



**CEPATWAWASAN GROUP BERHAD**

(Company No: 536499-K)

Annual Report 2006

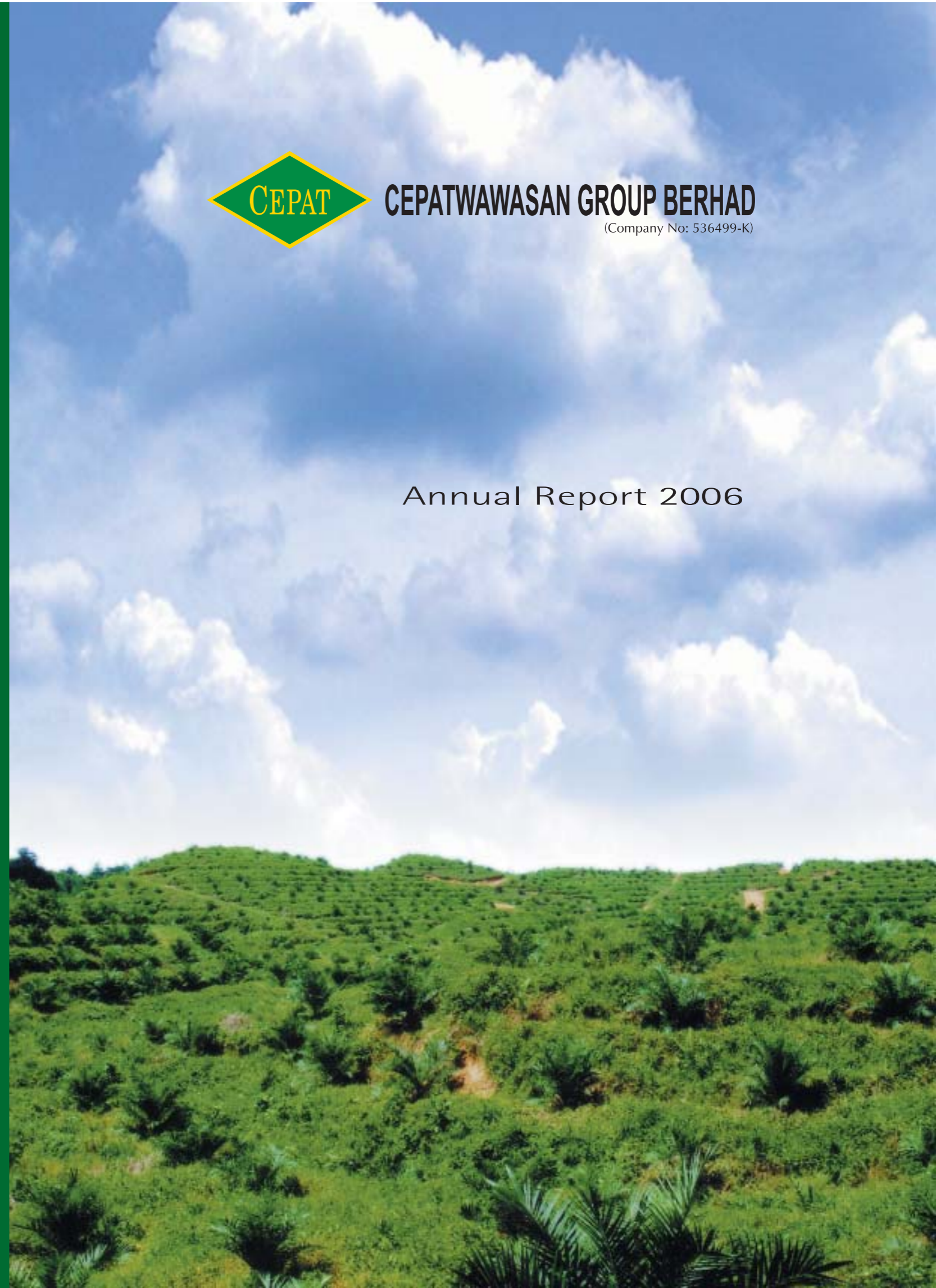


**CEPATWAWASAN GROUP BERHAD** (536499-K)

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NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be held at Executive Parlour (6th Floor), Sabah Hotel Sandakan, KM 1, Jalan Utara, Sandakan, Sabah on Monday, 31 July 2006 at 10.30 a.m. for the following business:-

### AGENDA

### Resolution No.

- |  |   |
|--|---|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 30 April 2006 together with the Directors' and Auditors' Reports thereon. |   |
| 2. To re-elect Mr. Fong Wai Leong retiring in accordance with Article 76 of the Company's Articles of Association.   | 1 |
| 3. To re-elect the following Directors retiring in accordance with Article 83 of the Company's Articles of Association:  |   |
| (i) Dato' Mah King Thian @ Mah King Thiam  | 2 |
| (ii) Dato' Mah King Seng   | 3 |
| 4. To appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.                         | 4 |
| 5. As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:-                                    |   |

### AUTHORITY TO ISSUE SHARES

"THAT subject always to the Companies Act, 1965 ("Act") and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue and to allot shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

5

6. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

**KANG SHEW MENG**

**SEOW FEI SAN**

Secretaries

Kuala Lumpur

7 July 2006

**Notes:-**

**(i) Proxy**

- (a) A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.
- (b) To be valid this form duly completed must be deposited at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting.
- (c) A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
- (d) 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 proportion of his shareholdings to be represented by each proxy.
- (e) If the appointer is a corporation, the Form of Proxy must be executed under its seal or under the hand of its attorney.
- (f) *Form of Proxy sent through facsimile transmission shall not be accepted.*

**(ii) Explanatory Note on Special Business**

**\* Resolution 5**

The proposed Ordinary Resolution 5, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company.

1. Names of Directors who are standing for election

- (a) Mr. Fong Wai Leong - Article 76
- (b) Dato' Mah King Thian @ Mah King Thiam - Article 83
- (c) Dato' Mah King Seng - Article 83

2. Place, date and time of the Sixth Annual General Meeting

<b>Place</b>	<b>Date</b>	<b>Time</b>
Executive Parlour (6th Floor), Sabah Hotel Sandakan, KM 1, Jalan Utara, Sandakan, Sabah.	Monday, 31 July 2006	10.30 a.m.

3. Further details of the abovementioned retiring Directors are set out on pages 6 to 8 of this Annual Report.
4. Further details of the attendance of Directors at Board Meetings is set out on page 14 of this Annual Report.

**BOARD OF DIRECTORS****Executive Chairman**

Dato' Mah King Thian @ Mah King Thiam

**Chief Executive Officer**

Tan Ah Seng

**Executive Director**

Dato' Mah King Seng

**Independent & Non-Executive Directors**

Kee Chit Huei

Chua Kim Yin

Fong Wai Leong

**AUDIT COMMITTEE**

Kee Chit Huei (*Chairman*)

Chua Kim Yin (*Member*)

Dato' Mah King Thian  
@ Mah King Thiam (*Member*)

**EXECUTIVE COMMITTEE**

Dato' Mah King Seng (*Chairman*)

Dato' Mah King Thian  
@ Mah King Thiam (*Member*)

Tan Ah Seng (*Member*)

**REMUNERATION COMMITTEE**

Dato' Mah King Thian  
@ Mah King Thiam (*Chairman*)

Chua Kim Yin (*Member*)

Kee Chit Huei (*Member*)

**NOMINATION COMMITTEE**

Chua Kim Yin (*Chairman*)

Kee Chit Huei (*Member*)

Tan Ah Seng (*Member*)

**COMPANY SECRETARIES**

Kang Shew Meng (*MAICSA 0778565*)

Seow Fei San (*MAICSA 7009732*)

**REGISTERED OFFICE**

Lot 39-40, Block C

Taman Indah Jaya Shophouses

Mile 4, North Road

P. O. Box 1562

90717 Sandakan, Sabah

Tel: 089-272773

Fax: 089-272772, 220881

E-mail: cptgrp@tm.net.my

**AUDITORS**

Ernst & Young

16th Floor

Wisma Khoo Siak Chiew

Jalan Buli Sim Sim

90000 Sandakan, Sabah

Tel: 089-217266

Fax: 089-272002

**SHARE REGISTRAR**

Epsilon Registration

Services Sdn Bhd

312, 3rd Floor, Block C

Kelana Square

17 Jalan SS 7/26

47301 Petaling Jaya

Selangor Darul Ehsan

Tel: 03-78062116

Fax: 03-78061261

**PRINCIPAL BANKERS**

Alliance Bank Malaysia Berhad

Hong Leong Bank Berhad

Malayan Banking Berhad

RHB Bank Berhad

Public Bank Berhad

**STOCK EXCHANGE LISTING**

Second Board of Bursa Malaysia

Securities Berhad

**DATO' MAH KING THIAN @ MAH KING THIAM**

*Malaysian aged 43*

*Executive Director/Chairman*

Dato' Mah King Thian @ Mah King Thiam was appointed as Executive Director and Chairman of the Company on 27 October 2005 and 31 October 2005 respectively. He is also a member of the Audit, Executive and Remuneration Committee.

He graduated from Monash University, Australia with a Bachelor of Economics Degree, majoring in Accounting in 1986 and also a Bachelor of Law Degree in 1987. He was subsequently admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1989. He is also a Fellow Member of Certified Practising Accountant Australia (FCPA). He is the Managing Director of MHC Plantations Bhd and Director of Anson Oil Industries Berhad, both public companies, and also of Behrang 2020 Sdn Bhd and several other private limited companies.

Dato' Mah King Thian @ Mah King Thiam is deemed connected to MHC Plantations Bhd, one of the substantial shareholder of the Company. He is the younger brother of Dato' Mah King Seng, the Executive Director of the Company and he has no conviction for offences within the past ten (10) years.

**TAN AH SENG**

*Malaysian aged 59*

*Executive Director/Chief Executive Officer*

Mr. Tan Ah Seng was appointed as Director of the Company on 21 July 2005 and he is the Chief Executive Officer of the Company. He is also a member of the Executive and Nomination Committee.

He started his career as a laboratory assistant in the Entomology Division, Ministry of Agriculture in 1966. Then in 1967, he went for further education in Britannia Royal Naval College in United Kingdom. Upon returning from United Kingdom, he joined the Royal Malaysians Navy as Short Service Commission Officer for eight (8) years. He left the Royal Malaysians Navy and continued his career in the plantation industry in 1975 with SOCFIN Company Berhad. He has more than thirty (30) years of experience in the plantation industry in West Malaysia.

He is a member of the Incorporated Society of Planters since 1975. Prior to joining the Company, he was the Plantation Controller of IOI Corporation Berhad for Sandakan Regional Office in Sabah.

He has no family relationship with any directors and/or major shareholders of the Company and he has no conviction for offences within the past ten (10) years.

### **DATO' MAH KING SENG**

*Malaysian aged 48*

*Executive Director*

Dato' Mah King Seng was appointed as Director of the Company on 27 October 2005. He is the Chairman of the Executive Committee.

He graduated from University of Minnesota, United States of America with a degree in Agricultural Science in 1978. In 1980, he attended the Palm Oil Mill Engineer/Executive Training course on palm oil mill operations organised by the Malaysian Oil Palm Growers Council. He subsequently obtained his Bachelor of Law Degree in 1985 from the University of Buckingham, United Kingdom and was admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1990. He is the Executive Chairman of MHC Plantations Bhd and Director of Anson Oil Industries Berhad, both public companies, and also of Behrang 2020 Sdn Bhd and several other private limited companies.

Dato' Mah King Seng is deemed connected to MHC Plantations Bhd, one of the substantial shareholder of the Company. He is the elder brother of Dato' Mah King Thian @ Mah King Thiam, the Executive Director/Chairman of the Company and he has no conviction for offences within the past ten (10) years.

### **KEE CHIT HUEI**

*Malaysian aged 34*

*Independent Non-Executive Director*

Mr. Kee Chit Huei was appointed as Director of the Company on 21 July 2005 and he is the Chairman of Audit Committee. He is also a member of the Remuneration and Nomination Committee.

He obtained his Bachelor of Commerce (Accounting) from Monash University, Australia and is a member of Australian Certified Practising Accountants (CPA).

He is currently the Managing Director of KeeBridge Capital Sdn Bhd. Prior to this, he was an Executive Director of a company listed on the Main Board of Singapore Stock Exchange and the Managing Director of a company listed on the Second Board of Bursa Malaysia. He had nine (9) years working experience in corporate finance and restructuring while working with various merchant banks in Malaysia.

He has no family relationship with any directors and/or major shareholders of the Company and he has no conviction for offences within the past ten (10) years.

**CHUA KIM YIN (J.P)**

*Malaysian aged 45*

*Independent Non-Executive Director*

Mr. Chua Kim Yin was appointed as Director of the Company on 21 July 2005 and he is the Chairman of Nomination Committee and also a member of Audit and Remuneration Committee. Mr. Chua was appointed a Justice of The Peace by Yang Di-Pertua Negeri Sabah in 1996.

He obtained his Bachelor of Economics (Accounting) in 1984 and Bachelor of Laws in 1986 from Monash University, Australia. He was then admitted to practise as a Barrister and Solicitor of the Supreme Court of Victoria, Australia in 1987. After a year, he was called to the Bar in Sabah by the High Court in Borneo, Kota Kinabalu. He is currently a partner in the legal firm, Messrs RCK & Co. of Kota Kinabalu, Sabah.

He has no family relationship with any directors and/or major shareholders of the Company and he has no conviction for offences within the past ten (10) years.

**FONG WAI LEONG**

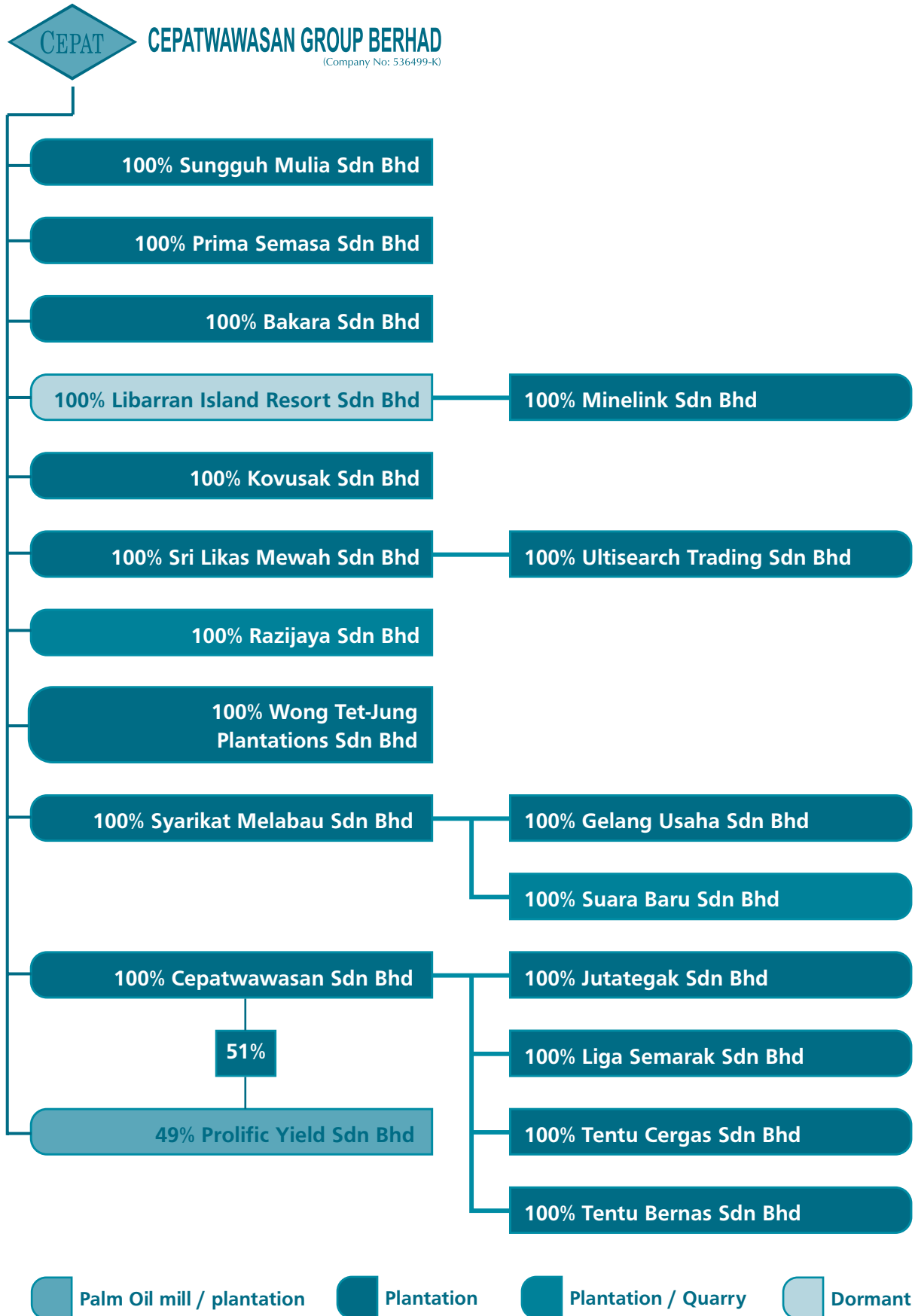
*Malaysian aged 37*

*Independent Non-Executive Director*

Mr. Fong Wai Leong was appointed as Director of the Company on 9 August 2004.

He is currently the Managing Director of Devonshire Capital Sdn Bhd. Mr. Fong has fifteen (15) years of experience in accounting and corporate finance, which includes advising on a number of successful IPOs and Mergers and Acquisitions in various countries, including Malaysia, China, South Africa and parts of South America. Prior to joining Devonshire Capital, he was the General Manager of Kuala Lumpur City Securities Sdn Bhd, where he headed the firm's Corporate Finance Division. He also worked at Commerce International Merchant Bankers Berhad as a Manager in the Corporate Finance Division. Mr. Fong started his career at KPMG where he obtained his CPA qualifications. He also serves as a director on Devonshire Capital Pte Ltd and ASTI Holdings Limited.

He has no family relationship with any directors and/or major shareholders of the Company and he has no conviction for offences within the past ten (10) years.



On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and its subsidiaries ("Group") for the year ended 30 April 2006.

### **Group Performance**

The Group's revenue for the year amounted to RM115.57 million, a reduction of 9%, from last financial year mainly due to lower Crude Palm Oil ("CPO") prices.

However, profit after tax had increased by 484% to RM15.07 million from RM2.58 million previously, mainly due to the provision for doubtful debts of RM12.80 million in the last financial year, being part of the RM16.00 million wrongfully paid by the former Directors who were removed on 6 August 2004. As such, the Group's net earnings per share increased substantially by 483% from 1.20 sen to 7.00 sen and net tangible assets per share increased to 75.00 sen.

During the year, the Group's plantations produced 118,444 Metric Tonnes ("MT") of Fresh Fruit Bunches ("FFB") and average FFB yield increased to 26.78 MT per hectare.

The Group's Palm Oil Mill produced 69,180 MT of CPO at an average Oil Extraction Rate of 20.14% and 17,724 MT of Palm Kernel ("PK") at an average Kernel Extraction Rate of 5.16%. During the year, CPO was sold at an average price of RM1,374/MT whereas PK was sold at an average RM934/MT.

The Group's Quarry recorded a 9% increase in production during the year.

### **Dividend**

During the year, the Company paid an interim dividend of 2% less 28% taxation on 30 December 2005, amounting to RM3,102,580. The Board of Directors did not propose any further dividend for the financial year ended 30 April 2006.

### **Significant Events**

On 8 July 2005, two subsidiaries of the Company, namely Cepatwawasan Sdn Bhd and Bakara Sdn Bhd, entered into conditional sale and purchase agreements to dispose of certain leasehold plantations for a cash consideration of RM340,000 and RM2,637,250 respectively. Both disposals were completed on 10 October 2005.

On 8 July 2005, a subsidiary of the Company, namely Bakara Sdn Bhd, entered into a conditional deed of assignment to assign the master sub-lease agreement dated 23 July 2001 of a leasehold plantation to a third party for a cash consideration of RM3,062,750. The assignment was completed on 10 October 2005.

On 8 July 2005, another subsidiary of the Company, namely Wong Tet-Jung Plantations Sdn Bhd, entered into a conditional sale and purchase agreement to acquire one parcel of leasehold plantation for a cash consideration of RM 3,600,000. The acquisition was completed on 10 October 2005.

On 26 October 2005, MHC Plantations Bhd, an oil palm plantation company listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), completed its acquisition of a 32.02% stake in the Company. Consequently, the Company has become an associated company of MHC Plantations Bhd.

On 13 June 2006, on the advice of RHB Merchant Bankers Berhad that the Company has met the necessary requirements, the Company has applied to the Securities Commission to seek their approval for the transfer of the listing of and quotation for its entire issued and paid-up share capital from the Second Board to the Main Board of Bursa Malaysia.

### **Prospects**

The Board is confident that the Group's prospects do remain bright. CPO price is expected to stay firm as a result of rising demand for edible oil from India and China as well as the growing usage of palm oil in the biodiesel energy sector.

Furthermore, about 31% of the Group's planted area is expected to mature and start yielding by 2008, thereby significantly enhancing the Group's productivity and profitability. With regard to the 69% of the planted area that has already matured, almost all are at the highest yielding phase of between 9 to 14 years of age.

Moreover, with the increase in infrastructure spending for Sabah under the Ninth Malaysia Plan, the Group's quarry is anticipated to record significant increase in sales and profit in the coming year.

### **Directorate**

On behalf of the Board, I would like to extend my thanks and gratitude to all the former directors of the Company, who have resigned since the last Annual General Meeting, for their guidance, contributions and invaluable services to the Group.

Since the last Annual General Meeting, two (2) new directors were appointed to the Board, namely Dato' Mah King Seng and myself.

## Acknowledgement

I would like to take this opportunity to thank all the Management and Staff for their dedicated services and immense contributions during the year.

To all our valued suppliers and customers, thank you very much for your loyalty and commitment to the Group.

And finally, to all our highly valued shareholders, please accept my heartfelt thanks for your unwavering and continuous support. May I wish you all a very successful and prosperous year ahead.

**Dato' Mah King Thian @ Mah King Thiam**

Chairman



The Board of Directors (the 'Board') of Cepatwawasan Group Berhad (the 'Company') is pleased to present to the shareholders a report on the manner in which the Company has applied the principles and the extent of compliance with the Best Practices of Corporate Governance as contained in the Malaysian Code on Corporate Governance pursuant to paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad ('Listing Requirements').

The Board recognises that the exercise of good Corporate Governance is a pre-requisite towards the continuing success of the Company as well as safeguarding and enhancing shareholders' value and protecting the interest of other stakeholders.

## 1. Directors

### 1.1 Board Composition

The Board currently consists of six Directors as at the date of this report:-

***Chairman/Executive Director***

Dato' Mah King Thian @ Mah King Thiam

***Chief Executive Officer***

Mr Tan Ah Seng

***Executive Directors***

Dato' Mah King Seng

Mr Chong Khing Chung (Resigned on 27 October 2005)

Mr Ouh Mee Lan (Resigned on 27 October 2005)

***Independent Non-Executive Directors***

Mr Fong Wai Leong

Mr Chua Kim Yin

Mr Kee Chit Huei

Mr Wong Kiam Kong (Resigned on 9 September 2005)

Mr Goh Tian Chuan (Resigned on 31 October 2005)

The Chairman, Chief Executive Officer and Executive Directors have many years of experience in the operations of plantations and palm oil mill. The Non-Executive Directors have extensive commercial experience. The Independent Directors are actively involved in the Board Meetings and the meetings of the various Board Committees and provide unbiased and independent judgement into all deliberations.

The roles of the Chairman and the Chief Executive Officer are separate and each has a clearly accepted division of responsibilities to ensure a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board while the Chief Executive Officer has overall responsibilities for the business operations of the Group and the implementation of Board policies and decisions.

## 1. Directors (cont'd)

### 1.1 Board Composition (cont'd)

The Company has complied with the requirement of paragraph 15.02 of the Listing Requirements whereby half of the Board of Directors is Independent Non-Executive Directors.

The Board held five (5) Board Meetings during the financial year. The details of attendance of each individual Director are as follows:-

Name	Meetings attended
Dato' Mah King Thian @ Mah King Thiam *	2/2
Tan Ah Seng	4/4
Dato' Mah King Seng *	2/2
Fong Wai Leong	3/5
Chua Kim Yin	4/4
Kee Chit Huei	4/4
Chong Khing Chung **	3/3
Ouh Mee Lan **	3/3
Wong Kiam Kong **	3/3
Goh Tian Chuan ***	3/3

\* **Dato' Mah King Thian @ Mah King Thiam and Dato' Mah King Seng were appointed as Directors of the Company on 27 October 2005 and only two Board Meetings were held since then.**

\*\* **Wong Kiam Kong resigned on 9 September 2005 while Chong Khing Chung and Ouh Mee Lan both resigned on 27 October 2005.**

\*\*\* **Goh Tian Chuan was first appointed Executive Director on 8 November 2004 and redesignated as Non-Executive Chairman on 25 July 2005 and subsequently resigned on 31 October 2005.**

### 1.2 Principal responsibility of the Board

The Board assumes full responsibility for the operations of the Group. In discharging their responsibility, the Board considers all aspects of the operations of the Group and in particular the following areas:

- Reviewing and adopting a strategic business plan for the Group.
- Overseeing the conduct of the business of the Group.
- Identifying and putting in place systems to manage any principal risk.
- Succession planning for senior management.
- Developing and implementing investor relations programme or shareholder communications policy.
- Reviewing internal control and management information systems.

The Board has a formal schedule of matters reserved to itself, which includes the overall Group business strategy, acquisition or divestment policy, approval of major capital expenditure, consideration of significant financial matters and it reviews the financial and operating performance of the Group.

## 1. Directors (cont'd)

### 1.3 Supply of information

In carrying out their duties, the Directors have complete access to all staff for information pertaining to the Group's affairs. The Directors also have full access to advice and services of the Company Secretary. Where necessary, the Directors engage independent professional for advice at the Group's expense to enable them to discharge their duties with full knowledge of the cause and effect.

### 1.4 Appointment and Re-election of Directors

The Articles of Association of the Company requires that all Directors shall be subject to election by shareholders at the first opportunity after their appointment and that at least one third (1/3) or the number nearest to one third (1/3) of the Directors, be subject to re-election thereafter by rotation once at least in every three (3) years at the Annual General Meeting.

### 1.5 Committee of Directors

The Company has established four Committee of Directors ('Committees') to assist in the performance of certain duties of the Board under specific terms of reference. Three (3) of the Committees are composed of a majority of Non-Executive Directors. The Board considers that the mix of commercial experience from the Non-Executive Directors will complement the Executive Directors and create an effective Board.

The Committees established are as follows:

#### (i) **Audit Committee**

The role of the Audit Committee is to support the Board of Directors in overseeing the processes for production of the financial data, reviewing the financial reports and the internal controls of the Company. The composition and terms of reference of this Committee together with its report are presented on pages 22 to 25 of the Annual Report.

#### (ii) **Nomination Committee**

The functions of the Nomination Committee are as follows:

- Recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.
- Consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder.
- Recommend to the Board, Directors to fill the seats on Committees of Directors.

## 1. Directors (cont'd)

### 1.5 Committee of Directors (cont'd)

#### (ii) **Nomination Committee** (cont'd)

- The Nomination Committee are enabled by the Board to:
  - annually review the required mix of skills and experience and other qualities including core competencies which Non-Executives should bring to the Board.
  - annually assess the effectiveness of the Board as a whole, the Committees of Directors and the contribution of each Director.

#### (iii) **Remuneration Committee**

The functions of the Remuneration Committee are as follows:

- Review the annual remuneration packages of Executive Directors such that the levels of remuneration are sufficient to attract and retain the Directors needed to run the Company successfully.
- To recommend to the Board, the remuneration packages of the Executive Directors of the Company.

#### (iv) **Executive Committee ("EXCO")**

The EXCO is entrusted with the responsibility of carrying out tasks which are assigned to it by the Board under a set of terms of reference. The EXCO acts on behalf of the Board on matters concerning administrations, operations, capital expenditure, debt approvals and investments. It meets at regular intervals to review and decide on administrative and operational matters, budgets and investment strategies of the Group.

## 2. Directors' Remuneration

### 2.1 The Level and Make-up of Remuneration

The Remuneration Committee provides remuneration packages which are sufficient and necessary to attract, retain and motivate Executive Directors to run the Company. The remuneration of Non-Executive Directors is linked to their experience and level of responsibilities undertaken by them.

## 2. Directors' Remuneration (cont'd)

### 2.2 Procedures

The Remuneration Committee consists of three members, the majority of whom are Independent Non-Executive Directors. The Committee is responsible for setting up a policy framework for all elements of remuneration such as reward structure, fringe benefits and other terms of employment of the Executive Directors.

### 2.3 Disclosure

The aggregate remuneration paid or payable to all Directors of the Company for the financial year ended 30 April 2006 is as follows:-

	Fees RM	Emoluments RM	EPF RM	Total RM
Executive Directors	-	982,577	117,929	1,100,506
Non-Executive Directors	116,192	69,440	-	185,632
Total	116,192	1,052,017	117,929	1,286,138

The number of Directors whose total remuneration falls within the following range are as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	2	6
RM50,001 to RM100,000	1	1
RM100,001 to RM150,000	1	-
RM150,001 to RM200,000	2	-
RM250,001 to RM300,000	2	-

## 3. Directors' Training

All the Directors have undergone the Mandatory Accreditation Programme (MAP). The Directors who are subject to Practice Note 15/2003 (now repealed), have complied with and have all obtained the requisite Continuing Education Programme (CEP) points. The Directors will continue to undergo training and other relevant programmes, including visiting the mill, estates and quarry to further enhance their skills and knowledge.

## 4. Shareholders

### 4.1 Dialogue between Companies and Investors

The annual report, quarterly reports and various mandatory announcements are the main channel of information by the Company of its financial performance, operations and corporate developments.

The Board considers it essential that investors are kept informed of all the latest financial result and developments of the Company and where appropriate, will provide disclosure that is in the best interest of the Company and also of the shareholders. All such reporting information can be obtained from the website of Bursa Malaysia Securities Berhad.

### 4.2 The Annual General Meeting

The Annual General Meeting is an important event for the Company as the Board has the opportunity to have a dialogue with the shareholders to present the results and performance of the Group and to address all questions that may arise. Suggestions and comments by shareholders will be noted by the Board for consideration.

## 5. Financial Reporting

The financial statements of the Company are drawn up in compliance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia. The Board is responsible to ensure that the financial statements of the Company give a true and fair view of the state of affairs of the Company. Accordingly, the Board has prepared the statement of responsibility for the preparation of the annual audited financial statements on page 21.

The quarterly and annual financial statements are reviewed by the Audit Committee and subsequently by the Board, prior to release for announcement to Bursa Malaysia Securities Berhad.

## 6. Internal Control

The Directors acknowledge their responsibility to maintain a system of internal control for the Group including risk assessment and risk management to ensure that the operations of the Group are run effectively and efficiently, proper financial and corporate compliance controls are in place and the assets of the Group are safeguarded so as to protect shareholders' investment. The Group's system of internal control can only provide reasonable but not absolute assurance against material misstatements, fraud or loss.

The Board has prepared the statement on internal control, which can be found on page 26 and 27.

## 7. Relationship with Auditors

The Company has always maintained a formal and transparent relationship with its auditors.

The role of the Audit Committee in relation to the external auditors is set out in the Report on Audit Committee on pages 22 to 25.

## 8. Compliance Statement

The Company has complied with the Best Practices of Corporate Governance as contained in the Malaysian Code on Corporate Governance except for the following minor exceptions that, in the opinion of the Directors, adequately suits the circumstances:

- Disclosure of remuneration is not made in detail for each Director. However, the remuneration paid is disclosed in aggregates of the categories of remuneration and, in compliance with the Listing Requirements, is analysed into bands of RM50,000.

## 9. Additional Compliance Information

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

### 9.1 Utilisation of Proceeds

This was not applicable during the financial year.

### 9.2 Share Buybacks

During the financial year, there were no share buybacks by the Company.

### 9.3 Options, Warrants or Convertible Securities

There are no options, warrants or convertible securities exercised in respect of the financial year under review.

### 9.4 American Deposit Receipt ('ADR') or Global Deposit Receipt ('GDR') Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

### 9.5 Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant authorities.

## 9. Additional Compliance Information (cont'd)

### 9.6 Non-Audit Fees

The amount of non-audit fees paid to the external auditors is disclosed in note 7 to the financial statements on page 54.

### 9.7 Profit Estimate, Forecast or Projection

No material variance arose between the audited results for the financial year and the unaudited results previously announced. There were no profit estimates, forecasts or projections for the financial year ended 30 April 2006.

### 9.8 Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year.

### 9.9 Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders either subsisting at the end of the financial year ended 30 April 2006 or entered into since the previous financial year except for those disclosed under related party transactions on pages 76 to 78.

### 9.10 Revaluation Policy

The Group does not have a revaluation policy on landed properties.

### 9.11 Recurrent Related Party Transactions

There are no recurrent related party transactions transacted by the Company and its subsidiaries.



## Statement of Directors' Responsibility for Preparing the Financial Statements

CEPATWAWASAN GROUP BERHAD (536499-K)

CEPAT

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- stated whether applicable accounting standards have been followed and made a statement to the effect in the financial statements, subject to any material departures being disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia. They are responsible for taking reasonable steps to safeguard the assets of the Company and Group, for the prevention and detection of fraud and other irregularities.



## COMMITTEE MEMBERS

The members of the Audit Committee as at the date of this report are as follows:

### **Chairman**

Mr Kee Chit Huei

*(Independent Non-Executive Director)*

### **Committee Members**

Mr Chua Kim Yin

*(Independent Non-Executive Director)*

Dato' Mah King Thian @ Mah King Thiam (appointed on 27 October 2005)

*(Executive Director)*

## TERMS OF REFERENCE

### 1. Composition

- 1.1 The Audit Committee shall consist of at least 3 members, with a majority of independent Directors. At least one member shall be a member of the MIA or a Director who has fulfilled paragraph 15.10 (1)(C)(ii) of the Listing Requirements of the Bursa Malaysia Securities Berhad. No alternate Director shall be appointed as a member of the Committee. The Chairman of the Committee shall be an independent Director.
- 1.2 In the event that a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three, the Board of Directors shall within three months make such appointment of new members so as to have the minimum of three members in the Committee.

### 2. Authority

- 2.1 The Committee is authorised by the Board to investigate any matter within its terms of reference. It shall have full and unrestricted access to any information pertaining to the Company and shall have the resources it requires to perform its duties. All employees are directed to co-operate with any request made by the Committee.
- 2.2 The Committee is authorised by the Board to obtain outside legal or other external independent professional advice, if it considers necessary.

### 3. Functions and Duties

The functions and duties of the Committee shall be:

3.1 To review the following and report the same to the Board:

- (a) with the external auditor, the audit plan;
- (b) with the external auditor, his evaluation of the system of internal accounting controls;
- (c) with the external auditor, his audit report;
- (d) the assistance given by the employees of the Company to the external auditor;
- (e) the quarterly results and year-end financial statements of the Group and the Company, focusing particularly on:
  - changes in accounting policies and practices
  - significant adjustments arising from the audit
  - significant and unusual events
  - the going concern assumption
  - compliance with accounting standards and other legal requirements
- (f) the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (g) the internal audit programme, processes and results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function; and
- (h) any appraisal or assessment of the performance of members of the internal audit function.

3.2 To consider any related party transactions and conflict of interest situation that may arise within the Company or Group.

3.3 To consider the major findings of internal investigations and management response and ensure that appropriate action is taken on the recommendations of the internal audit function.

3.4 To recommend and consider the nomination and appointment of a person or persons as external auditors, the audit fees and any questions of resignation or dismissal.

3.5 To consider any other functions or duties as may be agreed to by the Committee and the Board.

3.6 To discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management where necessary).

#### 4. Quorum and Attendance of Meetings

- 4.1 The quorum of meetings of the Committee shall consist not less than three (3) members; the majority of those present must be independent Directors.
- 4.2 The Group Accountant, the Internal Auditors and a representative of the external auditors shall normally attend meetings. Other Board members, employees and external independent professional advisers may attend meetings upon the invitation of the Committee.
- 4.3 The Company Secretary shall be the secretary of the Committee.

#### 5. Frequency of Meetings and Minutes

- 5.1 Meetings shall be held not less than four (4) times in a financial year. The external auditors may request a meeting if they consider that one is necessary.
- 5.2 The Committee shall meet with the external auditors without executive board members present, at least once in a financial year.
- 5.3 Minutes of each meeting shall be distributed to each member of the Board.

### MEETINGS

The Audit Committee members held five (5) meetings during the financial year ended 30 April 2006.

The attendance of the members at the Audit Committee meetings is as follows:

Member	Meetings attended
Mr Kee Chit Huei	3/3
Mr Chua Kim Yin	3/3
Dato' Mah King Thian @ Mah King Thiam *	2/2
Chong Khing Chung *	3/3
Fong Wai Leong **	3/3
Wong Kiam Kong +	2/3

\* **Dato' Mah King Thian @ Mah King Thiam was appointed a member of the Audit Committee following the resignation of Chong Khing Chung on 27 October 2005 and since then, only two meetings were held.**

\*\* **Fong Wai Leong resigned on 29 July 2005.**

+ **Wong Kiam Kong resigned on 9 September 2005.**

Members of the senior management were invited to attend these meetings as and when necessary. The external auditors have also attended the meetings by invitation.

## ACTIVITIES

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year included the following:-

- (i) Reviewed the scope of work and audit plan of the external auditors.
- (ii) Reviewed, with the external auditors, the results of their audit, the audit report and internal control recommendations in respect of improvements in the internal control procedures noted in the course of their audit.
- (iii) Reviewed the adequacy of the internal audit scope and plan, and the findings identified by the internal audit function.
- (iv) Reviewed the necessity and need for special audit.
- (v) Reviewed the annual report and the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- (vi) Reviewed the compliance of the Company with the Revamped Listing Requirements of the Bursa Malaysia Securities Berhad and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- (vii) Reviewed the unaudited quarterly Group results before recommending to the Board for approval for announcement to Bursa Malaysia Securities Berhad.
- (viii) Reviewed the related party transactions entered into by the Group.
- (ix) Reviewed and recommended to the Board the re-appointment of external auditors and their audit fees.
- (x) Reviewed the status of compliance of the Company with the Malaysian Code on Corporate Governance for the purpose of issuing the Corporate Governance Statement pursuant to the requirement of paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

## INTERNAL AUDIT FUNCTION

The principal role of the internal audit function is to provide the Audit Committee with independent and objective reports on the adequacy, efficiency and effectiveness of the internal control system to ensure compliance with the systems and standard operating procedures in the Group.

In this connection, the Company has engaged Messrs KPMG to assist in carrying out the internal audit function. During the financial year, three (3) cycles of internal audit were conducted. The Audit Committee had reviewed the auditor's findings and management's responses and had ensured that appropriate actions were taken by management on the audit recommendations.

**BOARD'S RESPONSIBILITY**

The Board acknowledges its responsibility for establishing an efficient and effective system of internal control covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders' value and the Group's assets. There is an on-going review process by the Board to ensure its adequacy and integrity of the system.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement, operational failures, fraud or loss.

**RISK MANAGEMENT FRAMEWORK AND CONTROL SELF-ASSESSMENT**

The Management has reviewed the Group's internal control system and formalised the risk management practices to comply with the Malaysian Code on Corporate Governance ("the Code"). In consequence, a formal risk management framework has been established to ensure that structured and consistent approach and methods are practised in the on-going process of identifying and assessing various critical risks that are considered likely to affect the profitable operation of the business units in the Group. The Board is supported by the Group Risk Management Committee that comprises the Chief Executive Officer, Executive Director and senior management in overseeing the risk management efforts within the Group.

The Management has worked within the approved and adopted framework for principal risks affecting the Group's strategic business objectives throughout the year. Additional reviews will be carried out as and when required annually.

The on-going implementation is monitored by the Management and is reported quarterly to the Board.

**INTERNAL AUDIT FUNCTION**

The Board recognised that effective monitoring on a continuous basis is a vital component of a sound internal control system. In this respect, the Board through the Audit Committee regularly receives and review reports on internal control from its internal audit function.

The internal audit function is outsourced to KPMG which reports directly to the Audit Committee. The scope of work covered by the internal audit function is determined by the Audit Committee after careful consideration and discussion of the audit plan with the Board.

## OTHER KEY ELEMENTS OF INTERNAL CONTROL

Other key elements of the Group's internal control are as follows:

### i. BOARD MEETINGS

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Chairman, together with the Chief Executive Officer, leads the presentations of board papers and provides comprehensive explanation of pertinent issues. The Board is also kept updated on the Company's and the Group's activities and operations on a regular basis including any material issues discussed and approved by the Executive Committee ("EXCO").

### ii. ORGANISATIONAL STRUCTURE

The Group's organisational structure is formed with formally defined reporting lines and authorities to facilitate quick response to changes in the evolving business environment and accountability for operational performance.

To identify, discuss and resolve business and operational issues, weekly management meetings at head office as well as scheduled meetings at operation sites are held. The EXCO is aware of the significant issues identified in those meetings, and when necessary the EXCO shall be involved in resolving those issues. The Group has been restructured in such a way that duties are properly segregated to ensure safe custody of the Group's assets and to provide clear and transparent reporting lines.

### iii. PERFORMANCE MANAGEMENT FRAME WORK

Management reports are generated on a monthly basis to facilitate the Board's review of the Group's financial and operating performance. The review covers areas such as financial and non-financial key performance indicators and variances between budget and operating results.

The Board has reviewed and approved the Group's budget for the next financial year. The budgeting process involves the preparation of budgets by individual operating units, which are then reviewed and approved at management level and ultimately by the Board. The Management will monitor the actual performance against the Group's budget on a monthly basis. Significant variances are identified, investigated and reported to the EXCO and the Board for immediate corrective actions.

## WEAKNESS IN INTERNAL CONTROL

There were no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year.

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 April 2006.

### Principal Activities

The principal activities of the Company are investment holding and provision of management services to its subsidiary companies. The principal activities of the subsidiary companies are stated in Note 14 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 after taxation	<u>15,071,231</u>	<u>3,536,213</u>

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

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.

### Dividend

On 23 November 2005, the Company declared an interim dividend of 2% less 28% taxation, amounting to RM3,102,580 in respect of the financial year ending 30 April 2006 and it was paid on 30 December 2005.

### Significant Events

- (i) On 8 July 2005, two of its subsidiary companies, Cepatwawasan Sdn. Bhd. and Bakara Sdn. Bhd. entered into conditional sale and purchase agreements to dispose of certain leasehold plantations for a cash consideration of RM340,000 and RM2,637,250 respectively. These disposals were completed on 10 October 2005.
- (ii) On 8 July 2005, a subsidiary company, Bakara Sdn. Bhd. also entered into a conditional deed of assignment to assign the sub-lease agreement in respect of a parcel of leasehold land to a third party for a cash consideration of RM3,062,750. The assignment was completed on 10 October 2005.

**Significant Events** (cont'd)

- (iii) On 8 July 2005, a subsidiary company, Wong Tet-Jung Plantations Sdn. Bhd. entered into a conditional sale and purchase agreement to acquire one parcel of leasehold plantation for a cash consideration of RM3,600,000. The acquisition was completed on 10 October 2005.
- (iv) On 26 October 2005, MHC Plantations Berhad acquired 32.02% of equity interests in the Company resulting in the Company becoming an associate company of MHC Plantations Berhad.

**Material Litigations**

The details of the material litigations are disclosed in Note 34 to the financial statements.

**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:

Dato' Mah King Thian @ Mah King Thiam	(Appointed on 27 October 2005)
Dato' Mah King Seng	(Appointed on 27 October 2005)
Tan Ah Seng	
Kee Chit Huei	
Chua Kim Yin	
Fong Wai Leong	
Goh Tian Chuan	(Resigned on 31 October 2005)
Chong Khing Chung	(Resigned on 27 October 2005)
Ouh Mee Lan	(Resigned on 27 October 2005)
Wong Kiam Kong	(Resigned on 9 September 2005)

**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 8 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 33 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 RM1.00 Each			
	At date of appointment	Bought	Sold	At 30.4.2006
Indirect interest:				
Dato' Mah King Thian @ Mah King Thiam	69,000,000	-	-	69,000,000
Dato' Mah King Seng	69,000,000	-	-	69,000,000

Dato' Mah King Thian @ Mah King Thiam and Dato' Mah King Seng, by virtue of their interests in shares in the Company, are deemed interested in the shares of all the subsidiary companies to the extent the Company has an interest.

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 adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value 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 bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

**Other Statutory Information** (cont'd)

- (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 their obligations 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.

**DATO' MAH KING THIAN @ MAH KING THIAM**

**TAN AH SENG**

Sandakan, Malaysia  
29 May 2006

**Statement by Directors**

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

CEPATWAWASAN GROUP BERHAD (536499-K)

We, DATO' MAH KING THIAN @ MAH KING THIAM and TAN AH SENG, being two of the Directors of CEPATWAWASAN GROUP BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 35 to 81 are drawn up in accordance with applicable MASB Approved Accounting 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 April 2006 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.

**DATO' MAH KING THIAN @ MAH KING THIAM****TAN AH SENG**

Sandakan, Malaysia  
29 May 2006

**Statutory Declaration**

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

CEPATWAWASAN GROUP BERHAD (536499-K)

I, WONG ZEE SHIN, being the Officer primarily responsible for the financial management of CEPATWAWASAN GROUP BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 35 to 81 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 WONG ZEE SHIN at Sandakan  
in the State of Sabah on 29 May 2006.

**WONG ZEE SHIN**

Before me -

We have audited the financial statements set out on pages 35 to 81. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 30 April 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies 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.

The Auditors' Reports on the financial statements of the subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

In forming our opinion, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the recoverability the alleged wrongful payments of RM16 million and the adequacy of the provision for doubtful debts of RM12.8 million made in respect thereof which are dependent on the outcome of the judgement in respect of the lawsuit for recovery of the said alleged wrongful payments, which were wrongfully paid out by the former directors who were removed on 6 August 2004 to third parties which may eventually not be recoverable. In view of the significance of this uncertainty we considered that it should be drawn to your attention, but our opinion is not qualified in that respect.

**ERNST & YOUNG**

AF: 0039

Chartered Accountants

**CHONG YEW HOONG**

1502/04/07 (J)

Partner

Sandakan, Malaysia

29 May 2006

## Income Statements for the year ended 30 April 2006

CEPATWAWASAN GROUP BERHAD (536499-K)



	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	6	115,574,942	127,252,469	7,440,840	5,358,987
Cost of sales		(87,143,126)	(93,673,165)	-	-
Gross profit		28,431,816	33,579,304	7,440,840	5,358,987
Other operating income		1,346,813	266,401	1,381	1,008
Other operating expenses		(337,572)	*(13,784,110)	-	(272,017)
Distribution costs		(3,049,444)	(2,361,766)	-	-
Administrative expenses		(4,139,162)	(6,727,544)	(1,992,070)	(3,695,816)
Profit from operations	7	22,252,451	10,972,285	5,450,151	1,392,162
Finance costs	9	(1,302,631)	(1,523,190)	(329,220)	(353,314)
Profit before taxation		20,949,820	9,449,095	5,120,931	1,038,848
Taxation	10	(5,878,589)	(6,869,491)	(1,584,718)	(852,737)
Profit after taxation		15,071,231	2,579,604	3,536,213	186,111
Earnings per share (sen):					
- Basic	11	7.00	1.20		
- Diluted	11	-	-		
Net dividend per share	12	1.44	-	1.44	-

\* This included a provision of RM12.8 million in respect of payments wrongfully made by the former directors who were removed on 6 August 2004 as referred to in Note 19 to the financial statements.

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

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Non-Current Assets</b>					
Property, plant and equipment	13	209,790,384	208,029,330	-	236,524
Investments in subsidiary companies	14	-	-	202,671,015	202,671,015
Goodwill on consolidation	15	93,255,988	93,255,988	-	-
Deferred tax assets	27	414,588	207,187	-	-
		<u>303,460,960</u>	<u>301,492,505</u>	<u>202,671,015</u>	<u>202,907,539</u>
<b>Current Assets</b>					
Amounts due from subsidiary companies	16	-	-	35,944,698	18,409,761
Inventories	17	9,951,861	7,339,308	-	-
Trade receivables	18	4,107,375	3,951,760	-	-
Other receivables	19	6,137,037	8,191,362	98,500	102,644
Tax refundable		945,642	1,297,952	550,112	622,830
Fixed deposits placed with licensed banks	20	184,520	179,356	-	-
Cash and bank balances		3,179,342	1,875,821	124,127	100,745
		<u>24,505,777</u>	<u>22,835,559</u>	<u>36,717,437</u>	<u>19,235,980</u>
<b>Current Liabilities</b>					
Amounts due to subsidiary companies	21	-	-	28,570,686	11,497,976
Borrowings	22	13,642,505	15,465,538	-	87,504
Trade payables	24	5,218,975	6,116,076	-	-
Other payables	25	3,272,919	5,072,940	311,512	439,860
Provision for taxation		18,720	300,266	-	-
		<u>22,153,119</u>	<u>26,954,820</u>	<u>28,882,198</u>	<u>12,025,340</u>
<b>Net Current Assets/(Liabilities)</b>		<u>2,352,658</u>	<u>(4,119,261)</u>	<u>7,835,239</u>	<u>7,210,640</u>
		<u>305,813,618</u>	<u>297,373,244</u>	<u>210,506,254</u>	<u>210,118,179</u>

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Financed By:</b>					
Share capital	26	215,456,915	215,456,915	215,456,915	215,456,915
Retained profits/ (accumulated losses)		39,018,717	27,050,066	(4,950,661)	(5,384,294)
Shareholders' equity		<u>254,475,632</u>	<u>242,506,981</u>	<u>210,506,254</u>	<u>210,072,621</u>
Borrowings	22	11,125,024	15,034,493	-	45,558
Deferred tax liabilities	27	39,945,912	39,564,720	-	-
Lease rental payable	28	267,050	267,050	-	-
Non-current liabilities		<u>51,337,986</u>	<u>54,866,263</u>	<u>-</u>	<u>45,558</u>
		<u>305,813,618</u>	<u>297,373,244</u>	<u>210,506,254</u>	<u>210,118,179</u>
<b>Net Assets Per Ordinary Share</b>	29	<u>1.18</u>	<u>1.13</u>	<u>0.98</u>	<u>0.98</u>

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

	Note	Share Capital RM	Distributable Retained Profits/ (Accumulated Losses) RM	Total RM
<b>Group</b>				
<b>At 1 May 2004</b>		215,456,915	24,470,462	239,927,377
Profit after taxation		-	2,579,604	2,579,604
<b>At 30 April 2005</b>		215,456,915	27,050,066	242,506,981
Profit after taxation		-	15,071,231	15,071,231
Dividend	12	-	(3,102,580)	(3,102,580)
<b>At 30 April 2006</b>		<u>215,456,915</u>	<u>39,018,717</u>	<u>254,475,632</u>
<b>Company</b>				
<b>At 1 May 2004</b>		215,456,915	(5,570,405)	209,886,510
Profit after taxation		-	186,111	186,111
<b>At 30 April 2005</b>		215,456,915	(5,384,294)	210,072,621
Profit after taxation		-	3,536,213	3,536,213
Dividend	12	-	(3,102,580)	(3,102,580)
<b>At 30 April 2006</b>		<u>215,456,915</u>	<u>(4,950,661)</u>	<u>210,506,254</u>

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

## Cash Flow Statements for the year ended 30 April 2006

CEPATWAWASAN GROUP BERHAD (536499-K)

CEPAT

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Cash Flows From Operating Activities</b>				
Profit before taxation	20,949,820	9,449,095	5,120,931	1,038,848
Adjustments for:				
Depreciation of property, plant and equipment	3,607,937	3,620,426	29,151	22,680
Equipment scrapped	525	2,176	-	-
Finance costs	1,302,631	1,523,190	329,220	353,314
Inventories written off	715	4,200	-	-
Loss on disposal of equipment	70,356	5,053	67,373	-
Provision for doubtful debts	-	13,237,718	-	272,017
Gain on disposal of property, plant and equipment	(57,948)	(403)	-	-
Interest on fixed deposits	(7,571)	(10,281)	(1,381)	-
Interest on advances given	(13,966)	(23,064)	-	-
Interest on Repo	(11,625)	(6,329)	-	-
Overdue interest income	-	(1,008)	-	(1,008)
Dividend income	-	-	(5,400,000)	(4,085,750)
Provision for doubtful debts written back	(1,000,000)	-	-	-
Operating profit/(loss) before working capital changes	24,840,874	27,800,773	145,294	(2,399,899)
Increase in inventories	(2,613,268)	(2,759,613)	-	-
Decrease/(increase) in receivables	2,898,710	(15,106,926)	4,144	288,931
(Decrease)/increase in payables	(2,649,172)	1,109,377	(128,348)	197,048
Cash generated from/(used in) operations	22,477,144	11,043,611	21,090	(1,913,920)
Interest paid	(18,548)	(44,064)	-	(54)
Income tax paid	(5,566,984)	(6,171,456)	(1,512,000)	(1,144,010)
Net cash generated from/(used in) operating activities	16,891,612	4,828,091	(1,490,910)	(3,057,984)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Cash Flows From Investing Activities</b>				
(Increase)/decrease in amounts due from subsidiary companies	-	-	(17,534,937)	5,519,137
Acquisition of subsidiary companies net of cash and cash equivalents (Note 14)	-	(2,598,004)	-	-
Interest received	33,162	40,682	1,381	1,008
Proceeds from disposal of property, plant and equipment	6,000,650	7,300	140,000	-
Additions of property, plant and equipment (Note 32)	(10,275,414)	(6,583,169)	-	(84,204)
Interest capitalised under property, plant and equipment (Note 32)	(130,626)	(835,771)	-	-
Net cash (used in)/generated from investing activities	(4,372,228)	(9,968,962)	(17,393,556)	5,435,941
<b>Cash Flows From Financing Activities</b>				
Dividends paid	(3,102,580)	-	(3,102,580)	-
Increase/(decrease) in amounts due to subsidiary companies	-	-	22,472,710	(2,099,796)
Proceeds from drawdown of term loans	-	7,983,721	-	-
Proceeds from drawdown of revolving credits	-	3,000,000	-	-
Proceeds from drawdown of bankers' acceptance	30,770,704	18,898,000	-	-
Repayment of term loans	(4,291,733)	(5,152,448)	-	-
Repayment of hire purchase and lease financing	(1,075,309)	(659,239)	(133,062)	(41,938)
Repayment of bankers' acceptance	(30,770,704)	(18,898,000)	-	-
Interest paid on advances	-	-	(324,674)	(348,926)
Interest paid on hire purchase	(117,373)	(59,451)	(4,546)	(4,334)
Interest paid on leasing	(3,728)	(18,021)	-	-
Interest paid on term loans	(676,454)	(1,031,142)	-	-
Interest paid on revolving credits	(404,515)	(321,298)	-	-
Interest paid on bankers' acceptance	(82,013)	(49,214)	-	-
Net cash (used in)/generated from financing activities	(9,753,705)	3,692,908	18,907,848	(2,494,994)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Net increase/(decrease) in cash and cash equivalents	2,765,679	(1,447,963)	23,382	(117,037)
Cash and cash equivalents at beginning of year	598,183	2,046,146	100,745	217,782
Cash and cash equivalents at end of year (Note 32)	3,363,862	598,183	124,127	100,745

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

## 1. Significant Uncertainty

On 18 August 2004, the Directors discovered that, prior to their appointments, payments totalling RM16 million were wrongfully and fraudulently paid out from a bank account of a subsidiary company, Prolific Yield Sdn. Bhd. ("Prolific Yield"), to third parties by the former directors who were removed on 6 August 2004. The Company and Prolific Yield have since filed a Writ of Summons at the Kuala Lumpur High Court against seven of the former directors of the Company and eleven others for recovery of the total amount of RM16 million as referred to in Note 34(i). The Court has on 24 June 2005 granted the Company's application for order for attachment of assets before judgement by the Kuala Lumpur High Court. The Directors have recorded the said wrongful payments in other receivables pending the outcome of the judgement. As at year end, the Directors have reviewed the recoverability of the above said wrongful payments and they are of the opinion that the provision for doubtful debts of RM12.8 million, which was made in previous year is adequate.

The recoverability of the wrongful payments totaling RM16 million and the adequacy of provision for doubtful debts of RM12.8 million thereof are dependent on the outcome of the judgement by the Kuala Lumpur High Court. However, the Directors are of the opinion that the Court will rule in favour of the Company and Prolific Yield and that the amount of provision is adequate. The financial statements do not include any adjustments that would be required if the judgement is not concluded in favour of the Company and Prolific Yield.

## 2. Corporate Information

The principal activities of the Company are investment holding and provision of management services to its subsidiary companies. The principal activities of the subsidiary companies are stated in Note 14 to the financial statements. There have been no other 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 Second Board of Bursa Malaysia Securities Berhad. The financial statements of the Group and of the Company are expressed in Ringgit Malaysia.

The registered office and the principal place at which the Company's business is carried out are located at Lot 39-40, Block C, Taman Indah Jaya Shophouses, Mile 4, North Road, P. O. Box 1562, 90717 Sandakan, Sabah.

The number of employees in the Group and in the Company at the end of the financial year were 1,125 (2005: 1,037) and 20 (2005: 7) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 May 2006.

### 3. Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

#### (a) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing borrowings. The Group had no substantial long term interest-bearing assets as at 30 April 2006. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits, marketable securities or occasionally, in short term commercial papers.

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

#### (b) Liquidity Risk

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

#### (c) Credit Risk

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

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

#### (d) Fair Values

There is no disclosure of fair value for investments in subsidiary companies and borrowings under the basis of Islamic principles as these are excluded from FRS 132 - Financial Instruments: Disclosure and Presentation.

**3. Financial Risk Management Policies** (cont'd)**(d) Fair Values** (cont'd)

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

		2006		2005	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>Group</b>					
<b>Financial Liabilities</b>					
Lease rental payable	28	267,050	25,675	267,050	24,760
<b>Company</b>					
<b>Financial Assets</b>					
Amounts due from subsidiary companies	16	35,944,698	+	18,409,761	+
<b>Financial Liabilities</b>					
Amounts due to subsidiary companies	21	28,570,686	+	11,497,976	+

+ It is not practicable to estimate the fair values of amounts due from/to subsidiary companies due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

**3. Financial Risk Management Policies** (cont'd)**(d) Fair Values** (cont'd)

The nominal/notional amount and fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at end of the financial year are:

	Note	2006		2005	
		Nominal/ Notional Amount RM	Fair Value RM	Nominal/ Notional Amount RM	Fair Value RM
<b>Group</b>					
Contingent liabilities	30	83,683	*	127,320	*
<b>Company</b>					
Contingent liabilities	30	56,685,100	23,479,753	79,031,978	30,127,168

\* It is not practicable to estimate the fair value of contingent liabilities of the Group reliably due to the uncertainties of timing and eventual outcome.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

## (i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

## (ii) Borrowings

The carrying amounts of borrowings as reflected in the balance sheets approximate to their fair value.

## (iii) Lease Rental Payable

The fair value of lease rental payable has been calculated at the present value of the estimated future cash flows, discounted at an assumed rate of 3.7% per annum.

#### 4. Significant Accounting Policies

##### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

##### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

##### (c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4(m). Goodwill arising on the acquisition of subsidiary companies is presented separately in the balance sheet. Goodwill arising on consolidation is not amortised.

#### 4. Significant Accounting Policies (cont'd)

##### (d) Investments in Subsidiary Companies

The Company's investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4(m).

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

##### (e) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4(m).

Leasehold land and plantations held on long-term leases (with remaining lease period of more than 50 years) are not amortised. The non-amortisation of the long leasehold land has no material effect on the financial statements. The effect of the non-amortisation of the leasehold land is disclosed under Note 13 (v) to the financial statements.

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised under plantation development expenditure. A portion of the indirect overheads which include general and administrative expenses and interest expense incurred on immature plantation is similarly capitalised under plantation development expenditure until such time when the plantation attains maturity. No provision for amortisation on plantation development expenditure is considered necessary as the plantations' estimated useful lives are maintained through replanting programmes.

Replanting expenditure is recognised in the income statement in the year in which the expenditure is incurred.

Proceeds from the sale of timber salvaged in the course of clearing the Group's leasehold land for plantation development in mitigation of further capital expenditure in developing the plantations is deducted against the plantation development expenditure in arriving at the carrying amount of plantations.

Direct expenditure incurred on quarry development is capitalised under quarry development expenditure. A portion of the indirect overheads which include general and administrative expenses and interest expense incurred on quarry development is similarly capitalised under quarry development expenditure until such time when the quarry commences operation.

Quarry development expenditure is amortised based on the proportion of stone volume extracted over the estimated volume of extractable stone from the quarry reserve.

**4. Significant Accounting Policies** (cont'd)**(e) Property, Plant and Equipment, and Depreciation** (cont'd)

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

	%
Leasehold property	2
Oil mill and other buildings	5 - 7
Heavy equipment, plant and machinery	6 - 10
Motor vehicles	15
Furniture, fittings and equipment	10

Capital work-in-progress is stated at cost and not depreciated until they are fully completed and ready for use.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statements.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

**(f) Inventories**

All categories of inventories are valued at the lower of cost and net realisable value.

Costs of crude palm oil, milled oil palm produce and quarry inventories consist of direct material cost, direct labour cost, other direct charges and an appropriate proportion of factory overheads and are determined on the monthly weighted average basis.

Costs of consumable stores consist of purchase cost and expenses in bringing them into stores and are determined on the weighted average basis.

Cost of oil palm nurseries is computed using the weighted average cost method and includes the actual cost of seedlings and upkeep expenses.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

**(g) Cash and Cash Equivalents**

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

#### 4. Significant Accounting Policies (cont'd)

##### (h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

##### (i) Finance leases

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

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 4(e).

##### (ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

##### (i) Provisions for Liabilities

Provisions for liabilities 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, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

#### 4. Significant Accounting Policies (cont'd)

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

Deferred tax is measured at 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 in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

##### (k) Employee Benefits

###### (i) Short term benefits

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

###### (ii) Defined contribution plans

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

###### (iii) Retirement benefits

No provision is made for retirement benefits as the Group and the Company have no present obligation to pay retirement benefits. The cost of retirement benefits is charged as an expense in the income statement as incurred.

#### 4. Significant Accounting Policies (cont'd)

##### (l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

##### (i) Sale of plantation produce

Sale of plantation produce is recognised on an accrual basis upon delivery of products to customers, less returns.

##### (ii) Sale of stones

Sale of stones is recognised upon delivery of products and customers' acceptance.

##### (iii) Dividend income

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

##### (iv) Management fees

Revenue from management service is recognised upon rendering of services to subsidiary companies.

##### (m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately.

##### (n) Segment Information

Segment information is presented in respect of the Group's business. The reporting segment information is in respect of business segments as the Group's risk and rates of return are affected predominantly by differences in the products it produces.

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

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

#### 4. Significant Accounting Policies (cont'd)

##### (o) Financial Instruments

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

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

##### (i) Receivables

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.

##### (ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

##### (iii) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

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

#### 4. Significant Accounting Policies (cont'd)

##### (o) Financial Instruments (cont'd)

##### (iv) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### 5. Significant Events

- (i) On 8 July 2005, two of its subsidiary companies, Cepatwawasan Sdn. Bhd. and Bakara Sdn. Bhd. entered into conditional sale and purchase agreements to dispose of certain leasehold plantations for a cash consideration of RM340,000 and RM2,637,250 respectively. These disposals were completed on 10 October 2005.
- (ii) On 8 July 2005, a subsidiary company, Bakara Sdn. Bhd. also entered into a conditional deed of assignment to assign the sub-lease agreement in respect of a parcel of leasehold land to a third party for a cash consideration of RM3,062,750. The assignment was completed on 10 October 2005.
- (iii) On 8 July 2005, a subsidiary company, Wong Tet-Jung Plantations Sdn. Bhd. entered into a conditional sale and purchase agreement to acquire one parcel of leasehold plantation for a cash consideration of RM3,600,000. The acquisition was completed on 10 October 2005.
- (iv) On 26 October 2005, MHC Plantations Bhd acquired 32.02% of equity interests in the Company resulting in the Company becoming an associate company of MHC Plantations Bhd.

#### 6. Revenue

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of crude palm oil	95,632,037	104,074,286	-	-
Sales of palm kernel	15,516,965	18,368,352	-	-
Sales of earth and stones	2,667,114	2,053,780	-	-
Sales of fresh fruit bunches	1,758,826	2,756,051	-	-
Management fees	-	-	2,040,840	1,273,237
Dividend income	-	-	5,400,000	4,085,750
	<u>115,574,942</u>	<u>127,252,469</u>	<u>7,440,840</u>	<u>5,358,987</u>

Transactions between companies within the Group are excluded in determining revenue of the Group.

**7. Profit from Operations**

	<b>Group</b>		<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>	<b>2006 RM</b>	<b>2005 RM</b>
This is stated after charging/(crediting):				
Staff costs	8,179,650	9,449,585	1,051,592	1,338,730
Non-executive Directors' remuneration (Note 8)	185,632	205,323	185,632	205,323
Auditors' remuneration				
- statutory audits	79,200	78,500	30,000	20,000
- special audits	-	18,000	-	18,000
- underprovided in prior years	1,000	9,500	-	5,000
- other services	2,000	2,000	2,000	2,000
Professional fees charged by an associate of the Company's auditors	25,019	24,955	2,000	1,200
Depreciation of property, plant and equipment (Note 13)	3,607,937	3,620,426	29,151	22,680
Equipment scrapped	525	2,176	-	-
Inventories written off	715	4,200	-	-
Land and office rental	48,500	43,600	-	-
Loss on disposal of plant and equipment	70,356	5,053	67,373	-
Provision for doubtful debts	-	13,237,718	-	272,017
Rental of premises	26,500	-	-	-
Equipment hiring income	(96,000)	(96,135)	-	-
Gain on disposal of property, plant and equipment	(57,948)	(403)	-	-
Interest on advances given	(13,966)	(23,064)	-	-
Interest received on fixed deposits	(7,571)	(10,281)	(1,381)	-
Interest received on Repo	(11,625)	(6,329)	-	-
Overdue interest income	-	(1,008)	-	(1,008)
Provision for doubtful debts written back	(1,000,000)	-	-	-
	<u>10,368,621</u>	<u>11,444,979</u>	<u>1,051,592</u>	<u>1,338,730</u>
Detailed analysis of staff costs are as follows:				
Salaries and wages	9,796,966	10,849,653	951,213	1,197,814
Employees' Provident Fund contributions	527,383	555,336	96,549	140,882
SOCSSO contributions	44,272	39,990	3,830	34
	<u>10,368,621</u>	<u>11,444,979</u>	<u>1,051,592</u>	<u>1,338,730</u>
Staff costs are taken up in the financial statements as follows:				
Capitalised under:				
- Plantation development expenditure	2,001,390	1,056,236	-	-
- Nurseries	187,581	939,158	-	-
Recognised in income statements	8,179,650	9,449,585	1,051,592	1,338,730
	<u>10,368,621</u>	<u>11,444,979</u>	<u>1,051,592</u>	<u>1,338,730</u>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,328,506 (2005: RM1,785,576) and RM605,730 (2005: RM1,335,336) respectively as further disclosed in Note 8.

**8. Directors' Remuneration**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Directors of the Company</b>				
Executive:				
Emoluments	1,100,506	1,761,730	605,730	1,311,490
Fees	-	23,846	-	23,846
Benefits-in-kind	13,500	-	-	-
	<u>1,114,006</u>	<u>1,785,576</u>	<u>605,730</u>	<u>1,335,336</u>
Non-Executive:				
Emoluments	69,440	-	69,440	-
Fees	116,192	205,323	116,192	205,323
	<u>185,632</u>	<u>205,323</u>	<u>185,632</u>	<u>205,323</u>
<b>Director of subsidiary company</b>				
Executive:				
Emoluments	228,000	-	-	-
Total	<u>1,527,638</u>	<u>1,990,899</u>	<u>791,362</u>	<u>1,540,659</u>
<b>Analysis excluding benefits-in-kind:</b>				
Total executive Directors' remuneration	1,328,506	1,785,576	605,730	1,335,336
Total non-executive Directors' remuneration	185,632	205,323	185,632	205,323
Total Directors' remuneration excluding benefits-in-kind	<u>1,514,138</u>	<u>1,990,899</u>	<u>791,362</u>	<u>1,540,659</u>

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

	Number of Directors	
	2006	2005
Executive Directors:		
Below RM50,000	2	1
RM50,001 to RM100,000	2	3
RM100,001 to RM150,000	4	-
RM200,001 to RM250,000	-	1
RM250,001 to RM300,000	-	2
RM300,001 to RM350,000	-	2
Non-Executive Directors:		
Below RM50,000	6	4
RM50,001 to RM100,000	1	1

**9. Finance Costs**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest expense on:				
Advances	-	-	324,674	348,926
Bankers' acceptance	82,013	49,214	-	-
Bank overdrafts	18,548	41,388	-	-
Term loans	765,986	1,787,291	-	-
Hire purchase	158,467	68,509	4,546	4,334
Leasing	3,728	18,021	-	-
Revolving credits	404,515	391,862	-	-
Others	-	2,676	-	54
	<u>1,433,257</u>	<u>2,358,961</u>	<u>329,220</u>	<u>353,314</u>
Less: Interest expense capitalised under plantation development expenditure (Note 13):				
Term loans	(89,532)	(756,149)	-	-
Hire purchase	(41,094)	(9,058)	-	-
Revolving credits	-	(70,564)	-	-
	<u>1,302,631</u>	<u>1,523,190</u>	<u>329,220</u>	<u>353,314</u>

**10. Taxation**

Income tax:				
On results for the year	5,498,495	5,466,037	1,545,000	852,737
Underprovided in prior years	139,253	3,966	39,718	-
	<u>5,637,748</u>	<u>5,470,003</u>	<u>1,584,718</u>	<u>852,737</u>
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	176,752	1,366,084	-	-
(Over)/underprovided in prior years	(2,961)	33,404	-	-
	<u>173,791</u>	<u>1,399,488</u>	<u>-</u>	<u>-</u>
Real Property Gains Tax	67,050	-	-	-
Tax expense for the year	<u>5,878,589</u>	<u>6,869,491</u>	<u>1,584,718</u>	<u>852,737</u>

**10. Taxation** (cont'd)

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before taxation	20,949,820	9,449,095	5,120,931	1,038,848
Taxation at Malaysian statutory tax rate of 28%	5,865,950	2,645,747	1,433,861	290,877
Effect on income subject to tax rate of 20%*	(240,000)	(229,313)	-	-
Effect of income not subject to tax	(285,025)	-	-	-
Effect of expenses not deductible for tax purposes	233,932	4,396,435	111,139	560,635
Effect of utilisation of current year's reinvestment allowances	(67,701)	(149,465)	-	-
Effect of income subject to Real Property Gains Tax	67,050	-	-	-
Deferred tax assets not recognised on unabsorbed capital allowances	168,091	168,717	-	1,225
Underprovision of tax expense in prior years	139,253	3,966	39,718	-
(Over)/underprovision of deferred tax in prior years	(2,961)	33,404	-	-
Tax expense for the year	5,878,589	6,869,491	1,584,718	852,737

\* Pursuant to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act, 1967, the income tax rate applicable to the first RM500,000 (2005: RM500,000) of the chargeable income of certain subsidiary companies is 20%, as those subsidiary companies are considered small and medium scale companies.

**10. Taxation** (cont'd)

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Tax savings during the financial year arising from:				
Utilisation of unabsorbed reinvestment allowance brought forward from previous years	-	595,005	-	-
Utilisation of tax losses brought forward from previous years	175,923	269,250	-	-
Utilisation of unabsorbed agriculture and capital allowances brought forward from previous years	237,296	553,531	-	-
Unutilised tax losses and unabsorbed agriculture and capital allowances are analysed as follows:				
Unutilised tax losses carried forward	8,763,574	6,533,899	-	-
Unabsorbed agriculture and capital allowances carried forward	10,102,276	6,927,763	-	20,000

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the Company and of the subsidiary companies subject to no substantial changes in shareholdings of the Company and subsidiary company under Section 44(5A) & (5B) and Schedule 3, Paragraphs 75A & 75B of the Income Tax Act, 1967.

On 2 August 2004, the Inland Revenue Board commenced a tax review on the tax affairs of the Company and two of its subsidiaries. To date, the outcome of the review is unknown and no provision has been made in respect thereof.

## 11. Earnings Per Share

### (a) Basic

The basic earnings per share is calculated by dividing the Group's profit after taxation for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
Profit after taxation (RM)	<u>15,071,231</u>	<u>2,579,604</u>
Weighted average number of ordinary shares in issue	<u>215,456,915</u>	<u>215,456,915</u>
Basic earnings per share (sen)	<u>7.00</u>	<u>1.20</u>

### (b) Diluted

The Group has no potential ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share has not been presented.

## 12. Dividend

	<b>Group and Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Interim dividend of 2% less 28% taxation on 215,456,915 ordinary shares in respect of the financial year ending 30 April 2006, paid on 30 December 2005	<u>3,102,580</u>	<u>-</u>

### 13. Property, Plant and Equipment

	Long Leasehold Land, Leasehold Property, Oil Mill and Other Buildings	Plantation Development Expenditure	Quarry Development Expenditure	Heavy Equipment, Plant and Machinery	Motor Vehicles	Furniture, Fittings and Equipment	Capital Work-In- Progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>								
<b>Cost</b>								
At 1 May 2005	65,094,933	113,589,131	9,447,998	34,789,887	4,072,172	2,066,555	87,924	229,148,600
Additions	3,776,033	5,435,173	-	995,258	467,833	95,466	870,959	11,640,722
Disposals	(2,028,159)	(3,808,533)	-	-	(259,204)	(6,700)	-	(6,102,596)
Scrapped	-	-	-	-	-	(1,800)	-	(1,800)
Reclassifications	150,612	-	-	33,787	-	-	(184,399)	-
At 30 April 2006	66,993,419	115,215,771	9,447,998	35,818,932	4,280,801	2,153,521	774,484	234,684,926
<b>Accumulated Depreciation and Impairment Loss</b>								
At 1 May 2005	3,114,264	-	181,487	15,151,549	1,723,036	948,934	-	21,119,270
Charge for the year	650,365	-	-	2,626,215	397,458	192,047	-	3,866,085
Disposals	(36,990)	-	-	-	(51,831)	(717)	-	(89,538)
Scrapped	-	-	-	-	-	(1,275)	-	(1,275)
At 30 April 2006	3,727,639	-	181,487	17,777,764	2,068,663	1,138,989	-	24,894,542
<b>Net Book Value</b>								
At 30 April 2006	63,265,780	115,215,771	9,266,511	18,041,168	2,212,138	1,014,532	774,484	209,790,384
At 30 April 2005	61,980,669	113,589,131	9,266,511	19,638,338	2,349,136	1,117,621	87,924	208,029,330
<b>Depreciation charge for 2005</b>								
	644,727	-	-	2,696,279	255,949	162,336	-	3,759,291

**13. Property, Plant and Equipment** (cont'd)

Long leasehold land, leasehold property, oil mill and other buildings comprise:

<b>Group</b>	<b>Long Leasehold Land RM</b>	<b>Leasehold Property RM</b>	<b>Oil Mill and Other Buildings RM</b>	<b>Total RM</b>
<b>Cost</b>				
At 1 May 2005	52,310,766	718,963	12,065,204	65,094,933
Additions	3,758,569	-	17,464	3,776,033
Disposals	(1,843,159)	-	(185,000)	(2,028,159)
Reclassifications	-	-	150,612	150,612
At 30 April 2006	54,226,176	718,963	12,048,280	66,993,419
<b>Accumulated Depreciation</b>				
At 1 May 2005	-	77,036	3,037,228	3,114,264
Charge for the year	-	15,602	634,763	650,365
Disposals	-	-	(36,990)	(36,990)
At 30 April 2006	-	92,638	3,635,001	3,727,639
<b>Net Book Value</b>				
At 30 April 2006	54,226,176	626,325	8,413,279	63,265,780
At 30 April 2005	52,310,766	641,927	9,027,976	61,980,669
<b>Depreciation charge for 2005</b>				
	-	15,602	629,125	644,727

**13. Property, Plant and Equipment** (cont'd)**Company**

	<b>Motor Vehicle RM</b>
<b>Cost</b>	
At 1 May 2005	259,204
Disposal	(259,204)
	<hr/>
At 30 April 2006	-
	<hr/>
<b>Accumulated Depreciation</b>	
At 1 May 2005	22,680
Charge for the year	29,151
Disposal	(51,831)
	<hr/>
At 30 April 2006	-
	<hr/>
<b>Net Book Value</b>	
At 30 April 2006	-
	<hr/>
At 30 April 2005	236,524
	<hr/>
<b>Depreciation charge for 2005</b>	<hr/> <b>22,680</b> <hr/>

(i) Plantation development expenditure capitalised during the financial year included the following:

	<b>Group</b>	
	<b>2006 RM</b>	<b>2005 RM</b>
Depreciation of property, plant and equipment	258,148	138,865
Interest on term loans	89,532	756,149
Interest on hire purchase	41,094	9,058
Interest on revolving credits	-	70,564
	<hr/>	<hr/>

**13. Property, Plant and Equipment** (cont'd)

- (ii) The net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Furniture, fitting and equipment	31,175	35,475	-	-
Heavy equipment	1,995,615	1,720,323	-	-
Motor vehicles	1,020,775	986,643	-	236,524
	<u>3,047,565</u>	<u>2,742,441</u>	<u>-</u>	<u>236,524</u>

- (iii) Depreciation of property, plant and equipment is taken up in the financial statements as follows:

	Group	
	2006 RM	2005 RM
Recognised in the income statements	3,607,937	3,620,426
Capitalised under plantation development expenditure	258,148	138,865
	<u>3,866,085</u>	<u>3,759,291</u>

- (iv) The net book values of property, plant and equipment pledged for borrowings as referred to in Note 22 are as follows:

	Group	
	2006 RM	2005 RM
Long leasehold land	19,164,699	19,164,699
Buildings	4,579,547	4,960,732
Plantation development expenditure	9,732,639	9,718,702
Plant and machinery	11,696,231	12,909,275
	<u>45,173,116</u>	<u>46,753,408</u>

- (v) The financial impact of non-amortisation of the long leasehold land on the financial results as stated in Note 4(e) is a decrease in amortisation charge of RM291,768 (2005: RM262,613) for the Group.

**14. Investments in Subsidiary Companies**

	Company	
	2006 RM	2005 RM
Unquoted shares - at cost	202,671,015	202,671,015

Details of the subsidiary companies, which are incorporated in Malaysia, are as follows:

Name of Subsidiary Companies	Principal Activities	Equity Interest Held	
		2006	2005
Cepatwawasan Sdn. Bhd.	Cultivation of oil palm	100%	100%
Syarikat Melabau Sdn. Bhd.	Cultivation of oil palm	100%	100%
Wong Tet-Jung Plantations Sdn. Bhd.	Cultivation of oil palm	100%	100%
Razijaya Sdn. Bhd.	Cultivation of oil palm, currently under development stage and operation of a quarry	100%	100%
Sri Likas Mewah Sdn. Bhd.	Cultivation of oil palm	100%	100%
Kovusak Sdn. Bhd.	Cultivation of oil palm	100%	100%
Libarran Island Resort Sdn. Bhd.	Investment holding	100%	100%
Bakara Sdn. Bhd.	Cultivation of oil palm	100%	100%
Sungguh Mulia Sdn. Bhd.	Cultivation of oil palm, currently under development stage	100%	100%
Prima Semasa Sdn. Bhd.	Cultivation of oil palm, currently under development stage	100%	100%
<b>Subsidiary companies of Cepatwawasan Sdn. Bhd.</b>			
Prolific Yield Sdn. Bhd.	Milling and sales of oil palm products	100%	100%
Jutategak Sdn. Bhd.	Cultivation of oil palm, currently under development stage	100%	100%
Liga Semarak Sdn. Bhd.	Cultivation of oil palm, currently under development stage	100%	100%
Tentu Cergas Sdn. Bhd.	Cultivation of oil palm, currently under development stage	100%	100%
Tentu Bernas Sdn. Bhd.	Cultivation of oil palm, currently under development stage	100%	100%

**14. Investments in Subsidiary Companies** (cont'd)

Name of Subsidiary Companies	Principal Activities	Equity Interest Held	
		2006	2005
<b>Subsidiary companies of Syarikat Melabau Sdn. Bhd.</b>			
Suara Baru Sdn. Bhd.	Cultivation of oil palm and operation of a quarry	100%	100%
Gelang Usaha Sdn. Bhd.	Cultivation of oil palm	100%	100%
<b>Subsidiary company of Sri Likas Mewah Sdn. Bhd.</b>			
Ultisearch Trading Sdn. Bhd.	Cultivation of oil palm	100%	100%
<b>Subsidiary company of Libarran Island Resort Sdn. Bhd.</b>			
Minelink Sdn. Bhd.	Cultivation of oil palm, not yet commenced operation	100%	100%

**Acquisition of subsidiary companies in 2005:**

On 14 July 2004, the Group acquired 100% equity interest in Jutategak Sdn. Bhd., Liga Semarak Sdn. Bhd., Tentu Cergas Sdn. Bhd. and Tentu Bernas Sdn. Bhd., for a total cash consideration of RM3,239,703.

The acquisition in previous year had the following effects on the Group's financial results for the previous financial year:

	RM
Revenue	-
Loss from operations	(20,786)
Loss after taxation	(14,965)

The acquisition in previous year had the following effects on the financial position of the Group as at the end of the previous financial year:

	RM
Property, plant and equipment	5,370,131
Goodwill on consolidation	736,756
Receivables	18,641
Payables	(9,940)
Deferred tax liabilities	(735,132)
Group's share of net assets	5,380,456

**14. Investments in Subsidiary Companies** (cont'd)**Acquisition of subsidiary companies in 2005:** (cont'd)

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary companies in previous year were as follows:

	<b>2005 RM</b>
Property, plant and equipment	3,924,511
Payables	(1,322,310)
Deferred tax liabilities	(740,953)
	<hr/>
Fair value of total net assets	1,861,248
Goodwill on acquisition	736,756
	<hr/>
Purchase consideration satisfied by cash	<u>2,598,004</u>

**15. Goodwill on Consolidation**

	<b>Group</b>	
	<b>2006 RM</b>	<b>2005 RM</b>
At beginning of year	93,255,988	92,519,232
Add: Acquisition of subsidiary companies (Note 14)	-	736,756
	<hr/>	<hr/>
At end of year	<u>93,255,988</u>	<u>93,255,988</u>

**16. Amounts Due from Subsidiary Companies**

	<b>Company</b>	
	<b>2006 RM</b>	<b>2005 RM</b>
Amounts arising from settlement of purchase considerations on behalf of certain subsidiaries in respect of various acquisitions made by them pursuant to the restructuring exercise in year 2002	8,143,944	8,382,415
Balances arising from ordinary business activities	449,871	499,041
Advances	27,350,883	9,528,305
	<hr/>	<hr/>
	<u>35,944,698</u>	<u>18,409,761</u>

The advances are unsecured, interest-free and have no fixed terms of repayment.

**17. Inventories**

	Group	
	2006 RM	2005 RM
<b>At cost:</b>		
Crude palm oil	1,004,095	1,357,563
Palm kernels	1,192,053	261,259
Quarry stocks	4,745,786	2,276,777
Fertilisers and chemicals	1,493,790	980,127
Store, spares and consumable supplies	454,103	583,703
Nurseries	1,062,034	1,879,879
	9,951,861	7,339,308

There were no inventories stated at net realisable value as at 30 April 2006 and 2005.

**18. Trade Receivables**

Included in previous year's trade receivables of the Group was an amount of RM6,409 due from a company in which a former Director of the Company is also a director and has financial interest.

The Group's normal trade credit term ranges from 7 days to 30 days (2005: 7 days to 30 days). Other credit terms are assessed and approved on a case-by-case basis.

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

**19. Other Receivables**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
* Amounts recoverable from former directors and third parties	16,000,000	16,000,000	-	-
Amounts receivable on disposal of heavy machinery and equipment	922,103	922,103	-	-
Advances given to fresh fruit bunches suppliers	-	2,063,321	-	-
Advances given to a sub-contractor of a subsidiary company	638,855	1,851,574	-	-
Other receivables and prepayments	1,959,842	1,738,127	370,517	374,661
	19,520,800	22,575,125	370,517	374,661
Less: Provision for doubtful debts	(13,383,763)	(14,383,763)	(272,017)	(272,017)
	6,137,037	8,191,362	98,500	102,644

\* These represent wrongful payments made by the former directors who were removed on 6 August 2004 to third parties as referred to in Note 1 to the financial statements. A provision for doubtful debts of RM12,800,000 has been made in respect thereof.

**19. Other Receivables** (cont'd)

In previous year, advances given to fresh fruit bunches suppliers of the Group amounting to RM674,611 attracted interest at 9% per annum. These advances were recovered through deduction from the cost of fresh fruit bunches supplied.

As at balance sheet date, the Group has no other concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

**20. Fixed Deposits Placed with Licensed Banks**

	Group	
	2006 RM	2005 RM
Fixed deposits pledged as security for banking facilities granted to certain subsidiary companies	134,520	129,356
Fixed deposits free from encumbrances	50,000	50,000
	184,520	179,356

The maturities of fixed deposits at the end of the financial year were as follows:

	Group	
	2006 RM	2005 RM
6 to 12 months	145,907	145,808
12 months and more	38,613	33,548
	184,520	179,356

The effective interest rates of fixed deposits of the Group at the balance sheet date ranged from 3.70% to 4.25% (2005: 3.70% to 4.25%) per annum.

**21. Amounts Due to Subsidiary Companies**

Included in amounts due to subsidiary companies is an amount of RM27,706,947 (2005: RM10,460,203) which bears interest at cost of funds of the subsidiary company.

The amounts are unsecured and have no fixed terms of repayment.

**22. Borrowings**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Short Term Borrowings</b>				
Secured:				
Bank overdrafts (Note 32)	-	1,456,994	-	-
Revolving credits	9,000,000	9,000,000	-	-
Term loans	3,763,387	4,212,505	-	-
Hire purchase and finance lease payables (Note 23)	879,118	796,039	-	87,504
	<u>13,642,505</u>	<u>15,465,538</u>	<u>-</u>	<u>87,504</u>
<b>Long Term Borrowings</b>				
Secured:				
Term loans	10,025,791	13,868,406	-	-
Hire purchase and finance lease payables (Note 23)	1,099,233	1,166,087	-	45,558
	<u>11,125,024</u>	<u>15,034,493</u>	<u>-</u>	<u>45,558</u>
<b>Total Borrowings</b>				
Bank overdrafts (Note 32)	-	1,456,994	-	-
Revolving credits	9,000,000	9,000,000	-	-
Term loans	13,789,178	18,080,911	-	-
Hire purchase and finance lease payables (Note 23)	1,978,351	1,962,126	-	133,062
	<u>24,767,529</u>	<u>30,500,031</u>	<u>-</u>	<u>133,062</u>
Maturity of borrowings: (excluding hire purchase and finance lease)				
Within 1 year	12,763,387	14,669,499	-	-
More than 1 year and less than 2 years	2,789,289	3,644,995	-	-
More than 2 years and less than 5 years	6,051,928	7,632,121	-	-
5 years or more	1,184,574	2,591,290	-	-
	<u>22,789,178</u>	<u>28,537,905</u>	<u>-</u>	<u>-</u>

**22. Borrowings** (cont'd)

Included in borrowings of the Group are amounts totalling RM19,611,164 (2005: RM21,177,913) obtained under the Syariah principle of Bai Inah and Bai Bithaman Ajil.

The above banking facilities are secured by:

- (a) legal charges over certain leasehold plantations together with the plant and machinery and palm oil mill of subsidiary companies;
- (b) debentures incorporating fixed and floating charges over all the assets of subsidiary companies presently owned and subsequently acquired; and
- (c) corporate guarantees given by the Company and a subsidiary company.

The weighted average effective interest/profit rates at the balance sheet date for borrowings, excluding hire purchase and finance lease payables, were as follows:

	Group	
	2006	2005
	%	%
Revolving credits	4.77	4.32
Bank overdrafts	7.50	7.00
Term loans	6.26	5.88

**23. Hire Purchase and Finance Lease Payables**

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
<b>Minimum lease payments:</b>				
Not later than 1 year	987,023	910,034	-	92,544
Later than 1 year and not later than 2 years	943,153	629,883	-	46,264
Later than 2 years and not later than 5 years	206,316	625,039	-	-
	2,136,492	2,164,956	-	138,808
Less: Future finance charges	(158,141)	(202,830)	-	(5,746)
	1,978,351	1,962,126	-	133,062

**23. Hire Purchase and Finance Lease Payables** (cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Present value of hire purchase and finance lease liabilities</b>				
Not later than 1 year	879,118	796,039	-	87,504
Later than 1 year and not later than 2 years	898,107	568,237	-	45,558
Later than 2 years and not later than 5 years	201,126	597,850	-	-
	<u>1,978,351</u>	<u>1,962,126</u>	<u>-</u>	<u>133,062</u>
<b>Analysed as:</b>				
Due within 12 months (Note 22)	879,118	796,039	-	87,504
Due after 12 months (Note 22)	1,099,233	1,166,087	-	45,558
	<u>1,978,351</u>	<u>1,962,126</u>	<u>-</u>	<u>133,062</u>

The hire purchase and lease liabilities of the Group bore interest at the balance sheet date at rates ranging between 5.13% to 10.24% (2005: 5.44% to 10.24%) per annum.

The hire purchase liabilities of the Company bore interest at a rate of 5.44% per annum.

**24. Trade Payables**

The normal credit terms granted to the Group range from 30 days to 90 days (2005: 30 days to 90 days).

**25. Other Payables**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Accruals	2,185,308	2,694,692	91,920	100,554
Deposits	1,500	3,954	-	-
Sundry payables	1,086,111	2,374,294	219,592	339,306
	<u>3,272,919</u>	<u>5,072,940</u>	<u>311,512</u>	<u>439,860</u>

In previous year sundry payables of the Group included amounts totalling RM5,965 due to companies in which the siblings of certain former Directors of the Company have financial interests.

**26. Share Capital**

	Number of Ordinary Shares of RM1 Each		Amount	
	2006	2005	2006 RM	2005 RM
<b>Authorised</b>				
At beginning and end of year	500,000,000	500,000,000	500,000,000	500,000,000
<b>Issued and fully paid</b>				
At beginning and end of year	215,456,915	215,456,915	215,456,915	215,456,915

**27. Deferred Tax**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At beginning of year	39,357,533	37,217,092	-	-
Recognised in income statements (Note 10)	173,791	1,399,488	-	-
Arising from acquisition of subsidiary companies (Note 14)	-	740,953	-	-
At end of year	39,531,324	39,357,533	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(414,588)	(207,187)	-	(4,375)
Deferred tax liabilities	39,945,912	39,564,720	-	4,375
	39,531,324	39,357,533	-	-

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

	Unutilised Tax Losses RM	Unabsorbed Capital and Agriculture Allowances RM	Total RM
<b>Deferred Tax Assets of the Group:</b>			
At 1 May 2005	(1,829,493)	(1,296,811)	(3,126,304)
Recognised in the income statement	(624,308)	(716,227)	(1,340,535)
At 30 April 2006	(2,453,801)	(2,013,038)	(4,466,839)
At 1 May 2004	(1,391,960)	(1,688,455)	(3,080,415)
Recognised in the income statement	(431,282)	408,971	(22,311)
Acquisition of subsidiaries	(6,251)	(17,327)	(23,578)
At 30 April 2005	(1,829,493)	(1,296,811)	(3,126,304)

**27. Deferred Tax** (cont'd)

	<b>Property, Plant and Equipment RM</b>
<b>Deferred Tax Liabilities of the Group:</b>	
At 1 May 2005	42,483,837
Recognised in income statements	1,514,326
	<hr/>
At 30 April 2006	43,998,163
	<hr/>
At 1 May 2004	40,297,507
Recognised in income statement	1,421,799
Acquisition of subsidiaries	764,531
	<hr/>
At 30 April 2005	42,483,837
	<hr/>
	<b>Unabsorbed Capital Allowances RM</b>
<b>Deferred Tax Assets of the Company:</b>	
At 1 May 2005	(4,375)
Recognised in income statement	4,375
	<hr/>
At 30 April 2006	-
	<hr/>
At 1 May 2004	-
Recognised in income statement	(4,375)
	<hr/>
At 30 April 2005	(4,375)
	<hr/>
	<b>Motor Vehicle RM</b>
<b>Deferred Tax Liabilities of the Company:</b>	
At 1 May 2005	4,375
Recognised in income statement	(4,375)
	<hr/>
At 30 April 2006	-
	<hr/>
At 1 May 2004	-
Recognised in income statement	4,375
	<hr/>
At 30 April 2005	4,375
	<hr/>

**27. Deferred Tax** (cont'd)

Deferred tax assets of the Group and of the Company in respect of unabsorbed capital allowances amounting to RM2,912,854 (2005: RM2,296,289) and Nil (2005: RM4,375) respectively, have not been recognised as there may not be available future taxable profits in the Company and the said subsidiary company against which the unabsorbed capital allowances can be utilised.

**28. Lease Rental Payable**

This represents sublease rental for 107 parcels of leasehold land of certain subsidiary companies which is payable over the remaining lease term of 49 years commencing in the year 2049.

**29. Net Assets Per Ordinary Share**

The net assets per ordinary share is calculated by dividing the net assets by 215,456,915 (2005: 215,456,915) ordinary shares of the Company in issue as at 30 April 2006.

**30. Contingent Liabilities**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Unsecured</b>				
Guarantee for banking facilities granted to subsidiaries	-	-	54,690,000	75,737,878
Guarantee for credit facilities granted to subsidiaries	-	-	1,995,100	3,294,100
	-	-	56,685,100	79,031,978
Legal claims by former employees against subsidiaries for payment of gratuity, reimbursement of expenses and payment in lieu of notice of termination of employment	83,683	127,320	-	-
	83,683	127,320	56,685,100	79,031,978

**31. Capital Commitments**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Approved and contracted for:				
Acquisition of property, plant and equipment	262,000	479,913	-	-
Approved but not contracted for:				
Acquisition of property, plant and equipment	130,000	298,160	-	-
	<u>392,000</u>	<u>778,073</u>	<u>-</u>	<u>-</u>

**32. Notes to the Cash Flow Statements**

- (a) During the financial year, the Group and the Company acquired property, plant and equipment and incurred plantation development expenditure totalling RM11,640,722 (2005: RM9,326,805) and Nil (2005: RM259,204) respectively as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Plant and equipment acquired under hire purchase arrangement	976,534	1,769,000	-	175,000
Cash payments	10,275,414	6,583,169	-	84,204
Depreciation of property, plant and equipment capitalised	258,148	138,865	-	-
Finance costs capitalised	130,626	835,771	-	-
	<u>11,640,722</u>	<u>9,326,805</u>	<u>-</u>	<u>259,204</u>

- (b) Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits placed with licensed banks	184,520	179,356	-	-
Cash and bank balances	3,179,342	1,875,821	124,127	100,745
Bank overdrafts (Note 22)	-	(1,456,994)	-	-
	<u>3,363,862</u>	<u>598,183</u>	<u>124,127</u>	<u>100,745</u>

### 33. Significant Related Party Transactions

Group	2006		2005	
	Amount of transactions RM	Outstanding amounts RM	Amount of transactions RM	Outstanding amounts RM
(i) Transactions with companies in which certain former Directors of the Company have financial interests:				
<b>- Trade transactions</b>				
- Plentiful Harvest Sdn. Bhd. (a)				
Sale of quarry dust	-	-	6,409	6,409
- Onprospect Resources Sdn. Bhd. (a)				
Office rental expenses	2,400	-	4,800	-
(ii) Transactions with companies in which the siblings of certain former Directors of the Company have financial interests:				
<b>- Trade transactions</b>				
- Sungai Lokan Sdn. Bhd. (b)				
Equipment hire expenses	-	-	18,440	2,644
- HHC Venture Sdn. Bhd. (c)				
Sub-contract fees	-	-	31,791	3,321
- Megah Travel Sdn. Bhd. (d)				
Purchase of air tickets	6,374	-	6,882	-

**33. Significant Related Party Transactions** (cont'd)

Company	2006		2005	
	Amount of transactions RM	Outstanding amounts RM	Amount of transactions RM	Outstanding amounts RM
(i) Transactions with subsidiary companies:				
<b>- Trade transactions</b>				
Management fees received				
- Razijaya Sdn. Bhd.	43,488	43,488	-	-
- Tentu Cergas Sdn. Bhd.	14,568	14,568	-	-
- Sungguh Mulia Sdn. Bhd.	50,604	50,604	-	-
- Jutategak Sdn. Bhd.	87,372	87,372	-	-
- Liga Semarak Sdn. Bhd.	14,556	14,556	-	-
- Tentu Bernas Sdn. Bhd.	14,604	14,604	-	-
- Bakara Sdn. Bhd.	195,006	-	180,243	-
- Cepatwawasan Sdn. Bhd.	440,976	-	319,806	-
- Prolific Yield Sdn. Bhd.	242,364	-	197,260	-
- Kovusak Sdn. Bhd.	39,504	-	29,628	-
- Syarikat Melabau Sdn. Bhd.	69,876	69,876	52,407	52,407
- Gelang Usaha Sdn. Bhd.	96,132	-	72,099	72,099
- Suara Baru Sdn. Bhd.	329,364	-	247,023	247,023
- Sri Likas Mewah Sdn. Bhd.	154,836	-	116,127	116,127
- Wong-Tet Jung Plantations Sdn. Bhd.	77,607	-	47,259	-
- Ultisearch Trading Sdn. Bhd.	15,180	-	11,385	11,385
- Prima Semasa Sdn. Bhd.	154,803	154,803	-	-
<b>- Non trade transactions</b>				
Interest on advances obtained				
- Prolific Yield Sdn. Bhd.	28,608	-	223,104	223,104
- Bakara Sdn. Bhd.	163,556	-	125,822	125,822
- Cepatwawasan Sdn. Bhd.	132,510	-	-	-
Gross dividend income				
- Kovusak Sdn. Bhd.	900,000	-	-	-
- Cepatwawasan Sdn. Bhd.	4,500,000	-	4,000,000	-
- Prolific Yield Sdn. Bhd.	-	-	85,750	-
Advances to subsidiary companies	570,510	570,510	237,934	237,934
Repayment of advances to subsidiary companies	623,851	-	3,622,100	-
Advances from subsidiary companies	5,778,858	5,748,663	6,965,290	6,965,290
Repayment of advances from subsidiary companies	689,259	-	94,386	-

**33. Significant Related Party Transactions** (cont'd)

Note:

- (a) A company in which Datuk Lo Fui Ming has financial interest.
- (b) A company in which the brothers of Ouh Mee Lan and Tan Kum Peng have financial interests.
- (c) A company in which the brother of Datuk Lo Fui Ming has financial interest.
- (d) A company in which the son of Ouh Mee Lan has financial interest.

The Directors are of the opinion that all related party transactions above have been entered into in the normal course of business and have been established on terms and conditions mutually agreed between the relevant parties.

**34. Material Litigations**

- (i) In July 2004, the Company and its subsidiary company, Prolific Yield Sdn. Bhd. ("Prolific Yield") filed a Writ of Summons at the Kuala Lumpur High Court against the following persons:

**Name of Defendants**

Tengku Dato' Kamal Ibni Sultan Sir Abu Bakar	1st Defendant
Lt Kol Tengku Dato' Kamarul Zaman Ibni Sultan Sir Abu Bakar	2nd Defendant
Kassim Bin Mohamed Ali	3rd Defendant
Abdul Rahim Bin Sendiri	4th Defendant
Opti Temasek Sdn. Bhd.	5th Defendant
Yip Kum Wah	6th Defendant
Lee Ah Lan	7th Defendant
Sheikh Abdul Rahim Bin Sheikh Hassan	8th Defendant
Yip Fook Yian	9th Defendant
Yip Chee Meng	10th Defendant
Yip Ha @ Yip See Khow	11th Defendant
Chew Poh Kong	12th Defendant
Hew Yen Fatt	13th Defendant
Tan Sri Datuk Chai Kin Kong	14th Defendant
Dato Chua Tiong Moon	15th Defendant
Chai Kim Chong	16th Defendant
Chai Woon Chet	17th Defendant
Tan Kok Aun	18th Defendant

for recovery of:

- (a) RM13 million which was wrongfully and fraudulently paid out by the former directors of Prolific Yield who were removed on 6 August 2004 to Opti Temasek Sdn. Bhd.;
- (b) RM3 million which was wrongfully and fraudulently paid to Sheikh Abdul Rahim Bin Sheikh Hassan as an advance with no interest and no fixed term of repayment; and
- (c) RM287,915 which was misused by the 14th to 16th Defendants for improper purpose.

### 34. Material Litigations (cont'd)

- (i) The Court has on 24 June 2005 granted the Company's application for Order for attachment of assets before judgement against the 1st to 7th, Defendants. However, on 4 August 2005, the Court allowed the 1st and 2nd Defendants' application for stay of execution of Court Order dated 24 June 2005.

The hearing of the Company's application for Mareva Injunction to freeze the assets of the 8th Defendant has been adjourned to 3 July 2006 pending substituted service to the 8th Defendant.

On 22 February 2006, the Deputy Registrar allowed the 14th to 17th Defendants' application to strike off the Company's claim against them with cost. The Company filed an appeal to the Judge in Chambers. The Court had on 22 May 2006 directed both parties to file written submissions and fixed 15 August 2006 for clarification cum decision.

- (ii) On 6 July 2005, the Company and its subsidiary companies, Syarikat Melabau Sdn. Bhd., Kovusak Sdn. Bhd. and Prolific Yield Sdn. Bhd. received summons in respect of statement of claims by their four former employees namely, Tsen Thau Tet (1st Plaintiff), Foo Kon Chen (2nd Plaintiff), Lim Su Leong (3rd Plaintiff) and Phang Wai Jye (4th Plaintiff) for stopping the payment of cheques for payment of gratuity, reimbursement of expenses and payment in lieu of notice of termination of employment totalling RM127,319.69. The cheques were issued by the former directors of the Company who were removed by the shareholders in the Extraordinary General Meeting held on 6 August 2004. On 9 May 2006, the Sessions Court dismissed the claims of the 2nd, 3rd and 4th plaintiffs and directed the parties to make further submissions in respect of the 1st plaintiff's claims. The court fixed the ruling to be delivered on 19 June 2006.

### 35. Segment Information

#### (a) Business Segments

The Group's operations comprise the following business segments:

- (i) Plantation and mill - Cultivation and sale of oil palm
- (ii) Quarry - Extraction and sale of earth and stones

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**35. Segment Information** (cont'd)**(a) Business Segments** (cont'd)

	Plantation and mill RM	Quarry RM	Elimination RM	Consolidated RM
<b>30 April 2006</b>				
<b>Revenue</b>				
External sales	112,907,828	2,667,114	-	115,574,942
Inter-segment sales	-	503,808	(503,808)	-
Total revenue	<u>112,907,828</u>	<u>3,170,922</u>	<u>(503,808)</u>	<u>115,574,942</u>
<b>Results</b>				
Segment results	23,457,983	782,504	-	24,240,488
Unallocated corporate expenses				(2,021,199)
Operating profit				22,219,289
Interest income				33,162
Finance costs				(1,302,631)
Profit before taxation				20,949,820
Taxation				(5,878,589)
Profit after taxation				<u>15,071,231</u>
<b>Assets</b>				
Segment assets	209,049,175	23,066,541	-	232,115,716
Unallocated corporate assets				95,851,021
Consolidated total assets				<u>327,966,737</u>
<b>Liabilities</b>				
Segment liabilities	7,751,276	423,593	-	8,174,869
Unallocated corporate liabilities				65,316,236
Consolidated total liabilities				<u>73,491,105</u>
<b>Other Information</b>				
Capital expenditure	11,376,318	264,404		
Depreciation	2,847,231	705,950		
Non-cash expenses other than depreciation, amortisation and impairment loss	<u>4,223</u>	<u>-</u>		

**35. Segment Information** (cont'd)**(a) Business Segments** (cont'd)

	Plantation and mill RM	Quarry RM	Elimination RM	Consolidated RM
<b>30 April 2005</b>				
<b>Revenue</b>				
External sales	125,198,689	2,053,780	-	127,252,469
Inter-segment sales	-	378,426	(378,426)	-
Total revenue	<u>125,198,689</u>	<u>2,432,206</u>	<u>(378,426)</u>	<u>127,252,469</u>
<b>Results</b>				
Segment results	26,600,122	293,477	-	26,893,599
Unallocated corporate expenses				(2,724,278)
Unallocated other operating expenses				(13,237,718)
Operating profit				10,931,603
Interest income				40,682
Finance costs				(1,523,190)
Profit before taxation				9,449,095
Taxation				(6,869,491)
Profit after taxation				<u>2,579,604</u>
<b>Assets</b>				
Segment assets	207,532,889	20,775,924	-	228,308,813
Unallocated corporate assets				96,019,251
Consolidated total assets				<u>324,328,064</u>
<b>Liabilities</b>				
Segment liabilities	9,275,247	1,470,622	-	10,745,869
Unallocated corporate liabilities				71,075,214
Consolidated total liabilities				<u>81,821,083</u>
<b>Other Information</b>				
Capital expenditure	8,949,988	117,613		
Depreciation	2,959,425	612,716		
Non-cash expenses other than depreciation, amortisation and impairment loss	<u>11,429</u>	<u>-</u>		

**(b) Geographical Segments**

No segmental information by geographical area has been presented, as the Group operates predominantly in Malaysia.

Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 30.04.2006 RM'000	Year Acquired	
1 Prolific, Wong Tet-Jung Plantations Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2069	39.752 hectares	Oil Palm Plantation & Oil Mill	20,537	2001	
		2070	30.607 hectares				
		2074	18.195 hectares				
		2075	207.991 hectares				
		2076	9.967 hectares				
		2082	6.463 hectares				
		2097	6.435 hectares				
		2077	24.460 hectares				2005
		2082	72.790 hectares				
		2073	2.250 hectares				Plantable Reserve
			<b>418.910 hectares</b>				
Prolific Yield Lot 38, Block C Taman Indah Jaya Phase 4A, Mile 4, Jalan Utara, Sandakan	Under Sub Division Leasehold 99 years (Parent title TL077552035)	2081	<b>167,220 Sq.M</b>	Double Storey Terrace Shoplot	167	2002	
Prolific Yield Lot 39, Block C, Taman Indah Jaya Phase 4A, Mile 4, Jalan Utara, Sandakan	Under Sub Division Leasehold 99 years (Parent title TL077552035)	2081	<b>167.220 Sq.M</b>	Double Storey Terrace Shoplot	207	2001	
Prolific Yield Lot 40, Block C, Taman Indah Jaya Phase 4A, Mile 4, Jalan Utara, Sandakan	Under Sub Division Leasehold 99 years (Parent title TL077552035)	2081	<b>213.200 Sq.M</b>	Double Storey Terrace Shoplot	264	2001	
2 Melabau, Suara & Gelang Usaha 0.2 Km East of KM 96, Sandakan-Lahad Datu Highway	Leasehold 99 years	2069	27.480 hectares	Oil Palm Plantation & Quarry	620	2002	
		2078	17.110 hectares				
		2079	260.780 hectares				
		2080	202.303 hectares				
		2081	136.615 hectares				
		2082	88.690 hectares				
		2085	252.660 hectares				
		2086	14.930 hectares				
		2095	4.993 hectares				
		2093	154.700 hectares				
		2097	12.300 hectares				
		Perpetuity (Sublease 99 years)	2075				316.549 hectares
			2080				136.763 hectares
			2093				5.751 hectares
			2097				10.930 hectares
			2065				3.055 hectares
							<b>1,645.609 hectares</b>

## List of Properties of the Group as at 30 April 2006 (cont'd)

CEPATWAWASAN GROUP BERHAD (536499-K)



Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 30.04.2006 RM'000	Year Acquired
3 Sri Likas Mewah & Ultisearch 2.6 KM north of KM 31, Sukau Road	Leasehold 99 years	2085	10.120 hectares	Oil Palm Plantation	13,647	2001
		2094	386.100 hectares			
		2096	168.700 hectares			
		2098	47.750 hectares			
			<b>612.670 hectares</b>			
4 Bakara Bukit Garam/Sg. Lokan Off KM 76.5, Sandakan-Lahad Highway	Leasehold 99 years	2085	150.300 hectares	Oil Palm Plantation	7,860	2001
		2087	400.000 hectares			
			<b>550.300 hectares</b>			
5 Cepatwawasan & Kovusak KM 4.5, Jalan Beluran	Leasehold 99 years	2061	992.700 hectares	Oil Palm Plantation	42,595	2001
		2071	133.550 hectares			
		2078	485.300 hectares			
			<b>1,611.550 hectares</b>			
6 Minelink Sg. Lingkabau Area, 122 KM North-West of Sandakan	Leasehold 99 years	2098	<b>809.400 hectares</b>	Plantable Reserve	5,261	2001
7 Razijaya & Sugguh Mulia Sungai-Sungai Locality, 99 KM North-West of Sandakan	Leasehold 99 years	2098	<b>362.200 hectares</b>	Oil Palm Plantation, Quarry & Plantable Reserve	13,705	2001
8 Prima Semasa Sonsogon Suyad, Paitan Locality 105 KM North-West of Sandakan	Leasehold 99 years	2094	<b>2,997.000 hectares</b>	Oil Palm Plantation & Plantable Reserve	24,738	2003
9 Cepatwawasan, Tentu Bernas, Tentu Cergas, Liga Semarak & Jutategak Sg. Kawananan Locality 113 KM North-West of Sandakan	Leasehold 99 years	2097	242.800 hectares	Oil Palm Plantation & Plantable Reserve	6,905	2005
		2098	145.710 hectares			
		2099	48.550 hectares			
		2100	48.520 hectares			
			<b>485.580 hectares</b>			

Issued & Fully Paid-Up Share Capital	:	215,456,915
Authorised Share Capital	:	500,000,000
Type of Share	:	Ordinary Share of RM1.00 each
No. of Shareholders	:	4,448
Voting Rights	:	One Vote for Every Share

#### ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	Total Holdings	Percentage (%)
1 to 99	44	1,726	0.00
100 to 1,000	1,355	1,077,671	0.50
1,001 to 10,000	2,341	10,444,960	4.85
10,001 to 100,000	587	19,064,332	8.85
100,001 to 10,772,844	119	111,010,926	51.52
10,772,845 and above	2	73,857,300	34.28
<b>TOTAL</b>	<b>4,448</b>	<b>215,456,915</b>	<b>100.00</b>

#### SUBSTANTIAL SHAREHOLDERS

The substantial shareholders' interests in shares of the Company as at 5 June 2006 are as follows:-

Shareholders	Direct	No. of Shares Held		%
		%	Indirect	
MHC Plantations Bhd	49,000,000	22.74	-	-
Tiong King Sing	24,857,300	11.54	-	-

#### DIRECTORS' INTERESTS

The directors' interests in shares of the Company as at 5 June 2006 are as follows:-

Directors	Direct	No. of Shares Held		%
		%	Indirect	
Dato' Mah King Thian @ Mah King Thiam	-	-	69,000,000	32.02
Dato' Mah King Seng	-	-	69,000,000	32.02

**THIRTY LARGEST SHAREHOLDERS:**

No.	Name	No. of Shares Held	%
1	MHC PLANTATIONS BHD	38,500,000	17.87
2	OSK NOMINEES (TEMPATAN) SDN BERHAD <i>Qualifier : Pledged securities account for TIONG KING SING</i>	24,857,300	11.54
3	YEW LEE HOLDINGS SDN BERHAD	10,703,500	4.97
4	MHC PLANTATIONS BHD	10,500,000	4.87
5	HLG NOMINEE (ASING) SDN BHD <i>Qualifier : Commerzbank (SEA) Ltd for DEXON DYNAMIC INVESTMENT FD</i>	9,550,900	4.43
6	HUTAN MELINTANG PLANTATIONS SDN BERHAD	9,296,500	4.31
7	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged securities account for CHUA TIONG MOON</i>	6,103,200	2.83
8	EURATANI SDN BHD	5,626,100	2.61
9	MAYBAN NOMINEES (ASING) SDN BHD <i>Qualifier : Commerzbank (SEA) Ltd for PIVOT GLOBAL FUND</i>	5,050,000	2.34
10	LI NAI KWONG	4,922,309	2.28
11	HSBC NOMINEES (ASING) SDN BHD <i>Qualifier : Exempt an for CREDIT SUISSE</i>	4,487,500	2.08
12	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged securities account for CHAI KIN KONG</i>	4,486,900	2.08
13	LAW YAU MING ERIC	4,222,591	1.96
14	LOKE MEI PING	2,517,400	1.17
15	TEO TIEW	2,458,700	1.14
16	LIM YEN NGIAP	2,200,000	1.02
17	LOKE MEI LING	1,884,200	0.87
18	HDM NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged securities account for CHEE CHI VUN</i>	1,741,400	0.81

**THIRTY LARGEST SHAREHOLDERS:** (cont'd)

No.	Name	No. of Shares Held	%
19	LIM NYUK FOH	1,600,000	0.74
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged securities account for KOH KIN LIP</i>	1,600,000	0.74
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged securities account for PANG KIM FAN</i>	1,453,000	0.67
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged securities account for YAP TERNG SHENG</i>	1,180,000	0.55
23	SYARIKAT P H LIM SDN BHD	1,116,120	0.52
24	HSBC NOMINEES (ASING) SDN BHD <i>Qualifier : BNP PARIBAS ARBITRAGE (HONG KONG) LIMITED</i>	1,062,000	0.49
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged securities account for HIEW YON FO</i>	925,200	0.43
26	HDM NOMINEES (ASING) SDN BHD <i>Qualifier : DBS VICKERS SECS (S) PTE LTD for GREAT FOREST LIMITED</i>	871,300	0.40
27	RICKOH CORPORATION SDN BHD	860,000	0.40
28	AFFIN NOMINEES (TEMPATAN) SDN BHD <i>Qualifier : Pledged securities account for ROVENT SDN BHD</i>	815,400	0.38
29	TAN HENG HOCK	650,000	0.30
30	TAN LAI KIM	639,900	0.30
<b>TOTAL</b>		<b>161,881,420</b>	<b>75.10</b>

No of Shares Held	
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I/We \_\_\_\_\_ (BLOCK LETTERS)

NRIC No./Company No. \_\_\_\_\_ of

being (a) Member(s) of CEPATWAWASAN GROUP BERHAD (536499-K) hereby appoint the following person(s):

<b>Name of proxy, NRIC No. &amp; Address</b>	<b>No. of shares to be represented by proxy</b>
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1. \_\_\_\_\_

2. \_\_\_\_\_

or failing him/her,

1. \_\_\_\_\_

2. \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Executive Parlour (6th Floor), Sabah Hotel Sandakan, KM 1, Jalan Utara, Sandakan, Sabah on Monday, 31 July 2006 at 10.30 a.m. and at any adjournment thereof and to vote as indicated below:-

	FOR	AGAINST
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
ORDINARY RESOLUTION 3		
ORDINARY RESOLUTION 4		
ORDINARY RESOLUTION 5		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this ..... day of ....., 2006

\_\_\_\_\_  
Signature / Seal of Member

**Notes:**

- (a) A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.
- (b) To be valid this form duly completed must be deposited at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting.
- (c) A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
- (d) 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 proportion of his shareholdings to be represented by each proxy.
- (e) If the appointer is a corporation, the Form of Proxy must be executed under its seal or under the hand of its attorney.
- (f) Form of Proxy sent through facsimile transmission shall not be accepted.



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Stamp

The Company Secretary  
**CEPATWAWASAN GROUP BERHAD** (536499-K)  
312, 3rd Floor, Block C,  
Kelana Square, 17 Jalan SS 7/26,  
47301 Petaling Jaya,  
Selangor Darul Ehsan.

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