and other payables | 23 | 1,906,577 | 2,710,640 | 1,765,571 | 2,602,442 |
| Tax payable | | 409,235 | 411,594 | 409,235 | 411,594 |
| | | <u>2,315,812</u> | <u>3,122,234</u> | <u>2,174,806</u> | <u>3,014,036</u> |
| Total liabilities | | <u>8,904,237</u> | <u>9,284,303</u> | <u>2,350,231</u> | <u>3,397,105</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>352,495,446</u></u> | <u><u>349,927,481</u></u> | <u><u>240,381,154</u></u> | <u><u>245,718,121</u></u> |

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

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

| | Non-distributable | | | Distributable | | | Total equity |
|--|-------------------|-------------------|--------------------------------------|--------------------|--------------------------------------|-------------------|--------------------|
| | Share capital | Capital reserve | Foreign exchange fluctuation reserve | Fair value reserve | Cultivation and replacement reserves | General reserve | |
| Note | RM | RM | RM | RM | RM | RM | RM |
| 2007 | | | | | | | |
| At 1 July 2006 | 60,491,552 | 40,255,121 | 12,601,755 | - | 7,364,361 | 11,000,000 | 207,264,697 |
| Effects of adopting: | | | | | | | |
| FRS 139 | - | 10,404,958 | - | 68,799,944 | - | - | 79,204,902 |
| FRS 140 | - | - | - | - | - | - | 8,005,428 |
| Share of associates effect of adopting FRS 140 | - | - | - | - | - | - | 3,507,907 |
| | 60,491,552 | 50,660,079 | 12,601,755 | 68,799,944 | 7,364,361 | 11,000,000 | 297,982,934 |

Carry forward to next page

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2008

| | Share capital | Non-distributable | | Distributable | | Total | |
|---|-------------------|-------------------|--------------------|--------------------------------------|-------------------|--------------------|--------------------|
| | | Capital reserve | Fair value reserve | Cultivation and replacement reserves | General reserve | | Retained earnings |
| | RM | RM | RM | RM | RM | RM | |
| Brought forward from previous page | 60,491,552 | 50,660,079 | 12,601,755 | 7,364,361 | 11,000,000 | 87,065,243 | 297,982,934 |
| Transfer (to)/from reserves | - | - | - | (180,932) | - | 180,932 | - |
| Share of associated companies' reserve | - | 16,347,331 | - | - | - | - | 16,347,331 |
| Foreign currency translation | - | - | (8,470,833) | - | - | - | (8,470,833) |
| Fair value gain : - Available-for-sale investments | - | - | - | - | - | - | 16,269,067 |
| Net income and expense recognised directly in equity | - | 16,347,331 | (8,470,833) | (180,932) | - | 180,932 | 24,145,565 |
| Profit for the year | - | - | - | - | - | 19,385,757 | 19,385,757 |
| Total recognised income and expense for the year | - | 16,347,331 | (8,470,833) | (180,932) | - | 19,566,689 | 43,531,322 |
| Dividend | - | - | - | - | - | (871,078) | (871,078) |
| At 30 June 2007 | 60,491,552 | 67,007,410 | 4,130,922 | 7,183,429 | 11,000,000 | 105,760,854 | 340,643,178 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2008**

| | Share capital RM | Non-distributable | | | Distributable | | | Total RM |
|---|---------------------|-------------------------------------|--|--|--|-------------------------------------|-------------------------|--------------|
| | | Capital reserve Note 20(a) RM | Fair value reserve Note 20(b) RM | Foreign exchange fluctuation reserve RM | Cultivation and replacement reserves Note 20(c) RM | General reserve Note 20(d) RM | Retained earnings RM | |
| At 1 July 2007 | 60,491,552 | 67,007,410 | 85,069,011 | 4,130,922 | 7,183,429 | 11,000,000 | 105,760,854 | 340,643,178 |
| Transfer (to)/from reserves | - | - | - | - | (185,625) | - | 185,625 | - |
| Share of associated companies' reserve | - | (12,532,654) | - | - | - | - | - | (12,532,654) |
| Foreign currency translation | - | - | - | (8,011,615) | - | - | - | (8,011,615) |
| Fair value loss : - Available-for-sale investments | - | - | (6,643,335) | - | - | - | - | (6,643,335) |
| Net income and expense recognised directly in equity | - | (12,532,654) | (6,643,335) | (8,011,615) | (185,625) | - | 185,625 | (27,187,604) |
| Profit for the year | - | - | - | - | - | - | 31,239,605 | 31,239,605 |
| Total recognised income and expense for the year | - | (12,532,654) | (6,643,335) | (8,011,615) | (185,625) | - | 31,425,230 | 4,052,001 |
| Dividends | - | - | - | - | - | - | (1,103,970) | (1,103,970) |
| At 30 June 2008 | 60,491,552 | 54,474,756 | 78,425,676 | (3,880,693) | 6,997,804 | 11,000,000 | 136,082,114 | 343,591,209 |

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

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
(Incorporated in Malaysia)

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

| | Share capital | Non-distributable | | | Distributable | | | Total |
|---|---------------|-------------------------------------|---|---|---|--|----------------------------|-------------|
| | | Capital reserve Note 20(a) RM | Fair value reserve Note 20(b) RM | Foreign exchange fluctuation reserve RM | Cultivation and replacement reserves Note 20(c) RM | General reserve Note 20(d) RM | Retained earnings RM | |
| 2007 | RM | | | | | | | RM |
| At 1 July 2006 | 60,491,552 | 40,255,121 | - | 17,118,486 | 7,364,361 | 11,000,000 | 22,937,922 | 159,167,442 |
| Effects of adopting FRS 139 | - | - | 68,799,944 | - | - | - | - | 68,799,944 |
| | 60,491,552 | 40,255,121 | 68,799,944 | 17,118,486 | 7,364,361 | 11,000,000 | 22,937,922 | 227,967,386 |
| Transfer to/(from) reserves | - | - | - | - | (180,932) | - | 180,932 | - |
| Fair value gain : | - | - | 16,280,100 | - | - | - | - | 16,280,100 |
| - Available-for-sale investments | - | - | 16,280,100 | - | - | - | - | 16,280,100 |
| Net income and expense recognised directly in equity | - | - | - | - | (180,932) | - | 180,932 | 16,280,100 |
| Loss for the year | - | - | - | - | - | - | (1,055,392) | (1,055,392) |
| Total recognised income and expense for the year | - | - | 16,280,100 | - | (180,932) | - | (874,460) | 15,224,708 |
| Dividend | - | - | - | - | - | - | (871,078) | (871,078) |
| At 30 June 2007 | 60,491,552 | 40,255,121 | 85,080,044 | 17,118,486 | 7,183,429 | 11,000,000 | 21,192,384 | 242,321,016 |

COMPANY STATEMENT OF CHANGES IN EQUITY (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2008

| | Share capital | Non-distributable | | | Distributable | | | Total |
|--|---------------|-------------------------------------|--|--|--|-------------------------------------|-------------------------|-------------|
| | | Capital reserve Note 20(a) RM | Fair value reserve Note 20(b) RM | Foreign exchange fluctuation reserve RM | Cultivation and replacement reserves Note 20(c) RM | General reserve Note 20(d) RM | Retained earnings RM | |
| 2008 | | | | | | | | |
| At 1 July 2007 | 60,491,552 | 40,255,121 | 85,080,044 | 17,118,486 | 7,183,429 | 11,000,000 | 21,192,384 | 242,321,016 |
| Transfer to/(from) reserves | - | - | - | - | (185,625) | - | 185,625 | - |
| Fair value loss : | - | - | (6,659,580) | - | - | - | - | (6,659,580) |
| - Available-for-sale investments | | | | | | | | |
| Net income and expense recognised directly in equity | - | - | (6,659,580) | - | (185,625) | - | 185,625 | (6,659,580) |
| Profit for the year | - | - | - | - | - | - | 3,473,457 | 3,473,457 |
| Total recognised income and expense for the year | - | - | (6,659,580) | - | (185,625) | - | 3,659,082 | (3,186,123) |
| Dividends | - | - | - | - | - | - | (1,103,970) | (1,103,970) |
| At 30 June 2008 | 60,491,552 | 40,255,121 | 78,420,464 | 17,118,486 | 6,997,804 | 11,000,000 | 23,747,496 | 238,030,923 |

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

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

| | Group | | Company | |
|---|---------------------|-------------|--------------------|-------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit/(Loss) before taxation | 34,668,268 | 22,986,464 | 5,949,120 | (5,685) |
| Adjustments for : | | | | |
| Depreciation | 23,082 | 23,155 | 23,082 | 23,155 |
| Provision for retirement benefits | 69,340 | 37,086 | 69,340 | 37,086 |
| Provision for retirement benefits written back | - | (2,430) | - | (2,430) |
| Unrealised foreign exchange (gain)/loss | (11,771,352) | (2,979,571) | 6,130,324 | 7,062,002 |
| Dividend income | (3,808,928) | (3,178,413) | (3,808,928) | (3,178,413) |
| Interest income | (3,744,398) | (3,938,348) | (601,929) | (395,345) |
| Write back of provision for diminution in value of investment | - | (188,752) | - | (188,752) |
| Fair value gain - Investment property | (4,678,246) | (8,505,055) | - | - |
| Share of results of associates | (3,527,623) | (1,112,386) | - | - |
| Operating profit before working capital changes | 7,230,143 | 3,141,750 | 7,761,009 | 3,351,618 |
| Receivables | (367,096) | 183,729 | (132,889) | 303,349 |
| Inventories | (43,896) | 27,201 | (43,896) | 27,201 |
| Payables | (798,229) | (99,362) | (839,405) | (189,886) |
| Cash generated from operations | 6,020,922 | 3,253,318 | 6,744,819 | 3,492,282 |
| Retirement benefit paid | (276,984) | (4,003) | (276,984) | (4,003) |
| Tax refunded | - | 479,165 | - | 479,165 |
| Tax paid | (2,166,963) | (576,530) | (2,166,962) | (576,530) |
| Net cash generated from operating activities | 3,576,975 | 3,151,950 | 4,300,873 | 3,390,914 |

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
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CASH FLOW STATEMENTS (Cont'd)
FOR THE YEAR ENDED 30 JUNE 2008

| | Group | | Company | |
|---|--------------------|-------------|--------------------|-------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Dividends received | 3,496,938 | 2,775,796 | 3,496,938 | 2,775,796 |
| Interest received | 3,697,391 | 3,969,876 | 501,758 | 326,059 |
| Purchase of investment | - | (3,452,000) | - | - |
| Repayment from associated company | - | 402,338 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash generated from investing activities | 7,194,329 | 3,696,010 | 3,998,696 | 3,101,855 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITY | | | | |
| Dividends paid | (1,103,970) | (871,078) | (1,103,970) | (871,078) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash used in financing activity | (1,103,970) | (871,078) | (1,103,970) | (871,078) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | | |
| | 9,667,334 | 5,976,882 | 7,195,599 | 5,621,691 |
| EFFECTS OF EXCHANGE RATE CHANGES | | | | |
| | 7,304,499 | (2,105,343) | - | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | | | |
| | 124,991,578 | 121,120,039 | 20,948,630 | 15,326,939 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 18) | | | | |
| | 141,963,411 | 124,991,578 | 28,144,229 | 20,948,630 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2008

1. CORPORATE INFORMATION

The principal activities of the Company consist of the production and sale of fresh oil palm fruit bunches. The Company is also a long term portfolio investor in securities. The principal activities of the subsidiaries are described in Note 11. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 6-1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru. The principal place of business is located at Suite 233, 2nd Floor, PanGlobal Plaza, Jalan Wong Ah Fook, 80000 Johor Bahru.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 6 October 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRS") which are mandatory for financial periods beginning on or after 1 July 2007 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except for freehold land included within property, plant and equipment, investment properties and available-for-sale investments that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

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Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

(b) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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 income statement in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available management or audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(c) Property, Plant and Equipment and Depreciation

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

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Certain landed properties of the Company have not been revalued since they were first revalued in 1959. The directors have not adopted a policy of revaluation of such assets. As permitted under the transitional provisions of International Accounting Standards (IAS) 16 (Revised): Property, Plant and Equipment which was the applicable accounting standards when the first revaluation was done, these assets continue to be stated at their 1959 valuation less accumulated depreciation.

Surplus arising from revaluation is credited to the revaluation reserve account included within equity. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property and the balance thereafter is recognised in the income statement. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold estate has unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to their residual value over the estimated useful life at the following annual rates:

| | |
|-------------------------------------|-------------|
| Buildings | 4% - 10% |
| Plant and machinery | 10% |
| Furniture and fittings | 10% - 50% |
| Vehicles and agricultural equipment | 25% - 33.3% |

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.

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 retained earnings.

(d) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gain or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

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 rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

(e) Impairment of Non-Financial Assets

The carrying amounts of assets, other than investment properties, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

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 asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

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

(f) Inventories

Inventories comprise spare parts, fertilizers and chemicals and are stated at the lower of cost (determined on weighted average basis) and net realisable value.

(g) Investments and Other Financial Assets

Financial assets in the scope of FRS 139 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace, are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains and losses on investments held for trading are recognised in the income statement.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are in an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

(h) Cash and Cash Equivalents

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

(i) Trade Receivables

Trade 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.

(j) Trade Payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(k) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which the obligation to pay is established.

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(m) Income Tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(n) 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

(iii) Retirement benefits

The Group and the Company provide for retirement benefits for eligible employees on an unfunded defined benefits basis in accordance with the terms of the unions’ collective agreement and/or employment agreement. Full provision has been made for retirement benefits payable to all eligible employees based on their last drawn salaries, the length of service to-date and the rates set out in the said agreements. Should an employee leave after completing the qualifying period of service but before attaining the retirement age, the provision made for the employee is written back. No actuarial valuation has been conducted on the retirement benefits provision, as the amount is deemed to be insignificant to the Group and the Company.

(o) 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 carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the period except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group’s net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, 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 the income statement. Exchange differences arising on monetary items that form part of the Group’s net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency

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of either the reporting entity or the foreign operation, are recognised in the income statement for the period. 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 the income statement in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(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 in RM as follows :

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

(p) Revenue Recognition

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

(i) **Sale of goods**

Revenue relating to sale of fresh oil palm fruit bunches is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) **Interest income**

Interest is recognised on a time proportion basis that reflect the effective yield on the assets.

(iii) **Dividend income**

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

(iv) **Replanting cess refund**

Replanting cess refund is accounted for on a receipt basis.

(q) New Planting Expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity are capitalised under estates costs and are not depreciated.

(r) Replanting Expenditure

Replanting expenditure consists of expenses incurred from the point of clearing of planted areas to the point of harvesting and is charged to income statement in the year that it is incurred.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the adoption of the following new FRSs on 1 July 2007 as discussed below.

| | |
|--------------------------------------|--|
| FRS 6 | Exploration for and Evaluation of Mineral Resources |
| FRS 117 | Leases |
| FRS 124 | Related Party Disclosures |
| Amendment to FRS 119 ²⁰⁰⁴ | Employee Benefits - Actuarial gains and losses, group plans and disclosures. |
| FRS 107 | Cash Flow Statements |
| FRS 111 | Construction Contracts |
| FRS 112 | Income Taxes |
| FRS 118 | Revenue |
| FRS 120 | Accounting for Government Grants and Disclosures of Government Assistance |
| Amendments to FRS 121 | The Effects of Changes in Foreign Exchange Rate - Net Investment in a Foreign Operation |
| Amendments to FRS 134 | Interim Financial Reporting |
| Amendments to FRS 137 | Provision, Contingent Liabilities and Contingent Assets |
| IC Interpretation 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IC Interpretation 2 | Members' Shares in Co-operative Entities and Similar Instruments |
| IC Interpretation 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| IC Interpretation 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment |
| IC Interpretation 7 | Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies |
| IC Interpretation 8 | Scope of FRS 2 |

The adoption of the above FRS, amendments to FRS and Interpretations does not result in significant changes in the accounting policies of the Group and of the Company.

2.4 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group reviewed the residual values and remaining useful life of its property, plant and equipment and found that no revisions to the residual values and remaining useful life of its property, plant and equipment were necessary.

2.5 Significant Accounting Estimates and Judgements

Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 30 June 2008 was RM856,701 (2007 : RM767,335). Further details are disclosed in Note 12.

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3. REVENUE

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

| | Group | | Company | |
|---------------------------------------|--------------------------|------------|--------------------------|------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Sales of fresh oil palm fruit bunches | 13,140,482 | 7,561,239 | 13,140,482 | 7,561,239 |
| Dividend income | | | | |
| - Quoted shares in Malaysia | 1,134,800 | 36,000 | 1,134,800 | 36,000 |
| - Quoted shares outside Malaysia | 2,674,128 | 3,142,413 | 2,674,128 | 3,142,413 |
| Interest income | 3,744,398 | 3,938,348 | 601,929 | 395,345 |
| | 20,693,808 | 14,678,000 | 17,551,339 | 11,134,997 |

4. EMPLOYEE BENEFITS EXPENSES

| | Group and Company | |
|--|--------------------------|------------|
| | 2008 RM | 2007 RM |
| Wages and salaries | 857,134 | 699,877 |
| Contributions to defined contribution plan | 44,566 | 42,138 |
| Social security contributions | 5,060 | 5,212 |
| Retirement benefits | 69,340 | 34,657 |
| Other benefits | 76,281 | 76,650 |
| | 1,052,381 | 858,534 |

Included in employee benefits expenses of the Group and Company are executive directors' remuneration amounting to RM274,900 (2007 : RM220,400) as further disclosed in Note 6.

5. PROFIT/(LOSS) FROM OPERATIONS

The following amounts have been included in arriving at profit/(loss) from operations :

| | Group | | Company | |
|---|--------------------------|-------------|--------------------------|------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Auditors' remuneration | | | | |
| - Current year | 30,000 | 30,000 | 30,000 | 30,000 |
| - Of subsidiaries, borne by the Company | 6,000 | 6,000 | 6,000 | 6,000 |
| - Other services | 38,000 | 45,000 | 38,000 | 45,000 |
| Fees of subsidiaries' directors | 4,154 | 4,468 | - | - |
| Foreign exchange loss/(gain) | | | | |
| - Realised | 349,756 | 627 | 20,436 | 1,038 |
| - Unrealised | (11,771,352) | (2,979,571) | 6,130,324 | 7,062,002 |
| Rental of premises | 4,392 | 4,392 | 4,392 | 4,392 |
| Replanting cost | 185,625 | 180,932 | 185,625 | 180,932 |

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6. DIRECTORS' REMUNERATION

| | Group and Company | |
|-------------------------|--------------------------|---------|
| | 2008 | 2007 |
| | RM | RM |
| Executive : | | |
| Salaries and allowances | 232,400 | 186,400 |
| Fees | 42,500 | 34,000 |
| | 274,900 | 220,400 |
| Non-Executive : | | |
| Fees | 190,000 | 185,000 |
| Total | 464,900 | 405,400 |

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

| | Number of Directors | |
|--------------------------------|----------------------------|------|
| | 2008 | 2007 |
| Executive directors | | |
| RM50,001 to RM100,000 | - | 1 |
| RM100,001 to RM150,000 | 1 | 1 |
| RM150,001 to RM200,000 | 1 | - |
| Non-Executive directors | | |
| Below RM50,000 | 4 | 4 |

7. INCOME TAX EXPENSE

| | Group | | Company | |
|---|------------------|-----------|------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Tax expense for the year : | | | | |
| Malaysian income tax | 2,471,000 | 1,100,000 | 2,471,000 | 1,100,000 |
| Foreign tax | 4,663 | 427,596 | 4,663 | 427,596 |
| | 2,475,663 | 1,527,596 | 2,475,663 | 1,527,596 |
| Overprovision in prior years : | | | | |
| Malaysian income tax | - | (477,889) | - | (477,889) |
| | 2,475,663 | 1,049,707 | 2,475,663 | 1,049,707 |
| Deferred tax (Note 15) : | | | | |
| Relating to origination and reversal of temporary differences | 953,000 | 2,551,000 | - | - |
| Total income tax expense | 3,428,663 | 3,600,707 | 2,475,663 | 1,049,707 |

Domestic current income tax is calculated at the statutory tax rate of 26% (2007 : 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 30 June 2008 has reflected these changes.

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A reconciliation of income tax expense applicable to profit/(loss) 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 :

| | 2008 | 2007 |
|--|--------------------|-------------|
| | RM | RM |
| Group | | |
| Profit before taxation | 34,668,268 | 22,986,464 |
| Taxation at Malaysian statutory tax rate of 26% (2007 : 27%) | 9,013,750 | 6,206,345 |
| Effects of foreign income subjected to tax at source at lower tax rate | (2,072) | (420,856) |
| Effects of income not subject to tax | (1,319,251) | (863,291) |
| Effects of expenses not deductible for tax purposes | 1,668,969 | 2,037,023 |
| Effects of profits in subsidiaries not subject to tax | (4,752,207) | (2,845,299) |
| Effects of share of results of associates | (917,182) | (300,344) |
| Effect of changes in tax rates on opening balance of deferred tax | - | 10,007 |
| Deferred tax recognised at different tax rates | - | (141) |
| Overprovision of tax expense in prior years | - | (477,889) |
| Different tax rate in other country | (263,344) | 255,152 |
| Tax expense for the year | 3,428,663 | 3,600,707 |
| | 2008 | 2007 |
| | RM | RM |
| Company | | |
| Profit/(Loss) before taxation | 5,949,120 | (5,685) |
| Taxation at Malaysian statutory tax rate of 26% (2007 : 27%) | 1,546,771 | (1,535) |
| Effects of foreign income subjected to tax at source at lower tax rate | (2,072) | (420,856) |
| Effects of income not subject to tax | (688,538) | (50,963) |
| Effects of expenses not deductible for tax purposes | 1,619,502 | 1,991,084 |
| Effect of changes in tax rates on opening balance of deferred tax | - | 10,007 |
| Deferred tax recognised at different tax rates | - | (141) |
| Overprovision of tax expense in prior years | - | (477,889) |
| Tax expense for the year | 2,475,663 | 1,049,707 |

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8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the financial year.

| | 2008 | Group |
|------------------------------------|-------------------|--------------|
| | RM | 2007 |
| | | RM |
| Profit for the year | 31,239,605 | 19,385,757 |
| Number of ordinary shares in issue | 60,491,552 | 60,491,552 |
| Basic earnings per share (Sen) | 51.6 | 32.0 |

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there is no dilutive potential ordinary shares outstanding as at 30 June 2008.

9. PROPERTY, PLANT AND EQUIPMENT

| | At Valuation | | ←————— At Cost —————→ | | | |
|-------------------------------------|--------------------------|--------------------------|-----------------------|---------------------------------|------------------------|-----------|
| | Freehold estate RM | Freehold estate RM | Buildings RM | Plant and machinery RM | *Other assets RM | |
| 2008 | | | | | | |
| Cost/Valuation | | | | | | |
| At 1 July 2007/ 30 June 2008 | 815,967 | 549,154 | 604,324 | 168,627 | 328,235 | 2,466,307 |
| Accumulated Depreciation | | | | | | |
| At 1 July 2007 | - | - | 528,805 | 127,008 | 322,226 | 978,039 |
| Depreciation charge for the year | - | - | 13,699 | 7,423 | 1,960 | 23,082 |
| At 30 June 2008 | - | - | 542,504 | 134,431 | 324,186 | 1,001,121 |
| Net Carrying Amount | | | | | | |
| At 30 June 2008 | 815,967 | 549,154 | 61,820 | 34,196 | 4,049 | 1,465,186 |

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| | At Valuation | ←————— At Cost —————→ | | | | |
|-------------------------------------|--------------------------|--------------------------|-----------------|---------------------------------|------------------------|-------------|
| | Freehold estate RM | Freehold estate RM | Buildings RM | Plant and machinery RM | *Other assets RM | Total RM |
| 2007 | | | | | | |
| Cost/Valuation | | | | | | |
| At 1 July 2006/ 30 June 2007 | 815,967 | 549,154 | 604,324 | 168,627 | 328,234 | 2,466,306 |
| Accumulated Depreciation | | | | | | |
| At July 2006 | - | - | 515,128 | 119,593 | 320,162 | 954,883 |
| Depreciation charge for the year | - | - | 13,677 | 7,415 | 2,063 | 23,155 |
| At 30 June 2007 | - | - | 528,805 | 127,008 | 322,225 | 978,038 |
| Net Carrying Amount | | | | | | |
| At 30 June 2007 | 815,967 | 549,154 | 75,519 | 41,619 | 6,009 | 1,488,268 |

* Other assets comprise furniture and fittings, vehicles, agriculture equipment and computers.

- (a) The freehold estate was revalued by directors in 1959.
- (b) Due to the absence of historical records, no disclosure on the historical cost of the revalued freehold estate was made.
- (c) Included in property, plant and equipment of the Group and the Company are the cost of the following fully depreciated assets which are still in use :

| | 2008 RM | 2007 RM |
|---------------------|------------|------------|
| Group and Company | | |
| Building | 482,324 | 419,524 |
| Plant and machinery | 94,417 | 94,417 |
| Other assets | 311,031 | 307,113 |
| | 887,772 | 821,054 |

10. INVESTMENT PROPERTIES

| | 2008 RM | 2007 RM |
|-----------------------------|-------------|-------------|
| Group | | |
| At beginning of year | 24,464,600 | 5,539,233 |
| Effects of adopting FRS 140 | - | 11,437,428 |
| Fair value adjustment | 4,678,246 | 8,505,055 |
| Exchange difference | (1,322,471) | (1,017,116) |
| At end of year | 27,820,375 | 24,464,600 |

The following investment properties are held under lease term :

| | 2008 RM | 2007 RM |
|-------------------------------|------------|------------|
| Long term leasehold apartment | 27,820,375 | 24,464,600 |

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11. INVESTMENT IN SUBSIDIARIES

| Company | 2008 | 2007 |
|--------------------------|-------------|-------------|
| | RM | RM |
| Unquoted shares, at cost | 10 | 10 |

Details of the subsidiaries are as follows :

| Name of Subsidiaries | Country of Incorporation | Equity Interest Held (%) | | Principal Activity |
|-------------------------------------|-------------------------------------|-------------------------------------|-------------|---------------------------|
| | | 2008 | 2007 | |
| Lanstar Assets Limited | British Virgin Islands | 100 | 100 | Investment holding |
| Springvale International Limited | British Virgin Islands | 100 | 100 | Investment holding |

12. INVESTMENT IN ASSOCIATES

| | Group | | Company | |
|---|-------------------|-------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Unquoted shares, at cost : | | | | |
| Outside Malaysia | 5,931,993 | 6,879,223 | 188,753 | 188,753 |
| Effect of adopting FRS121 | - | (612,706) | - | - |
| | 5,931,993 | 6,266,517 | 188,753 | 188,753 |
| Quoted shares, at cost : | | | | |
| Outside Malaysia | 36,600,158 | 39,527,738 | - | - |
| Effect of adopting FRS121 | - | (3,417,792) | - | - |
| | 42,532,151 | 42,376,463 | 188,753 | 188,753 |
| Share of post-acquisition reserves | 29,748,851 | 41,268,065 | - | - |
| | 72,281,002 | 83,644,528 | 188,753 | 188,753 |
| Represented by : | | | | |
| Share of net assets | 68,299,752 | 80,880,301 | | |
| Goodwill on acquisition | 856,701 | 767,335 | | |
| Effect of exchange rate difference | 3,124,549 | 1,996,892 | | |
| | 72,281,002 | 83,644,528 | | |
| Market value of quoted shares outside Malaysia | 60,234,983 | 74,042,614 | | |

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(a) Details of the associates are :

| Name of Associates | Country of Incorporation | Equity Interest Held (%) | | Principal Activities |
|--------------------------------------|--------------------------|--------------------------|------|--------------------------------------|
| | | 2008 | 2007 | |
| Kuala Pergau Rubber Plantations PLC* | England | 25 | 25 | Plantation owner. |
| Balland Properties Limited** | Ireland | 49 | 49 | Investment holding. |
| Raffles – Asia Investment Company** | Mauritius | 32.0 | 31.9 | Invest in a portfolio of securities. |

* Shareholdings held directly through the Company

** Shareholdings held directly through a subsidiary

During the financial year, dividend received from an associate of RM2,514,183 (2007 : RM2,711,379) was reinvested.

(b) The summarised financial information of the associates are as follows :

| | 2008 RM | 2007 RM |
|--|-------------------|-------------------|
| Share of assets and liabilities | | |
| Current assets | 9,069,963 | 7,346,851 |
| Non-current assets | 62,742,574 | 78,023,615 |
| Current liabilities | (885,049) | (2,864,653) |
| Non-current liabilities | (2,627,736) | (1,625,512) |
| Net assets | <u>68,299,752</u> | <u>80,880,301</u> |
| Results | | |
| Revenue | 2,092,003 | 3,657,391 |
| Share of profit for the year | <u>3,527,623</u> | <u>1,112,386</u> |

(c) The details of goodwill included within the Group's carrying amount of investment in associates are as follows :

| | 2008 RM | 2007 RM |
|--|----------------|----------------|
| Cost/Net Carrying Amount | | |
| At beginning of year | 767,335 | 815,377 |
| Arising from investments in associates | 89,366 | 43,227 |
| Exchange differences | - | (91,269) |
| At end of year | <u>856,701</u> | <u>767,335</u> |

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13. DUE FROM SUBSIDIARIES

| | Company | |
|-------------------------------------|---------------------|--------------|
| | 2008 | 2007 |
| | RM | RM |
| Due from subsidiaries | 104,962,434 | 111,266,224 |
| Less : Short term portion (Note 17) | (20,150,447) | (21,514,238) |
| | 84,811,987 | 89,751,986 |
| Long term portion | 84,811,987 | 89,751,986 |

Amount due from subsidiaries is unsecured and interest free. The long term portion of the amount due from subsidiaries represents the Company's investment in the foreign subsidiaries.

14. AVAILABLE-FOR-SALE INVESTMENTS

| | Group | | Company | |
|---|--------------------|-------------|--------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Quoted - | | | | |
| Shares in Malaysia | 18,973,500 | 23,258,041 | 18,973,500 | 23,258,041 |
| Shares outside Malaysia | 85,654,205 | 88,029,244 | 85,654,205 | 88,029,245 |
| | 104,627,705 | 111,287,285 | 104,627,705 | 111,287,286 |
| Unquoted - | | | | |
| Redeemable preference shares outside Malaysia | 3,267,819 | 3,440,967 | - | - |
| | 107,895,524 | 114,728,252 | 104,627,705 | 111,287,286 |
| | 107,895,524 | 114,728,252 | 104,627,705 | 111,287,286 |

Available-for-sale investment consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

15. DEFERRED TAX

| | Group | | Company | |
|---|--------------------|-------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| At beginning of year | (5,644,000) | 135,000 | 135,000 | 135,000 |
| Effects of adopting FRS140 | - | (3,432,000) | - | - |
| Recognised in income statement (Note 7) | (953,000) | (2,551,000) | - | - |
| Exchange difference | 319,000 | 204,000 | - | - |
| | (6,278,000) | (5,644,000) | 135,000 | 135,000 |
| At end of year | (6,278,000) | (5,644,000) | 135,000 | 135,000 |
| Analysed as follows : | | | | |
| Deferred tax asset | 135,000 | 135,000 | 135,000 | 135,000 |
| Deferred tax liability | (6,413,000) | (5,779,000) | - | - |
| | (6,278,000) | (5,644,000) | 135,000 | 135,000 |

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The components and movements of deferred tax liability and asset during the financial year prior to offsetting are as follows :

Deferred tax asset of the Group and Company

| | Retirement Benefit Obligations RM | Accelerated Capital Allowances RM | Total RM |
|--------------------------------|--|--|---------------------|
| 2008 | | | |
| At 1 July 2007 | 158,000 | (23,000) | 135,000 |
| Recognised in income statement | - | - | - |
| At 30 June 2008 | <u>158,000</u> | <u>(23,000)</u> | <u>135,000</u> |
| 2007 | | | |
| At 1 July 2006 | 158,000 | (23,000) | 135,000 |
| Recognised in income statement | - | - | - |
| At 30 June 2007 | <u>158,000</u> | <u>(23,000)</u> | <u>135,000</u> |

Deferred tax liability of the Group

| | Investment Property | |
|--------------------------------|----------------------------|--------------------|
| | 2008 RM | 2007 RM |
| At beginning of year | 5,779,000 | - |
| Effect of adopting FRS 140 | - | 3,432,000 |
| Recognised in income statement | 953,000 | 2,551,000 |
| Exchange difference | (319,000) | (204,000) |
| At end of year | <u>6,413,000</u> | <u>5,779,000</u> |

16. INVENTORIES

| | Group and Company | |
|--|--------------------------|--------------------|
| | 2008 RM | 2007 RM |
| At cost : | | |
| Spare parts, fertilizers and chemicals | <u>51,334</u> | <u>7,438</u> |

17. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|------------------------------------|-----------------------|--------------------|--------------------------|--------------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Trade receivables | 376,721 | 131,227 | 376,721 | 131,227 |
| Sundry receivables | 353,245 | 300,265 | 330,665 | 230,493 |
| Prepayments | 152,717 | 36,325 | 98,186 | 34,792 |
| Due from subsidiaries (Note 13) | - | - | 20,150,447 | 21,514,238 |
| Dividend receivable | 931 | - | 931 | - |
| | <u>883,614</u> | <u>467,817</u> | <u>20,956,950</u> | <u>21,910,750</u> |

The normal trade credit term is 15 days. Other credit terms are assessed and approved on case-by-case basis.

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The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

The amount due from subsidiaries is unsecured, interest free and has no fixed terms of repayment.

Other information on financial risks of other receivables are disclosed in Note 26.

18. CASH AND BANK BALANCES

| | Group | | Company | |
|--|--------------------------|-------------|--------------------------|------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Cash on hand and at bank | 5,565,536 | 4,752,833 | 5,208,490 | 4,514,649 |
| Short-term deposits with licensed banks | | | | |
| - in Malaysia | 22,935,739 | 16,433,981 | 22,935,739 | 16,433,981 |
| - outside Malaysia | 113,462,136 | 103,804,764 | - | - |
| Cash and cash equivalents | 141,963,411 | 124,991,578 | 28,144,229 | 20,948,630 |

The weighted average interest rates of deposits at the balance sheet date were as follows :

| | Group | | Company | |
|------------------|-------------------------|-----------|-------------------------|-----------|
| | 2008 % | 2007 % | 2008 % | 2007 % |
| In Malaysia | 3.06 | 3.05 | 3.06 | 3.05 |
| Outside Malaysia | 1.57 | 3.21 | - | - |

The average maturity days of deposits as at the end of the financial year were as follows :

| | Group | | Company | |
|------------------|----------------------------|--------------|----------------------------|--------------|
| | 2008 Days | 2007 Days | 2008 Days | 2007 Days |
| In Malaysia | 173 | 170 | 173 | 170 |
| Outside Malaysia | 24 | 26 | - | - |

19. SHARE CAPITAL

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|-----------------------|--|-------------|--------------------------|-------------|
| | 2008 | 2007 | 2008 RM | 2007 RM |
| Authorised | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| Issued and fully paid | 60,491,552 | 60,491,552 | 60,491,552 | 60,491,552 |

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20. RESERVES

The components and movements of reserves are disclosed in the statements of charges in equity.

- (a) Capital reserve represents reserve created in accordance with Article No. 142 of the Company's Articles of Association and is not distributable as dividend. It consists of surplus from disposal of properties and long term investments and was created for the purpose of future acquisition of property and investment.
- (b) Fair value reserve represents net gains or losses from revaluing the available-for-sale investments at fair value.
- (c) Cultivation and replacement reserves represent reserves created for the purpose of replanting oil palm and rubber crop.
- (d) General reserve represents reserve transferred from retained profits and is distributable.

21. DISTRIBUTABLE RESERVES

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

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 30 June 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 June 2008, the Company has the following amounts of tax credit in the Section 108 balance and balance in the tax exempt income accounts to pay dividends out of its entire retained earnings :

| | Company | |
|---------------------------|------------------------------------|------------------------------------|
| | 2008 | 2007 |
| | RM | RM |
| Section 108 | 8,297,000 | 8,085,000 |
| Tax exempt income account | 22,460,000 | 19,791,000 |
| | <u><u> </u></u> | <u><u> </u></u> |

22. PROVISION FOR RETIREMENT BENEFITS

| | Group and Company | |
|--|------------------------------------|------------------------------------|
| | 2008 | 2007 |
| | RM | RM |
| At beginning of year | 1,158,632 | 1,127,979 |
| Charged to income statements | 69,340 | 37,086 |
| Overprovided in prior years | - | (2,430) |
| Payment | (276,984) | (4,003) |
| | <u> </u> | <u> </u> |
| At end of year | 950,988 | 1,158,632 |
| Retirement benefit payable within one year (Note 23) | (775,563) | (775,563) |
| | <u> </u> | <u> </u> |
| Retirement benefit payable after one year | 175,425 | 383,069 |
| | <u><u> </u></u> | <u><u> </u></u> |

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23. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Trade payables | 104,174 | 187,465 | 104,174 | 187,465 |
| Accruals | 556,227 | 696,479 | 535,324 | 650,530 |
| Sundry payables | 93,284 | 22,201 | 80,113 | 22,201 |
| Due to directors' related companies | 371,251 | 1,022,853 | 264,319 | 960,604 |
| Unclaimed dividends | 6,078 | 6,079 | 6,078 | 6,079 |
| Retirement benefit payable (Note 22) | 775,563 | 775,563 | 775,563 | 775,563 |
| | <u>1,906,577</u> | <u>2,710,640</u> | <u>1,765,571</u> | <u>2,602,442</u> |

- (a) The normal credit terms granted to the Group range from 30 to 90 days.
- (b) Included in trade payables of the Group and the Company is an amount of RM56,109 (2007 : RM14,114) due to Kluang Estate (1977) Sdn. Bhd., a company in which certain directors of the Company, Cecil V R Wong and Lee Chung Shih have interest.
- (c) Amount due to directors' related companies of the Group and the Company represents non-trade amount due to companies in which certain directors have interest. These are unsecured, interest free and with no fixed terms of repayment.

| | Group | | Company | |
|---|----------------|------------------|----------------|----------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| The Nyalas Rubber Estates Limited* | 368,442 | 1,006,978 | 261,510 | 944,729 |
| Kluang Rubber Company (Malaya) Berhad** | - | 12,939 | - | 12,939 |
| Kuchai Development Berhad** | 2,809 | 2,936 | 2,809 | 2,936 |
| | <u>371,251</u> | <u>1,022,853</u> | <u>264,319</u> | <u>960,604</u> |

* Company in which a director, Lee Chung Shih, has an interest.

** Company in which certain directors, Cecil V R Wong and Lee Chung Shih, have interest.

- (d) The retirement benefit payable includes RM575,563 (2007 : RM575,563) payable to a former chairman, Mr. Lee Thor Seng and RM200,000 (2007 : RM200,000) payable to a former director, Mr. Lam Sit Hin.

Further details on related party transactions are disclosed in Note 25.

Other information on financial risks of other payables are disclosed in Note 26.

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24. DIVIDENDS

| | Amount | | Net dividend per share | |
|--|-------------------------|----------------|------------------------|-------------|
| | 2008 RM | 2006 RM | 2008 Sen | 2006 Sen |
| First and final | | | | |
| 2% less 28% taxation, on 60,491,552 ordinary shares, declared on 27 November 2006, paid on 28 December 2006 | - | 871,078 | - | 1.4 |
| 2% less 27% taxation, on 60,491,552 ordinary shares, declared on 29 October 2007, paid on 6 December 2007 | 883,176 | - | 1.4 | - |
| Bonus | | | | |
| 0.5% less 27% taxation, on 60,491,552 ordinary shares, declared on 29 October 2007, paid on 6 December 2007 | 220,794 | - | 0.4 | - |
| | <u>1,103,970</u> | <u>871,078</u> | <u>1.8</u> | <u>1.4</u> |

At the forthcoming Annual General Meeting, the following dividends in respect of the financial year ended 30 June 2008 on 60,491,552 ordinary shares, will be proposed for shareholders' approval:

| | Amount RM | Net dividend per share Sen |
|--|------------------|----------------------------------|
| First and final dividend of 2% less 25% taxation | 907,373 | 1.5 |
| Bonus dividend of 2.5% less 25% taxation | 1,134,217 | 1.9 |
| | <u>2,041,590</u> | <u>3.4</u> |

The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2009.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

| | Group and Company | |
|---|-------------------|------------|
| | 2008 RM | 2007 RM |
| Estate agency fee payable to Kluang Estates (1977) Sdn. Bhd., a company in which certain directors Cecil V R Wong and Lee Chung Shih, have interest | 250,954 | 162,844 |
| Administration and support services payable to The Nyalas Rubber Estates Limited, a company in which a director, Lee Chung Shih, has an interest | 531,177 | 456,587 |
| Purchase of redeemable preference shares in CAM GTi Limited, a company registered in the Republic of Mauritius managed by Chartered Assets Management Pte Ltd., a company in which a brother of Lee Chung Shih, has an interest | - | 3,452,000 |

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The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

26. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are interest rate, foreign exchange, liquidity and credit risks. The policies for managing each of these risks are summarised below.

(b) Interest Rate Risk

Cash flow interest rate is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial paper, with reputable banks.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

(c) Foreign Exchange Risk

It is the Group's policy not to trade in derivative contracts. The foreign exchange risks of the Group occur due to the fact that the Group has transactions denominated in foreign currencies.

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

| Functional Currency of Group Companies | 2008 | | 2007 | |
|--|------------------------|----------------------------|------------------------|----------------------------|
| | Ringgit Malaysia RM | United States Dollar RM | Ringgit Malaysia RM | United States Dollar RM |
| Cash and bank balances | | | | |
| Singapore Dollar | - | 58,821,839 | - | 36,472,928 |
| Pound Sterling | - | 325,351 | - | 194,704 |
| Euro | - | 40,833,788 | - | 52,934,534 |
| | - | 99,980,978 | - | 89,602,166 |
| Other payables | | | | |
| Singapore Dollar | 261,510 | 106,932 | 944,729 | 62,251 |
| Pound Sterling | - | 13,171 | - | - |
| | - | - | - | - |

(d) Liquidity Risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

(e) Credit Risk

Credit risk is managed through the implementation of procedures including credit approvals, limits and monitoring procedures.

The carrying amount of cash and cash equivalents, trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk.

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(f) Fair Values

Fair values is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidated sale.

The carrying amounts of the financial assets and liabilities of the Group and the Company, approximate their fair value due to the relatively short-term maturities of these balances.

27. SEGMENT INFORMATION

(a) Business Segments

The Group is organised into two major business segments :

- (i) Plantation - cultivation of oil palm
- (ii) Investments - long term portfolio investment in securities

| | Plantation | | Investments | | Consolidated | |
|-----------------------------------|-------------------|------------|--------------------|-------------|---------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM | RM | RM |
| REVENUE | | | | | | |
| External | 13,140,482 | 7,561,239 | 7,553,326 | 7,116,761 | 20,693,808 | 14,678,000 |
| Result | | | | | | |
| Segment results | 9,268,518 | 4,611,231 | 12,030,026 | 15,600,288 | 21,298,544 | 20,211,519 |
| Unallocated corporate expenses | | | | | (1,579,495) | (1,316,385) |
| Foreign exchange (loss)/gain | (20,436) | (1,039) | 11,442,032 | 2,979,983 | 11,421,596 | 2,978,944 |
| Profits from operations | | | | | 31,140,645 | 21,874,078 |
| Share of results of associates | - | - | 3,527,623 | 1,112,386 | 3,527,623 | 1,112,386 |
| Taxation | | | | | (3,428,663) | (3,600,707) |
| Profit for the year | | | | | 31,239,605 | 19,385,757 |
| ASSETS | | | | | | |
| Segment assets | 30,467,252 | 22,840,848 | 249,612,192 | 243,307,105 | 280,079,444 | 266,147,953 |
| Investments in associates | - | - | 72,281,002 | 83,644,528 | 72,281,002 | 83,644,528 |
| Unallocated corporate assets | | | | | 135,000 | 135,000 |
| Consolidated total assets | | | | | 352,495,446 | 349,927,481 |
| LIABILITIES | | | | | | |
| Segment liabilities | 184,287 | 209,666 | 20,903 | 45,949 | 205,190 | 255,615 |
| Unallocated corporate liabilities | | | | | 8,699,047 | 9,028,688 |
| Consolidated total liabilities | | | | | 8,904,237 | 9,284,303 |

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| | Plantation | | Investments | | Consolidated | |
|--|-------------------|--------|--------------------|-----------|---------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM | RM | RM |
| OTHER INFORMATION | | | | | | |
| Depreciation | 23,082 | 23,155 | - | - | 23,082 | 23,155 |
| Fair value gain | | | | | | |
| - Investment property | - | - | 4,678,246 | 8,505,055 | 4,678,246 | 8,505,055 |
| Write back of provision for investment in associate written back | - | - | - | 188,752 | - | 188,752 |

(b) Geographical Segments :

The Group's plantation activity is mainly in Malaysia whilst the investment activities are in six geographical areas of the world.

| | Total Revenue from External Customers | | Segment Assets | |
|------------------------|--|------------|-----------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Malaysia | 15,055,926 | 7,992,584 | 49,575,752 | 46,233,888 |
| Singapore | 2,674,128 | 3,142,413 | 85,654,205 | 88,029,245 |
| Hong Kong | 2,963,754 | 3,543,003 | 113,515,350 | 103,916,488 |
| United Kingdom | - | - | 36,845,313 | 32,297,811 |
| Mauritius | - | - | 66,903,766 | 79,448,520 |
| British Virgin Islands | - | - | 1,060 | 1,529 |
| | 20,693,808 | 14,678,000 | 352,495,446 | 349,927,481 |

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FIVE YEARS COMPARATIVE FIGURES

| Year ended 30 June | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------|--------|---------|--------|---------------|
| Crop – FFB – tonnes | 24,382 | 24,073 | 20,374 | 20,181 | 20,048 |
| Net average price FFB – RM/tonne | 319 | 285 | 280 | 375 | 780 |
| Planted acreage | 2,609 | 2,609 | 2,507 | 2,338 | 2,338 |
| Average yield per mature acres : FFB – tonne | 9 | 9 | 8 | 9 | 9 |
| Profit before taxation (RM'000) | 28,993* | 6,145* | 13,843* | 22,987 | 34,668 |
| Taxation (RM'000) | 3,191* | 1,379* | 1,154* | 3,601 | 3,429 |
| Profit after taxation and before extraordinary items (RM'000) | 25,802* | 4,766* | 12,689* | 19,386 | 31,239 |
| Dividend – % | 115.0 | 2.0 | 2.0 | 2.5 | 4.5 |
| Net cost of dividend (RM'000) | 1,565 | 871 | 871 | 1,104 | 2,042 |

* Restated

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STATEMENT OF SHAREHOLDINGS

As at 26 September 2008

| | | |
|----------------------------------|---|--|
| Authorised capital | : | RM100,000,000 divided into 100,000,000 ordinary shares |
| Issued and fully paid-up capital | : | RM 60,491,552 |
| Class of shares | : | Ordinary shares of RM1.00 each |
| Voting rights | : | One vote per RM1.00 share |

ANALYSIS OF SHAREHOLDINGS

| Number of Holders | Holdings | Total Holdings | Percentage of Holdings |
|--------------------------|--|-----------------------|-------------------------------|
| 23 | Less than 100 | 969 | 0.00 |
| 467 | 100 to 1,000 | 386,549 | 0.64 |
| 1,155 | 1,001 to 10,000 | 4,933,009 | 8.16 |
| 352 | 10,001 to 100,000 | 11,023,193 | 18.22 |
| 40 | 100,001 to less than 5% of issued shares | 11,857,080 | 19.60 |
| 2 | 5% and above | 32,290,752 | 53.38 |
| <hr/> | | | |
| 2,039 | | 60,491,552 | 100.00 |

THIRTY LARGEST SHAREHOLDERS

| Name of shareholders | Number of shares | Percentage of shares |
|---|-------------------------|-----------------------------|
| 1. Malaysia Nominees (Tempatan) Sendirian Berhad Kluang Rubber Company (Malaya) Berhad | 19,292,800 | 31.89 |
| 2. RHB Nominees (Tempatan) Sdn. Bhd. Kuchai Development Berhad | 12,997,952 | 21.49 |
| 3. Kuchai Development Berhad | 2,880,000 | 4.76 |
| 4. PM Nominees (Tempatan) Sdn Bhd Malpac Management Sdn Bhd | 930,000 | 1.54 |
| 5. HSBC Nominees (Asing) Sdn Bhd HSBC SG for Lee Rubber Company Pte Ltd | 444,224 | 0.73 |
| 6. Lim Teh Realty Sdn Berhad | 435,200 | 0.72 |
| 7. Lee Chin Hong | 400,000 | 0.66 |
| 8. CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Hoe | 369,800 | 0.61 |
| 9. Song Huat Chan Holdings Sdn Bhd | 344,000 | 0.57 |
| 10. PM Nominees (Tempatan) Sdn. Bhd. Malpac Management Sdn Bhd for Oh Kim Hoe | 334,000 | 0.55 |

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
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| Name of shareholders | Number of shares | Percentage of shares |
|--|------------------|----------------------|
| 11. Ooi Chieng Sim | 319,000 | 0.53 |
| 12. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kiam Hsung | 302,300 | 0.50 |
| 13. Amsec Nominees (Tempatan) Sdn. Bhd. Arab-Malaysian Credit Berhad for Nur Diyanah Inder Binti Abdullah | 294,400 | 0.49 |
| 14. Mayban Securities Nominees (Asing) Sdn. Bhd. UOB-Kay Hian Pte Ltd for Chua Geok Choo | 285,600 | 0.47 |
| 15. Cimsec Nominees (Asing) Sdn. Bhd. Exempt An For CIMB-GK Securities Pte Ltd | 252,100 | 0.42 |
| 16. Yeow Teng Tak | 252,000 | 0.42 |
| 17. Lye Choon Sheng | 249,600 | 0.41 |
| 18. JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai | 244,400 | 0.40 |
| 19. Yeo Khee Huat | 201,100 | 0.33 |
| 20. HLG Nominee (Asing) Sdn. Bhd. Exempt An for UOB Kay Hian Pte Ltd | 198,256 | 0.33 |
| 21. Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yoong Yet Onn | 197,900 | 0.33 |
| 22. TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Chieh Yu Lydia | 194,400 | 0.32 |
| 23. JP Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teo Kwee Hock | 187,600 | 0.31 |
| 24. Ng Poh Cheng | 177,800 | 0.29 |
| 25. Lim Keow Gnoh | 172,000 | 0.28 |
| 26. Teuh Chin Yap | 170,000 | 0.28 |
| 27. Koo Juan Kuan | 151,000 | 0.25 |
| 28. Ng Kim Geok @ Ng Kim Kok | 149,700 | 0.25 |
| 29. Ong Teck Peow | 137,500 | 0.23 |
| 30. Wong Loke Chiah Lim & Tan Securities Pte Ltd For Chong Yong Wah | 136,600 | 0.23 |

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
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SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

| Shareholders | Direct Interest | ← No. of Shares → | | |
|--|--------------------|-------------------|-------------------------|-------|
| | | % | Deemed Interest | % |
| 1. Kuchai Development Berhad | 15,877,952 | 26.25 | - | - |
| 2. Kluang Rubber Company (Malaya) Berhad | 19,292,800 | 31.89 | - | - |
| 3. The Nyalas Rubber Estates Limited | - | - | 35,170,752 [#] | 58.14 |
| 4. Lee Thor Seng | 83,040 | 0.14 | 35,170,752 [#] | 58.14 |
| 5. Lee Chung Shih | 32,000 | 0.05 | 35,170,752 [#] | 58.14 |
| 6. Lee Yung Shih | 32,000 | 0.05 | 35,170,752 [#] | 58.14 |

[#] Note: Deemed interested by virtue of its substantial indirect interest in Kuchai Development Berhad and Kluang Rubber Company (Malaya) Berhad

DIRECTORS' SHAREHOLDINGS

According to the Register required to be kept under Section 134 of the Companies Act, 1965, the following are the shareholdings of the Directors of the Company:

| Directors | Direct Interest | ← No. of Shares → | | |
|----------------------|--------------------|-------------------|-------------------------|-------|
| | | % | Deemed Interest | % |
| 1. Cecil V R Wong | 40,800 | 0.07 | - | - |
| 2. Lee Chung Shih | 32,000 | 0.05 | 35,170,752 [#] | 58.14 |
| 3. Lee Soo Hoon | - | - | - | - |
| 4. Han Teng Juan | - | - | - | - |
| 5. Liew Chuan Hock | - | - | - | - |
| 6. Huang Yuan Chiang | - | - | - | - |

[#] Note: Deemed interested by virtue of his substantial indirect interest in Kuchai Development Berhad and Kluang Rubber Company (Malaya) Berhad

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
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LIST OF PROPERTIES

The details of landed properties owned by the Company as at 30 June 2008 are as follows:

| <u>Location</u> | <u>Description of existing use</u> | <u>Tenure</u> | <u>Land Area</u> | <u>Approximate age of building</u> | <u>Net Carrying Amount/ Fair Value RM</u> | <u>Date of Acquisition</u> |
|---|------------------------------------|---------------|-------------------|------------------------------------|---|----------------------------|
| Lot 517, 524, 1055 and 1069 District of Machang, Kelantan | Oil palm estate | Freehold | 2,744.639 acres | - | 1,365,121 | - |
| Flat 5, 22 Down Street, London | Residential building | Leasehold | 3,741 square feet | 999 years (expires in 2976) | 27,820,375 * | April 1997 |

* Has been revalued on June 2008.

SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD (3327-U)
(Incorporated in Malaysia)

FORM OF PROXY

I/We.....
of.....
being a member/members of SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD, hereby appoint
.....
of.....
or failing him.....
of.....

as my/our proxy to vote for me/us and on my/our behalf at the Fiftieth Annual General Meeting of the Company to be held at Hyatt Regency Hotel, Sri Muar Lower Ground Floor, 80720 Johor Bahru, Johor, Malaysia on Thursday, 27 November 2008 at 11.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

| NO. | RESOLUTION | FOR | AGAINST |
|-----|--|-----|---------|
| 1. | To receive the Audited Financial Statements together with the Reports | | |
| 2. | To approve the Final Dividend. | | |
| 3. | To approve the Bonus Dividend. | | |
| 4. | To approve the Directors' Remuneration. | | |
| 5. | To approve the Directors' Fees for the financial year ending 30 June 2009 | | |
| 6. | Re-election of Lee Chung Shih as Director. | | |
| 7. | Re-election of Huang Yuan Chiang as Director. | | |
| 8. | Re-appointment of Cecil V R Wong as Director. | | |
| 9. | Re-appointment of Messrs Ernst & Young as Auditors. | | |
| 10. | Proposed Amendments To The Company's Articles Of Association. | | |
| 11. | Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Kluang Estate (1977) Sdn Bhd | | |
| 12. | Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With The Nyalas Rubber Estates Limited | | |

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

Dated this.....day..... 2008.

| NO. OF SHARES HELD |
|--------------------|
| |

.....
Signature of Member(s)

NOTES:

- a. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and if he is not a Member of the Company, Section 149 of the Companies Act, 1965 shall not be applicable.
- b. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- c. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- d. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its officer or attorney.
- e. The instrument appointing the proxy must be deposited at the Company's Registered Office situated at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia not less than forty-eight hours before the time appointed for holding the Meeting and any adjournment thereof.



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**Affix
Stamp
Here**

The Secretary
SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD
(Company No: 3327-U)
Suite 6.1A, Level 6,
Menara Pelangi, Jalan Kuning, Taman Pelangi,
80400 Johor Bahru, Johor.

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