



Building Opportunities  
for the **FUTURE**



**KIM LOONG**  
RESOURCES BERHAD  
(22703-K)

錦隆資源有限公司

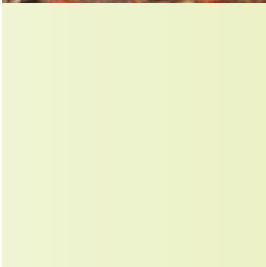
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# Notice of Annual General Meeting

For the financial year ended 31 January 2006

**NOTICE IS HEREBY GIVEN** that the Thirty-first Annual General Meeting of Kim Loong Resources Berhad will be held at The Tiara Rini Ballroom of The Royale Bintang Damansara, 6, Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan on Friday, 28 July 2006 at 3.00 p.m. for the following purposes:-

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 January 2006 together with the Auditors' Report thereon. **Resolution 1**
2. To declare a final dividend of 4% less tax in respect of the financial year ended 31 January 2006. **Resolution 2**
3. To re-appoint Mdm. Loo Geok Eng as a Director pursuant to Section 129(6) of the Companies Act, 1965 **Resolution 3**
4. To re-elect the following Directors retiring in accordance with Article 77 of the Articles of Association of the Company:-  
  
Mr. Gooi Seong Heen **Resolution 4**  
Mr. Gooi Seong Chneh **Resolution 5**  
Mr. Gan Kim Guan **Resolution 6**
5. To re-elect Mr. Chew Poh Soon retiring in accordance with Article 84 of the Articles of Association of the Company. **Resolution 7**
6. To re-appoint Messrs Liang & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**
7. As Special Business, to consider and if thought fit, to pass the following resolutions:-

#### **ORDINARY RESOLUTION I - AUTHORITY TO ISSUE SHARES**

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approval of the relevant governmental/regulatory bodies, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as they may deem fit, and that the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company. "

**Resolution 9**

#### **ORDINARY RESOLUTION II – PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to renew the shareholders' mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as specified in Section 2.5 of the Circular dated 6 July 2006, provided that such transactions are made on an arm's length basis and on normal commercial terms and subject further to the following:-

# Notice of Annual General Meeting (cont'd)

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (ii) disclosure is made in the Annual Report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year based on the following information:-
  - (a) the type of recurrent transactions made; and
  - (b) the names of the related parties involved in each type of recurrent transactions made and their relationship with the Company,

and such authority shall commence upon the passing of this Ordinary Resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company following the general meeting at which the Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, such authority is renewed;
- (b) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the said Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. To consider any other business for which due notice shall have been given.



**Resolution 10**



# Notice of Annual General Meeting (cont'd)

## NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Thirty-first Annual General Meeting, the final dividend of 4% less tax in respect of the financial year ended 31 January 2006 will be paid on 18 August 2006 to depositors registered in the Record of Depositors on 31 July 2006.

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

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 31 July 2006 in respect of ordinary transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

CHONG FOOK SIN (MACS 00681)  
NG KAM MAY (MAICSA 7020575)  
Company Secretaries

Petaling Jaya  
6 July 2006



## Notes:

### (1) Proxy

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. To be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the time set for holding the meeting. If the appointor is a corporation, this Form must be executed under its common seal or under the hand of its attorney.

### (2) Resolution 9 -

This resolution, if passed, will give the Directors authority to issue and allot new ordinary shares up to an amount not exceeding 10% of the issued capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, expire at the next Annual General Meeting.

### (3) Resolution 10 -

The detailed text on this resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is included in the Circular to Shareholders dated 6 July 2006 which is enclosed together with the Annual Report 2006.



# Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.28 (2) of the Listing Requirements of Bursa Malaysia Securities Berhad

- (1) The following are the Directors standing for re-appointment or re-election at the Thirty-first Annual General Meeting:-
- (a) Re-appointment of Director pursuant to Section 129(6) of the Companies Act, 1965:-
- Mdm. Loo Geok Eng
- (b) Re-election of Directors pursuant to Article 77 of the Articles of Association of the Company:-
- Mr. Gooi Seong Heen  
Mr. Gooi Seong Chneh  
Mr. Gan Kim Guan
- (c) Re-election of Director pursuant to Article 84 of the Articles of Association of the Company:-
- Mr. Chew Poh Soon
- (2) (a) There were six (6) Board of Directors' Meetings during the financial year ended 31 January 2006, all held at Lot 18.02, 18th Floor, Public Bank Tower, No. 19, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor. The date and time of the Meetings were as follows:-

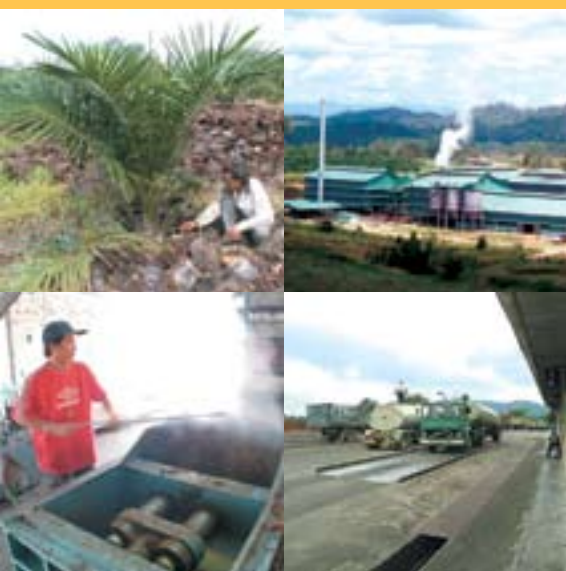
Date of Meetings	Time
Wednesday, 2 February 2005	2.50 p.m.
Monday, 21 March 2005	3.30 p.m.
Thursday, 26 May 2005	2.45 p.m.
Monday, 27 June 2005	2.15 p.m.
Tuesday, 20 September 2005	10.50 a.m.
Tuesday, 20 December 2005	9.50 a.m.

- (b) Attendance of Directors at the Board of Directors' Meetings held during the financial year ended 31 January 2006 are as follows:-

Name of Directors	Attendance at Meetings	Percentage of Attendance (%)
Gooi Seong Lim	6/6	100
Gooi Seong Heen	5/6	83
Loo Geok Eng (f)	5/6	83
Gooi Seong Chneh	5/6	83
Gooi Seong Gum	6/6	100
Gan Kim Guan	6/6	100
Teoh Cheng Hai	6/6	100
Datuk Haji Mohd. Zamani bin Samah (Demised on 29.12.2005)	5/6	83
Gooi Seow Mee (f) (Retired on 27.07.2005)	4/4	100
Mathew K. Mathai (Resigned on 19.07.2005)	3/4	75

- (3) The Thirty-first Annual General Meeting will be held at The Tiara Rini Ballroom of The Royale Bintang Damansara, 6, Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan on Friday, 28 July 2006 at 3.00 p.m.
- (4) The profiles of Directors standing for re-appointment or re-election as mentioned in paragraph 1 above at the Thirty-first Annual General Meeting are set out in pages 7 to 9 of this Annual Report.

# Corporate Information



**DIRECTORS** Gooi Seong Lim Executive Chairman  
Gooi Seong Heen Managing Director  
Loo Geok Eng (f)  
Gooi Seong Chneh  
Gooi Seong Gum  
Gan Kim Guan  
Teoh Cheng Hai  
Chew Poh Soon

**AUDIT COMMITTEE** Gan Kim Guan Chairman  
Gooi Seong Heen  
Teoh Cheng Hai  
Chew Poh Soon

**SECRETARIES** Chong Fook Sin (MACS 00681)  
Ng Kam May (f) (MAICSA 7020575)

**REGISTERED OFFICE** Unit 203, 2nd Floor,  
Block C, Damansara Intan,  
No. 1, Jalan SS 20/27,  
47400 Petaling Jaya,  
Selangor Darul Ehsan.  
Tel : 03 7118 2688  
Fax : 03 7118 2693

**REGISTRAR** Tacs Corporate Services Sdn. Bhd. (231621-U)  
Unit No. 203, 2nd Floor,  
Block C, Damansara Intan,  
No. 1, Jalan SS20/27,  
47400 Petaling Jaya,  
Selangor Darul Ehsan  
Tel : 03 7118 2688  
Fax : 03 7118 2693

**AUDITORS** Liang & Co.  
Chartered Accountants  
(Firm No. AF 0312)  
4L, Jalan Tun Abdul Razak (Susur 3)  
80000 Johor Bahru

**PRINCIPAL BANKERS** OCBC (Malaysia) Berhad (295400-W)  
Malayan Banking Berhad (3813-K)  
HSBC Bank Malaysia Berhad (127776-V)  
AmBank (M) Berhad (8515-D)

**STOCK EXCHANGE LISTING** Main Board of Bursa Malaysia Securities Berhad  
Stock Short Name : KMLONG  
Stock Code : 5027

# Board of Directors



**KIM LOONG**  
RESOURCES BERHAD  
(22703-K)

錦隆資源有限公司



Gooi Seong Lim  
Executive Chairman



Gooi Seong Heen  
Managing Director



Loo Geok Eng (f)



Gooi Seong Chneh



Gooi Seong Gum



Gan Kim Guan



Teoh Cheng Hai



Chew Poh Soon

## Company Secretaries:



Ng Kam May (f)



Chong Fook Sin



# Profiles of Directors

## GOOI SEONG LIM

Gooi Seong Lim, aged 58, a Malaysian, was appointed to the Board of Kim Loong Resources Berhad ("KLR") as an Executive Director on 28 February 1990 and he was a Managing Director up to 30 March 2006 before he was redesignated as the Executive Chairman of KLR. He is also a member of the Remuneration Committee with effect from 27 March 2002. He graduated with a Bachelor of Applied Science degree in Mechanical Engineering in 1972 and obtained a Master's degree in Mechanical Engineering in 1975 both from the University of Toronto, Canada. From 1972 to 1975, he was an engineer of Spar Aerospace Ltd, an engineering company based in Toronto, Canada, specialising in the design and computer simulations of Canadian Communication Satellite and subsequently, with Atomic Energy of Canada Ltd based in Toronto, Canada, a quasi-government company specialising in the design of Canadian nuclear reactors. From 1975 until to-date, he has been the Managing Director of Sharikat Kim Loong Sendirian Berhad ("SKL"), an investment holding company which owns a controlling stake in KLR and Crescendo Corporation Berhad ("CCB"), a public company listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Securities"). Since 1977, he has been a director of Kim Loong Palm Oil Sdn. Bhd. ("KLPO") which is involved in palm oil milling. The success of the Group owes much to his extensive involvement in plantation and property development. He is the Managing Director of CCB and also sits on the Board of several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 10 years. He attended all the six (6) Board meetings held during the financial year 2006.

## GOOI SEONG HEEN

Gooi Seong Heen, aged 56, a Malaysian, was appointed to the Board of KLR as an Executive Director on 28 February 1990. He was redesignated as Managing Director on 30 March 2006. He is also a member of the Audit Committee. He graduated with a Bachelor of Applied Science degree in Chemical Engineering from the University of Toronto in 1972 and obtained a Master's degree in Business Administration from the University of Western Ontario, Canada in 1976. He served as an engineer with Esso Singapore Pte Ltd from 1973 to 1974. His experience embraces oil palm and rubber estate management, palm oil mill management and property development. From 1972, he has been a director of SKL, an investment holding company which owns a controlling stake in KLR and CCB. Since 1977, he has been a director of KLPO Group which is involved in palm oil milling. He also sits on the Board of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 10 years. He attended five (5) of the six (6) Board meetings held during the financial year 2006.



from left to right  
Loo Geok Eng (f), Gooi Seong Lim, Gooi Seong Heen

## LOO GEOK ENG

Loo Geok Eng (f), aged 87, a Malaysian, was appointed to the Board of KLR as an Executive Director on 28 February 1990. She is the founder of SKL, an investment holding company which owns a controlling stake in KLR and CCB and has been a director of SKL since 11 August 1967. Her experience includes that of oil palm and rubber estate management and property development. She is the Executive Chairman of CCB and also sits on the Board of several other private companies.

Madam Loo has no personal interest in any business arrangement involving KLR, except that she is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of her directorship and shareholding in SKL. She has not been convicted of any offences within the past 10 years. She attended five (5) of the six (6) Board meetings held during the financial year 2006.

# Profiles of Directors (cont'd)

## GOOI SEONG CHNEH

Gooi Seong Chneh, aged 52, a Malaysian, was appointed to the Board of KLR on 28 February 1990. He is currently an Executive Director of KLR. He graduated with a Bachelor of Science degree from the University of Toronto, Canada in 1975 and obtained a Bachelor's degree in Civil Engineering from the University of Ottawa, Canada in 1980. He is a member of Professional Engineers Association of Alberta, Canada. He was formerly a consultant with Campbell Engineering and Associates, Calgary, Canada for three (3) years from 1981 to 1983. He has extensive experience in construction site management and property development. His experience also includes oil palm and cocoa estate management. From 1976, he has been a director of SKL, an investment holding company which owns a controlling stake in KLR and CCB. He has been responsible for the development and management of oil palm and cocoa estates in Sabah since 1985. He also sits on the Board of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 10 years. He attended five (5) of the six (6) Board meetings held during the financial year 2006.



from left to right  
Gan Kim Guan, Gooi Seong Gum, Gooi Seong Chneh

## GOOI SEONG GUM

Gooi Seong Gum, aged 51, a Malaysian, was appointed to the Board of KLR on 28 February 1990. He is currently an Executive Director of KLR. He graduated with a Bachelor's degree in Civil Engineering from the University of Ottawa, Canada in 1980. He was an engineering consultant for Bobrowski & Partners, Calgary, Canada for one (1) year from 1982 to 1983. His experience covers oil palm and rubber estate management, property development and construction site management. From 1980, he has been a director of SKL, an investment holding company which owns a controlling stake in KLR and CCB. Since 1983, he has been a director of KLPO Group which is involved in palm oil milling. He also sits on the Board of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 10 years. He attended all the six (6) Board meetings held during the financial year 2006.

## GAN KIM GUAN

Gan Kim Guan, aged 44, a Malaysian, was appointed to the Board of KLR as an Independent Non-executive Director on 28 March 2001. He is currently the Senior Independent Non-executive Director of KLR. He was appointed as a member of the Audit Committee on 28 March 2001 and currently, he is the Chairman of the Audit Committee. He also sits as a member of both the Nomination and Remuneration Committees with effect from 27 March 2002. He is a partner of a firm of Chartered Accountants. He has extensive experience in auditing, investigation, financial planning and financing related work. He was previously involved in the Internal Audit Committee of the Malaysian Institute of Accountants. He is also a director of CCB.

Mr Gan is a member of the Association of Chartered Certified Accountants, and a Chartered Accountant of the Malaysian Institute of Accountants. He has no personal interest in any business arrangement involving KLR. He has not been convicted of any offences within the past 10 years. He attended all the six (6) Board meetings held during the financial year 2006.

# Profiles of Directors (cont'd)

## TEOH CHENG HAI

Teoh Cheng Hai, aged 61, a Malaysian, was appointed to the Board of KLR as an Independent Non-executive Director on 1 August 2001. He is a member of the Audit Committee of KLR with effect from 27 September 2001 and is the Chairman of both the Nomination and Remuneration Committees of KLR with effect from 27 March 2002. He graduated with a Bachelor of Agricultural Science Degree from the University of Malaya in 1968. He has 35 years experience in the plantation industry, principally in research and development and in total quality & environment management. He was formerly Director of R&D (1989-1995) and Director, Quality & Environment Management and Member of the Group Management Committee of Golden Hope Plantations Berhad from 1995 until his retirement from the company in year 2000. He was the 1st Secretary-General of the Roundtable on Sustainable Palm Oil ("RSPO") in 2004/05 and served as the Advisor to the RSPO Executive Board in 2005/2006. He was the Honorary Advisor (Plantation Agriculture) to World Wide Fund for Nature ("WWF") Malaysia from 2001 - 2004. He is a member of the Faculty of Sustainability Ltd, UK. He is also a member of the Board of Trustees of Yayasan Anak Warisan Alam Malaysia ("YAWA").

Mr Teoh has no personal interest in any business arrangement involving KLR. He has not been convicted of any offences within the past 10 years. He attended all the six (6) Board meetings held during the financial year 2006.

## CHEW POH SOON

Chew Poh Soon, aged 61, a Malaysian, was an Independent Non-executive Director of KLR from 21 July 2000 to 30 April 2001. He has been re-appointed an Independent Non-executive Director and a member of the Audit Committee of KLR on 30 March 2006. He graduated from University of Malaya in 1967 with Bachelor of Agricultural Science (Hon) and obtained his Master's degree in Agricultural Science in 1976. He joined Boustead Estates Agency in 1967 as an agronomist to start Highlands Research Unit and was its Head of Agricultural Research till 1986. Subsequently, he assumed the same position in Applied Agricultural Research Sdn. Bhd., a joint venture between Boustead Holdings Berhad and Kuala Lumpur Kepong Berhad till his retirement in March 2000. He was a director of HRU Sdn. Bhd. from 1984 to 1986 and Plantation Director (Peninsula Malaysia) of IOI Corporation Berhad from 2 May 2001 to 30 April 2003. He has wide experience in the oil palm, cocoa and rubber sectors, having conducted research and rendered agronomic and management advice including soil surveys, land evaluation and crop feasibility studies to plantations and small estates in Peninsula Malaysia, Sabah, Sarawak, Indonesia and Philippines. He has been closely involved in professional activities in the plantation industry.

Mr Chew has no personal interest in any business arrangement involving KLR. He has not been convicted of any offences within the past 10 years. As he was only appointed after the end of the financial year 2006, he did not attend any Board meetings held during the financial year 2006.



from left to right  
Chew Poh Soon, Teoh Cheng Hai

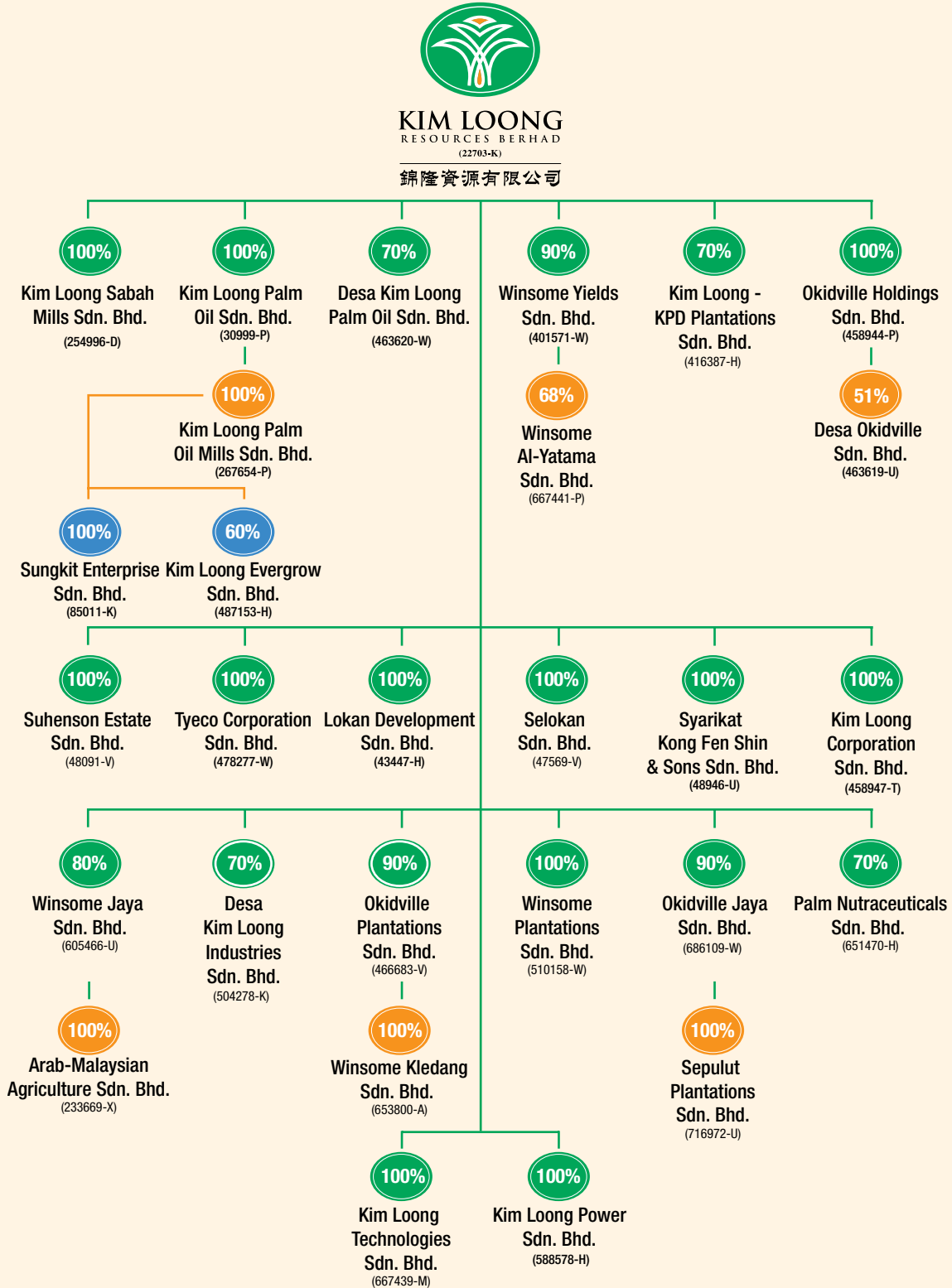
## FAMILY RELATIONSHIPS

Gooi Seong Lim, Gooi Seong Heen, Gooi Seong Chneh and Gooi Seong Gum, who are brothers, are children of Loo Geok Eng.

Save for the above, none of the other Directors are related.

# Group Structure

As At 31 January 2006



# Group

## Financial Highlights

	Financial year ended 31 January				
	2002	2003	2004	2005	2006
<b>INCOME STATEMENT (RM'000)</b>					
Revenue	98,513	147,318	196,131	230,706	218,679
Profit before tax	8,818	13,568	16,283	16,402	14,251
Profit after tax	4,989	9,057	11,881	11,551	9,938
<b>BALANCE SHEET (RM'000)</b>					
Paid-up share capital	106,750	106,750	106,750	106,750	170,864
Shareholders' equity	155,044	160,720	216,787	224,593	298,732
Total assets	209,450	229,769	343,970	365,221	394,955
<b>PER SHARE (RM)</b>					
Earnings	0.05	0.09	0.13	0.12	0.07
Net tangible assets	1.45	1.50	2.01	2.09	1.74
Dividends	0.05	0.06	0.07	0.07	0.07
Weighted average number of share in issue ('000)	106,750	106,750	106,750	106,750	156,809
<b>FINANCIAL RATIO (%)</b>					
Return on shareholders' equity (Pretax)	5.69	8.44	7.51	7.30	4.77
Return on total assets (Pretax)	4.21	5.91	4.73	4.49	3.61
<b>PLANTATIONS</b>					
Plantation Area (Acres)					
Oil palm					
Mature	6,895	14,088	23,897	26,978	26,978
Immature	16,718	11,211	4,071	990	3,762
Unplanted land	2,437	745	1,058	3,760	988
	26,050	26,044	29,026	31,728	31,728
Cocoa and others	435	395	411	411	411
Total plantable area	26,485	26,439	29,437	32,139	32,139
Infrastructure and unplanted land	1,342	1,388	1,374	1,374	1,374
Total land area	27,827	27,827	30,811	33,513	33,513
<b>Production (MT)</b>					
Fresh fruit bunches ("FFB")	59,111	70,623	105,276	148,875	180,119
Yield per mature acre	8.57	5.01	4.41	5.52	6.68
<b>MILLS</b>					
Production and Extraction Rate					
Crude palm oil ("CPO") (MT)	78,006	73,618	94,072	100,079	108,471
Oil extraction rate (% of FFB)	18.33	18.50	19.02	19.68	20.23
Palm kernel oil ("PKO") (MT)	12,956	11,456	12,809	11,673	8,272
Oil extraction rate (% palm kernel "PK")	42.96	42.84	42.83	43.02	43.82



# Statement on Corporate Governance

## INTRODUCTION

The Board of Directors of KLR believes that good corporate governance is fundamental to the Group's continued success. To this, the Board is fully committed to its policy on managing the affairs of the Group with transparency, integrity and accountability by ensuring that a sound framework of corporate governance practices are in place at all levels of the Group's business thus discharging its principal responsibility towards protecting and enhancing long-term stakeholders' value and investors' interest consistent with the principles and best practices as enshrined in the Malaysian Code on Corporate Governance ("the Code")

The Board is pleased to present the following report on the application of principles and compliance with best practices as set out in the Code during the financial year ended 31 January 2006.

## THE BOARD OF DIRECTORS

The Board has delegated specific responsibilities to five committees, namely, the Audit, Nomination, Remuneration, Risk Management and ESOS Committees, which operate within approved terms of reference. These Committees have the authority to examine particular issues according to their terms of references and report to the Board their recommendations. The ultimate responsibility for final decision on all matters, however, lies with the Board.

The Board leads and controls the Group and is responsible for among other things, the review and adoption of a strategic plan for the Group, overseeing of business performance, ensuring the adoption of appropriate risk management system and ensuring the establishment of proper internal control system.

The Group acknowledges the importance of corporate governance in enhancing its business prosperity and corporate accountability with the objective of realising long term shareholders' value, whilst taking into account the interest of other stakeholders.

The Group will continue to endeavour to comply with all the key principles of the Code in an effort to observe a high standard of transparency, accountability and integrity. This is to sustain optimal governance with conscientious accountability for continuous effectiveness, efficiency and competitiveness of the Group.

## Composition and Balance

The control environment sets the tone for the Group and it is driven by an effective Board of Directors consisting of competent individuals with appropriate specialist skills and knowledge to ensure capable management of the Group. The Board is responsible for overseeing the conduct and performance of the Group's businesses and provides an oversight to the Group's internal controls. The composition of independent and non-independent Directors is carefully considered to ensure that the Board is well balanced.

The Board comprises Gooi Seong Lim, who is the Executive Chairman, Gooi Seong Heen who is the Managing Director and three (3) Executive Directors and three (3) Independent Directors (of which, one is appointed as the Senior Independent Director). Collectively the Directors bring a wide range of business, financial and technical experience for an effective management of the Group's businesses. The Independent Directors fulfil their role by providing objective judgement and participation in the decision making process. A profile of each Director is presented on pages 7 to 9 of this Annual Report.

The Group practises a division of responsibilities between the Executive Chairman and the Managing Director and there is a balance of Executive and Independent Non-executive Directors. The roles of the Chairman and Managing Director are separate and clearly defined and are held by two persons.

The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director has the overall responsibility over the day-to-day running of the business and implementation of Board policies and decisions.

The Board has initiated a process of evaluation carried out by the Remuneration Committee annually. The evaluation process includes assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director. Through the Nomination Committee, the Board will also annually review its required mix of skills and experiences and other qualities, including core competencies which the Non-executive Directors should bring to the Board.

# Statement on Corporate Governance (cont'd)

The Board has appointed Mr. Gan Kim Guan to act as the Senior Independent Non-executive Director of the Board to whom concerns regarding the Group may be conveyed to.

The Board is satisfied that the current Board composition fairly represents the interest of minority shareholders in the Company.

## Board Meetings

Board meetings are scheduled at least once every quarter, with additional meetings convened as and when required. During the financial year ended 31 January 2006, there were six (6) Board meetings. The Directors attended a majority of the Board meetings held during their tenure, except for Mr. Chew Poh Soon who was appointed after the financial year.

The composition of the Board and the attendance of each Director at the Board meetings held during the financial year are as follows:-

Name of Director	Status of Directorship	Attendance Of Meetings
Gooi Seong Lim	Executive Chairman	6 of 6
Gooi Seong Heen	Managing Director	5 of 6
Loo Geok Eng (f)	Executive Director	5 of 6
Gooi Seong Chneh	Executive Director	5 of 6
Gooi Seong Gum	Executive Director	6 of 6
Gan Kim Guan	Senior Independent Director	6 of 6
Teoh Cheng Hai	Independent Director	6 of 6
Chew Poh Soon	Independent Director	Not applicable
Datuk Haji Mohd Zamani bin Samah (Demised 29.12.2005)	Independent Chairman	5 of 6
Gooi Seow Mee (Retired 27.07.2005)	Executive Director	4 of 4
Mathew K Mathai (Resigned 19.07.2005)	Director	3 of 4

## Appointment and Election to the Board

There is in place a formal and transparent procedure for the appointment of new Directors to the Board. The proposed appointment of new member(s) of the Board as well as the proposed re-appointment/re-election of Directors seeking re-appointment/re-election at the Annual General Meeting ("AGM") are recommended by the Nomination Committee to the Board for its approval. The Nomination Committee of the Board was established on 27 March 2002 to identify, nominate and recommend the appointments of Directors to the Board and Committees of the Board.

## Director's Training

All Directors have attended the Continuous Education Programme as required by Bursa Malaysia to keep abreast with relevant new regulatory development on a continuous basis. In addition, Board members keep abreast with the general economic, industry and technical development by their attendance at various seminars and conferences and further enhance their skills, knowledge and experience in order to fulfil their duties as Directors.

## Information for the Board

The Chairman plays a key role to ensure that all Directors have full and timely access to information. All Directors are provided with an agenda and a set of comprehensive Board papers issued with sufficient time prior to Board meetings to ensure that the Directors can appreciate the issues to be deliberated and where necessary, to obtain further explanation. The Board papers include updates on financial, operational and corporate developments of the Group.

Board papers are also presented with details on other issues that may require the Board's deliberation or decisions, policies, strategic issues which may affect the Group's business and factors imposing potential risks affecting the performance of the Group.

# Statement on Corporate Governance (cont'd)

In exercising their duties, the Directors have access to all information within the Group and to the advice and service of the Company Secretary, who is responsible for ensuring that Board meeting procedures are followed and all applicable rules and regulations are complied with.

In exercising their duties, the Directors whether as a Board Committee or in their individual capacity, in furtherance of their duties, may seek independent professional advice at the Company's expenses.

## Board Committees

The Board has established the following Board Committees to assist the Board in the execution of its responsibilities. The number of meetings of the Board Committees held during the financial year were:

Audit Committee	4 meetings
Nomination Committee	3 meetings
Remuneration Committee	1 meeting

The terms of reference of each committee have been approved by the Board, the salient terms of reference and frequency of meetings are as follow:-

### Audit Committee

- The terms of reference of the Audit Committee are set out under the Audit Committee Report on pages 22 to 25 of this Annual Report.
- The Audit Committee meets at least once every quarter.

### Nomination Committee

- The terms of reference of the Nomination Committee are set out under the Nomination Committee Report on page 27 of this Annual Report.
- The Nomination Committee meets as and when required, and at least once a year.

### Remuneration Committee

- The terms of reference of the Remuneration Committee are set out under the Remuneration Committee Report on page 26 of this Annual Report.
- The Remuneration Committee meets as and when required, and at least once a year.

### Directors' Remuneration

The objectives of the Group's policy on Directors' remuneration are to attract and retain Directors of the calibre needed to manage the Group successfully. For Executive Directors, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-executive Director concerned.

The Remuneration Committee recommends to the Board, the framework of the Executive Director's remuneration and the remuneration package for each Executive Director. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. Save that the fees of the Directors shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, the determination of the remuneration packages of Non-executive Directors (whether in addition to or in lieu of their fees as Directors), is a matter for the Board as a whole. Individual Director does not participate in decision regarding his/her own remuneration package.

# Statement on Corporate Governance (cont'd)

The remuneration package of the Directors is as follows:

## Basic salary

The basic salary (inclusive of statutory employer contributions to the Employee Provident Fund) for the Executive Director is recommended by the Remuneration Committee, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar positions in a selected group of comparable companies. The salary is reviewed annually.

## Fees

The Board, based on the fixed sum as authorised by the Group's shareholders, determines fees payable to Non-executive Directors after considering comparable industry rates and the level of responsibilities undertaken by them.

## Bonus scheme

The Group operates a bonus scheme for all employees, including the Executive Directors. The criteria for the scheme is dependent on the level of profit achieved from certain aspects of the Group's business activities as measured against targets, together with an assessment of each individual's performance during the period. Bonuses payable to the Executive Directors are reviewed by the Remuneration Committee and approved by the Board.

## Directors' Share Option

The Group also rewards staff with share options under its Employees' Share Option Scheme. The movement in Directors' share options during the financial year ended 31 January 2006 are set out on page 42.

A summary of the remuneration of the Directors for the year ended 31 January 2006, distinguishing between Executive and Non-executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive band of RM50,000 are set out as follows:

Aggregate Remuneration	Executive Directors (RM'000)	Non-executive Directors (RM'000)	Total (RM'000)
Fees	39	191	230
Salary and Other Emoluments	1,147	9	1,156

The number of Directors of the Company who served during the financial year and whose income from the Company falling within the following bands are:

Analysis of Remuneration	Executive Directors	Non-executive Directors
0 - RM50,000	-	3
RM50,001 - RM100,000	1	1
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	2	-
RM250,001 - RM300,000	2	-

# Statement on Corporate Governance (cont'd)

## **INVESTORS AND SHAREHOLDERS RELATIONSHIP**

As a public listed company, KLR acknowledges the need for transparency and disclosure in its business dealings.

The Group values its dialogue with shareholders and recognises that timely dissemination of relevant information is important. In this regard, it strictly adheres to the disclosure requirements of the Bursa Securities and the Malaysian Accounting Standards Board. The Annual Report is also an important channel of communication to reach shareholders and investors as it provides comprehensive information pertaining to the Group.

In this regard, the Group conducts briefing to the Press on the results, performance and the potential of new developments of the Group. The briefings enable a direct and frank dialogue be established on the affairs of the Group with people who are highly focused on business affairs of corporations.

The AGM is the principal forum of dialogue with shareholders. Notice of AGM together with a copy of the Company's Annual Report is sent to shareholders at least twenty one (21) days prior to the meeting. Each item of special business included in the notice of meeting is accompanied by an explanation for the proposed resolution. Much effort is undertaken by the Company to produce an Annual Report which is informative with facts and figures, and a statutory report with disclosures and explanatory notes.

At the AGM, the Board presents the progress and performance of the Group as contained in the Annual Report and shareholders are encouraged to participate and are given every opportunity to raise question or seek more information during the meeting. The Managing Director and Board members are available to respond to all shareholders' queries.

Apart from the AGM and Annual Reports, the financial highlights are disseminated on a quarterly basis to Bursa Securities. Other public information and significant items affecting the Group are reported through the Bursa Securities from time to time via announcements. Analyst briefing are conducted as and when the need arises.

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

The Board aims to present a balanced, clear and meaningful assessment of the Group's financial positions and future prospects in all their reports to shareholders, investors and regulatory authorities. This is done through the release of quarterly reports. In addition, an annual assessment is provided in the Annual Report through the Chairman's Statement.

The Board is conscious of their responsibilities over the Group's financial statements. All results prior to their release to the public are tabled and scrutinised at the Audit Committee and Board meetings to ensure that it presents a balanced and understandable assessment of the Group's performance and prospects.

A Statement on Directors of their responsibilities in preparing the financial statement is set out in page 21 of this Annual Report.

### **Internal Control**

The Board acknowledges that it is responsible for maintaining a sound system of internal control, which provides reasonable assessment of effective and efficient operations, financial controls and compliance with laws and regulations as well as with internal procedures and guidelines. A Statement on Internal Control, which provides an overview of the state of internal control within the Group is set out on pages 18 to 20 of this Annual Report.

### **Relationship with the Auditors**

Through the Audit Committee, the Group has established a good working relationship with its External Auditors. The Audit Committee has always maintained a professional relationship with the External Auditors. The Company's External Auditors are elected every year during the AGM.

The role of the Audit Committee in relation to the External Auditors is set out in page 22 to 25 of this Annual Report.



# Statement on Corporate Governance (cont'd)

## Other Information Pursuant To The Listing Requirements of Bursa Securities

To comply with the Listing Requirements of Bursa Securities, the following information is provided:

### 1) Utilisation of Proceeds

During the financial year, there was no proceeds raised by the Company from any corporate proposals other than those disclosed in the Notes 19 and 21 to the Financial Statements.

### 2) Share Buy-Back

There was no share buy-back performed by the Company.

### 3) Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued to any parties during the financial year, other than those disclosed in the Note 19 to the Financial Statements

### 4) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Program

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

### 5) Sanctions and/or Penalties

There was no sanction and/or penalties imposed on the Company and/or its subsidiary companies, Directors or Management arising from any significant breach of rules/guidelines/legislation by the relevant regulatory bodies during the financial year except for the following event:-

- a. Kim Loong - KPD Plantations Sdn Bhd, a subsidiary, was fined for a sum of RM3,000 under Sek 29A, Akta Kualiti Alam Sekeliling, 1974 for open burning. Remedial action had been taken to prevent the recurrence of this problem.

### 6) Non-audit Fees

A sum of RM16,000 was paid to the External Auditors, Liang & Co., as non-audit fees paid and payable to them for the financial year.

### 7) Variation in Results

There was no material variation between the results for the financial year and the unaudited results previously announced.

### 8) Profit Guarantee

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

### 9) Material Contracts Involving Directors and Major Shareholders' Interest

There were no material contracts entered into by the Company and its subsidiaries involving Directors and/or major shareholders and/or related parties.

### 10) Revaluation Policy

The Group's revaluation policy is stated in Notes 2(b) and 2(c) to the Financial Statements.

### 11) Recurrent Related-Party Transactions

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 36 to the Financial Statements.

## CONCLUSION

This Statement is made in accordance with a resolution of the Board dated 28 June 2006.

# Statement on Internal Control

## INTRODUCTION

Paragraph 15.27(b) of the Listing Requirements of the Bursa Securities requires the Board to make a statement in the Company's Annual Report about the state of its internal controls. The Malaysian Code on Corporate Governance requires all listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Accordingly, the Board is pleased to set out below the Statement on Internal Control ("Statement") that was prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies issued by Bursa Securities. The Board recognises that the practice of good governance is an important continuous process. Set out below are the outline of the key elements of internal control for the financial year ended 31 January 2006.

## BOARD RESPONSIBILITIES

The Board acknowledges its responsibilities for maintaining sound internal control systems to safeguard shareholders' interests and the Group's assets; and for reviewing the adequacy and integrity of these systems. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable rather than absolute assurance against material misstatement or loss. The process to identify, evaluate and manage the significant risks is a concerted and continuing effort throughout the financial year under review. This process is regularly reviewed by the Board.

The Board sets the policy on internal controls after conducting a proper assessment of operational and financial risk by considering the overall control environment of the organisation and an effective monitoring mechanism. The Managing Director and his management carry out the process of implementation and maintenance of the control systems. Except for insurable risks where insurance covers are purchased, other risks are reported on a general reporting basis to and managed by the respective Boards within the Group.

The Board confirms that the risk management process is an ongoing process to identify, evaluate, and manage significant risks to effectively mitigate the risks that may impede the achievement of the Group's business and corporate objectives. The Board reviews the process on a regular basis to ensure proper management of risks and measures are taken to mitigate any weaknesses in the control environment.

## KEY INTERNAL CONTROL PROCESSES

### A. RISK MANAGEMENT FRAMEWORK

The Board has established an organisational structure with clearly defined lines of accountability and delegated authority. It has extended the responsibilities of the Audit Committee to include monitoring of all internal controls on its behalf, with the assistance of the Internal Audit Department ("IAD").

The Group has put in place a Risk Management Committee ("RMC") that is chaired by the Managing Director and comprises Executive Directors, Heads of Divisions & Departments and includes representatives from operations. Heads of Operations are trained to lead the risk management function of their respective operations. The RMC is tasked to develop and maintain an effective risk management system in the Group. Reviews are to cover matters such as responses to major risks identified, changes to internal control systems and outputs from monitoring processes. The RMC reports to the Audit Committee on a regular basis.

The Group's risk management system was developed in 2002 with the help of related experts. Risk assessment and evaluation will form an integral part of the annual strategic planning cycle. Having identified the risks involved in achieving strategic, financial and operational, and other business objectives, each operation is required to document actions to mitigate all identified significant risks. New areas will be introduced for assessment as the business risk profile changes.

Under this system, each section of the Group, will prepare a 'risk map' which will summarise risks, controls and processes for managing them with the means of assuring management that the controls and processes are effective. The RMC will also consider any risks to the Group's strategic objectives, which are not addressed by the operations. The risk maps and any proposed changes to the controls and processes are reported to the RMC. A summary is then furnished for consideration by the Audit Committee.

# Statement on Internal Control (cont'd)



## B INTERNAL AUDIT FUNCTION

The Internal Audit Function has been undertaken by the IAD of the Group's holding company, Sharikat Kim Loong Sendirian Berhad. The Board has chosen to outsource this audit function as the Board is of the opinion that the operations of the Group by itself cannot support an effective IAD in terms of availability of appropriate skills and resources.

The IAD undertakes regular reviews of the Group's operations and their systems of internal control. They provide continuous improvement to the controls and risk management procedures. Internal audit findings are discussed at management level and actions are agreed in response to the Internal Auditors' recommendations. The status of implementation of the agreed actions are followed up by the Internal Auditors to ensure that satisfactory control is maintained.

The IAD regularly reports on compliance with internal control and procedures to the Audit Committee. They also ensure that recommendations to improve control are being followed through by the management. The Audit Committee reviews all internal audit findings and management responses and the effectiveness of the risk management process. Significant risk issues are referred to the Board for consideration. The Board reviews the minutes of the Audit Committee meetings.

## C OTHER KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the procedures established by the Board which provides effective internal control include:-

- An organisational structure with clearly defined authority limits and reporting mechanism to higher levels of management and to the Board, which supports the maintenance of a strong control environment.
- A recruitment and promotion policy that ensures appropriate persons of calibre are selected to fill positions available.
- Specific responsibilities have been delegated to relevant Board Committees, all of which have formalised terms of reference. These committees have the authority to examine all matters within their scope and report to the Board with their recommendations.
- Regular site visits to the operations within the Group by members of the Board and senior management.
- Periodic management meetings are held to provide a forum where management undertakes overall responsibility for periodic reviews of the risk management system. The risk based decisions shall be made at the operating company level where knowledge and expertise reside. Executive Directors and managers responsible for the operations play an integral part in monitoring the effectiveness of risk management in their activities.

# Statement on Internal Control (cont'd)

- The Finance Department monitors the active subsidiaries' performances through the monthly management accounts and ensure control accounts are reconciled with the subsidiary records.
- Budgeting process where subsidiaries prepare budget for next financial year and approved by management level. Monitoring of results against budget is carried out on a quarterly basis, with major variances being acted upon.
- The staff is provided with the necessary resources to enable the achievement of corporate objectives and ensuring the existence of an adequate system of internal control and carrying out risk management activities.
- Asset counts are done on a periodical basis and reconciled to the underlying records. All access to the assets and records of the Group are controlled to safeguard assets and reduce the risk against unauthorised access.

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

## CONCLUSION

The Board is of the view that the system of internal control in place for the year under review and up to the date of issuance of the Audited Financial Statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees and the Group's assets.

The External Auditors have reviewed this Statement on Internal Control pursuant to paragraph 15.24 of the Listing Requirements of Bursa Securities and have reported to the Board that it appropriately reflects the processes that the Board adopts in reviewing the adequacy and integrity of the system of internal control.

This Statement is made in accordance with a resolution of the Board of Directors dated 28 June 2006.





# Statement on Directors' Responsibilities In Respect of the Audited Financial Statements

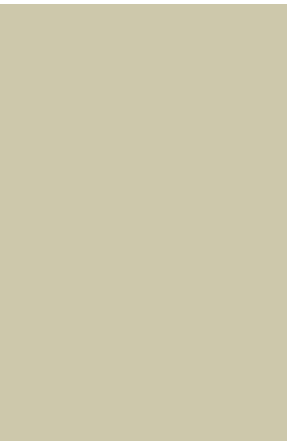
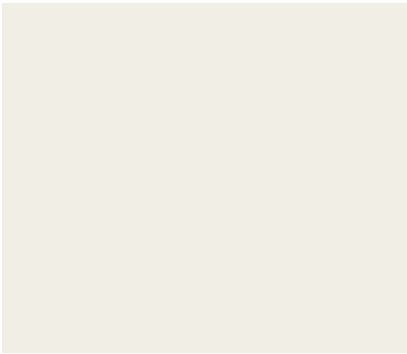
The Directors are required by the Companies Act, 1965 (“the Act”) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and their results, changes in equity and cash flows of the Group and of the Company for the financial year then ended. As required by the Act and of the Listing Requirements of Bursa Securities, the Financial Statements have been prepared in accordance with the applicable approved accounting standard in Malaysia and the provisions of the Act.

Therefore, in preparing these Financial Statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Act. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 28 June 2006.





# Audit Committee Report



## MEMBERS

The Audit Committee comprises three (3) Independent Directors and the Managing Director as at the date of this report. The members are:

- Chairman : Gan Kim Guan  
(Senior Independent Non-executive Director & Member of the Malaysian Institute of Accountants)
- Members : Gooi Seong Heen (Executive Director / Managing Director with effect from 30.03.2006)  
Teoh Cheng Hai (Independent Non-executive Director)  
Chew Poh Soon (Independent Non-executive Director) (Appointed on 30.03.2006)  
Datuk Haji Mohd. Zamani bin Samah (Independent Non-executive Director) (Demised on 29.12.2005)
- Secretaries : Chong Fook Sin  
Ng Kam May

## THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee assists, supports and implements the Board's responsibility to oversee the Company's operations by providing a means for review of the Company's processes for producing financial data, its internal control and the independence of the Company's External and Internal Auditors.

## TERMS OF REFERENCE

The terms of reference of the Committee are as follows:

### 1. Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall be composed of no fewer than three (3) members, the majority of whom shall be Independent Directors as defined in the Listing Requirements of Bursa Securities.

The quorum shall be two (2) members, a majority of whom shall be Independent Directors. The Chairman of the Audit Committee shall be elected by the members of the Audit Committee from amongst their members and shall be an Independent Director.

At least one member of the Audit Committee:

- a. must be a member of the Malaysian Institute of Accountants ("MIA"); or

# Audit Committee Report (cont'd)

- b. if he is not a member of the MIA, he must have at least 3 years' working experience and:
- he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967

The Company Secretary shall be the Secretary of the Committee.

## 2. Function of Audit Committee

The Audit Committee shall amongst others, discharge the following functions:-

- (1) To review the following and report the same to the Board;
- a. with the External Auditors, the audit plan;
  - b. with the External Auditors, their evaluation of the system of internal controls;
  - c. with the External Auditors, the audit report;
  - d. the assistance given by employees of the Group to the External Auditors;
  - e. the adequacy of the scope, functions and resources of the Internal Auditors and that they have the necessary authority to carry out their work;
  - f. the internal audit program, processes, the results of the internal audit or investigation undertaken and whether or not appropriate action has been taken on the recommendations of the Internal Auditors;
  - g. the quarterly reports and year end financial statements, prior to the approval by the Board, particularly on:
    - i) public announcement of results and dividend payments;
    - ii) any changes in or implementation of major accounting policies and practices;
    - iii) major judgemental areas/issues;
    - iv) significant and unusual events;
    - v) compliance with accounting standards; and
    - vi) compliance with stock exchange and other legal requirements
  - h. any related party transaction and conflict of interest situations that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
  - i. any letter of resignation from the External Auditors of the Company; and
  - j. whether there is reason (substantiated) to believe that the Company's External Auditors are not suitable for re-appointment.
- (2) To recommend the nomination of a person or persons as External Auditors and their remuneration.

## 3. Rights of Audit Committee

The Audit Committee shall, in accordance with the procedures determined by the Board and at the cost of the Company:

- a. have authority to investigate any matter within its Terms of Reference;
- b. have the resources which are required to perform its duties;
- c. have full and unrestricted access to any information pertaining to the Group;
- d. have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);
- e. be able to obtain independent professional advice; and
- f. be able to convene meetings with the External Auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

# Audit Committee Report (cont'd)

## 4. Meetings

During the financial year 2006, the Audit Committee held a total of four (4) meetings. The attendance by each member at the Committee meetings during the year is as follows:

Director	Total number of meetings held in the financial year during Director's tenure in office	Meetings attended by Directors
Gan Kim Guan	4	4
Datuk Haji Mohd. Zamani bin Samah (Demised on 29.12.2005)	4	1
Gooi Seong Heen	4	3
Teoh Cheng Hai	4	4
Chew Poh Soon (Appointed subsequent to the financial year)	0	0

### Details of meetings

- 4.1 To form a quorum in respect of a meeting of the Audit Committee, the majority of members present must be Independent Directors.
- 4.2 A minimum of four (4) meetings per year are planned, although additional meetings may be called at any time at the Audit Committee Chairman's discretion. An agenda will be sent to all members of the Audit Committee and any other persons who may be required/invited to attend. Quarterly reports and annual financial statements are reviewed by the Audit Committee before presenting to the Board for approval.
- 4.3 In addition to the above, upon request of any member of the Audit Committee, the External Auditors and the Internal Auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider the matters brought to their attention.
- 4.4 Other Directors, representatives of the External Auditors, Group Accountant, Internal Auditors and other members of senior management or any other relevant employees within the Group may be invited to attend the meetings as determined by the Chairman.
- 4.5 The External Auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee.
- 4.6 Other Directors and employees of the Group may only attend any particular Audit Committee meeting at the Committee's invitation.
- 4.7 The Audit Committee shall regulate its own procedures, in particular:
  - a. the calling of meetings;
  - b. the notice to be given of such meeting;
  - c. the voting and proceedings of such meetings;
  - d. the keeping of the minutes; and
  - e. the custody, production and inspection of such minutes.

## 5. Activities During the Financial Year

The Audit Committee met at scheduled times; with due notices of meetings issued; and with agenda planned and itemised so that issues raised were deliberated and discussed in a focused and detailed manner.

# Audit Committee Report (cont'd)

During the financial year 2006, the Audit Committee discharged its duties and responsibilities in accordance with its terms of reference. The main activities undertaken by the Audit Committee were as follows:

- Reviewed with the External Auditors their scope of work and annual audit plan and discuss results of their examinations and recommendations.
- Reviewed with the External Auditors the audit report and internal control recommendations in respect of control weaknesses noted in the course of the audit that requires appropriate actions and the Management's responses thereon.
- Reviewed the annual audited financial statements of the Group and the Company with the External Auditors prior to submission to the Board for approval. The review entailed due compliance with the provisions of the Companies Act, 1965, Listing Requirements of Bursa Securities, applicable approved accounting standards in Malaysia as well as other legal and regulatory requirements.
- Reviewed the Company's compliance, in particular the quarterly reports with the Listing Requirements of Bursa Securities and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- Reviewed the IAD's resource requirement, programmes and plans for the financial year to ensure adequate coverage over the activities of the respective subsidiaries.
- Reviewed the internal audit reports presented by the IAD on findings, recommendations and management responses thereto and ensure that material findings are adequately addressed by management. Where required, members of the Audit Committee carried out ground visits to verify significant issues highlighted in the Internal Audit Report.
- Reviewed and recommended for the Board's approval the quarterly reports for announcement to the Bursa Securities in compliance with its Listing Requirements
- Reviewed and recommended to the Board's adoption of the draft statements included in the Annual Report namely the Statement on Corporate Governance and Statement on Internal Control.
- Reviewed the disclosure on related party transactions entered by the Group and the Company and the appropriateness of such transactions before recommending to the Board for its approval.
- Reviewed the outcome of the risk management programme, including key risk identified, the potential impact and the likelihood of the risk occurring, existing controls which can mitigate the risks and action plans.

## 6. Internal Audit Function

The Internal Audit Function has been outsourced to the IAD of the Group's major shareholder and holding company, Sharikat Kim Loong Sendirian Berhad. The Board has chosen to outsource this audit function as the Board is of the opinion that the operations of the Group by itself cannot support an effective IAD in terms of availability of appropriate skills and resources.

The IAD carries out their audits according to the audit plan approved by the Audit Committee. Risk identification and assessment is carried out as part of the routine audit process, where audit emphasis is given on high and critical risk areas and compliance regulatory guidelines. When a major risk is identified, significant audit resources are directed to investigate the weakness and to recommend corrective actions.

The main role of the IAD is to provide the Audit Committee with independent and objective reports on the effectiveness of the system of internal control within the Group. The IAD is independent of the activities they audit and duties are performed with impartiality. The IAD has conducted the evaluation of the system of internal control that encompasses the Group's governance, operations, and information systems. The internal audit reports were deliberated by the Audit Committee and recommendations were duly acted upon by management.

This Statement is made in accordance with a resolution of the Board of Directors dated 28 June 2006.

# Remuneration Committee Report

## COMPOSITION OF MEMBERS

### (1) Members

The Remuneration Committee comprises the following members:-

Chairman	:	Teoh Cheng Hai
Members	:	Gan Kim Guan
		Gooi Seong Lim
		Mathew K. Mathai (Resigned on 19.07.2005)
		Chew Poh Soon (Appointed on 30.03.2006)
Secretaries	:	Chong Fook Sin
		Ng Kam May

## TERMS OF REFERENCE

### (1) Membership

The Remuneration Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise at least three (3) Directors, wholly or a majority of whom are Non-executive Directors.

The members of the Remuneration Committee shall elect the Chairman from amongst their members who shall be a Non-executive Director.

In order to form a quorum in respect of a meeting of the Remuneration Committee, the member present must be wholly or a majority of whom must be Non-executive Directors.

The Company Secretary shall be the Secretary of the Remuneration Committee.

### (2) Frequency of Meeting

Meeting shall be held not less than once in a financial year.

### (3) Authority

The Remuneration Committee is authorised to draw from outside advice as and when necessary in forming its recommendation to the Board on the remuneration of the Executive Directors in all its forms. Executive Directors should play no part in deciding their own remuneration and should abstain from discussion of their own remuneration.

### (4) Function of Remuneration Committee

The primary function of this Committee is to recommend to the Board the structure and level of remuneration of Executive Directors.

## REPORTS AND MINUTES

### (1) Reporting Procedures

The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

### (2) Summary of Activities of the Remuneration Committee

The Committee met once during the financial year 2006. All members attended the meeting.

The Committee reviewed the current remuneration of the Executive Directors and recommended the levels of remuneration of Executive Directors for the financial year 2006.



# Nomination Committee

## COMPOSITION OF MEMBERS

### 1. Members

The Nomination Committee comprises the following members:-

Chairman	:	Teoh Cheng Hai
Members	:	Gan Kim Guan Mathew K. Mathai (Resigned on 19.07.2005) Chew Poh Soon (Appointed on 30.03.2006)
Secretaries	:	Chong Fook Sin Ng Kam May

## TERMS OF REFERENCE

### 1. Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist exclusively of Non-executive Directors, minimum three (3), a majority of whom are Independent Directors.

The members of the Nomination Committee shall elect the Chairman from amongst their members who shall be an Independent Director.

In order to form a quorum in respect of a meeting of the Nomination Committee, the member present must be wholly or a majority of whom must be Independent Directors.

The Company Secretary shall be the Secretary of the Nomination Committee.

### 2. Frequency of Meeting

Meeting shall be held not less than once in a financial year.

### 3. Authority

The Committee is to recommend new nominees for the Board and the Board Committee and to assess Directors on an on-going basis. The actual decision as to who shall be nominated should be the responsible of the Board after considering the recommendation of the Committee.

### 4. Function of Nomination Committee

The duties of the Nomination Committee shall be:-

- (i) to recommend to the Board, candidates for all directorship and in doing so, preference shall be given to shareholders or existing Board members and candidates proposed by the Managing Director and, within the bounds of practicability, by any other senior executive or any Director or shareholder may be considered.
- (ii) to recommend to the Board, directors to fill the seats in Board Committees.
- (iii) to review annually, on behalf of the Board, the required mix of skills, experience and other qualities, including core competencies, which Non-executive Directors should bring to the Board.
- (iv) to carry out annually, on behalf of the Board, the assessment of the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director

## REPORT AND MINUTES

### 1. Reporting Procedures

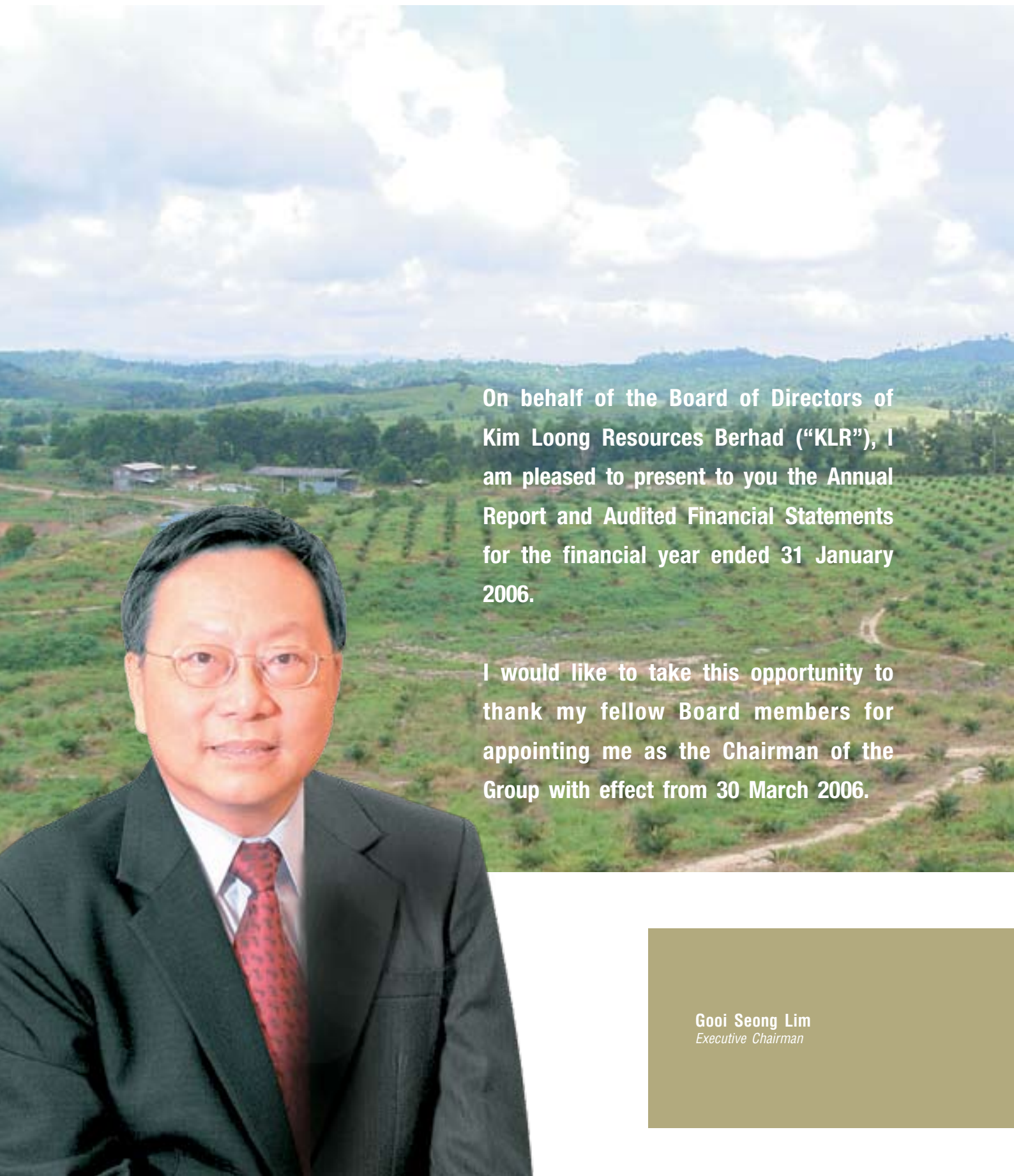
The Company Secretary shall circulate the minutes of the Nomination Committee to all members of the Board.

### 2. Summary of Activities of the Nomination Committee

The Committee met three times during the financial year 2006. All members attended the meeting.

The Committee reviewed the overall effectiveness of the Board and recommended for re-election members of the Board retiring at the AGM.

# Chairman's Statement



On behalf of the Board of Directors of Kim Loong Resources Berhad (“KLR”), I am pleased to present to you the Annual Report and Audited Financial Statements for the financial year ended 31 January 2006.

I would like to take this opportunity to thank my fellow Board members for appointing me as the Chairman of the Group with effect from 30 March 2006.

**Gooi Seong Lim**  
*Executive Chairman*

# Chairman's Statement (cont'd)

## RESULTS

The Group recorded a revenue and profit before tax ("PBT") of RM218.7 million and RM14.3 million respectively for the financial year 2006 as compared to RM230.7 million and RM16.4 million respectively recorded in the financial year 2005.

The drop of 5% in revenue amounting to RM12.0 million was mainly due to the drop in palm oil prices which affected both the plantation and milling operations.

## DIVIDEND

The Board has recommended a final dividend of 4 sen per share, less 28% tax (2005: 4 sen per share, less 28% tax), making a total dividend of 7 sen per share, less 28% tax (2005: 7 sen per share, less 28% tax) for the financial year 2006.

## CORPORATE DEVELOPMENTS

The Company was one of the companies included in "Top Malaysian Small Cap Companies - 100 Hidden Jewels" book published by OSK Research Sdn. Bhd. for two consecutive years 2005 and 2006.

The Company was also selected as one of the top ten companies listed by OSK Research Sdn. Bhd. in the year 2006.

The Company undertook the following corporate exercises during the financial year:

### Rights issue with detachable free warrants

During the year, the Company completed the issuance of 64,050,000 new ordinary shares of RM1 each at an issue price of RM1.10 together with 42,700,000 detachable free warrants pursuant to a rights issue exercise on the basis of 3 new ordinary shares of RM1 each and 2 detachable free warrants for every 5 existing ordinary shares of RM1 each. The official quotation of the Rights Shares and Warrants commenced on 29 April 2005.

Out of the RM70.5 million raised from the rights issue, RM30 million has been used to retire the Group's borrowings, RM12.2 million for the acquisition of property, plant and equipment, and RM12.7 million for working capital of the Group and expenses relating to the Rights Issue exercise as at 31 January 2006. The balance of approximately RM15.6 million will be used mainly for plantation development expenditure and construction of a solvent extraction plant.

As a result of the disposal of a subsidiary company, Arab-Malaysian Agriculture Sdn. Bhd. ("AMASB"), which was completed on 10 February 2006, the Company announced to Bursa Securities on 27 February 2006 that the RM3.5 million of the proceeds raised from the Rights Issue which was originally intended for the development of 990 acres of land owned by AMASB will now be utilised for general working capital purposes of the Company.

### Employees' Share Option Scheme

The Employees' Share Option Scheme ("ESOS") was established on 18 March 2005 and is effective for a period of 5 years.

The primary purpose for the establishment of the ESOS is to motivate and encourage employees of the Group towards greater dedication and loyalty. It is a mean of rewarding and retaining employees whose services are vital to the Group's businesses, continued growth and future expansion. It also allows the employees to participate in the equity of the Company and to relate directly to the overall performance of the Group.

## PALM OIL MILLING OPERATIONS

The palm oil milling operations recorded a decline of 4% in revenue despite a 5% increase in fresh fruit bunches ("FFB") processed mainly due to lower palm oil prices.

The profit from the milling operations reduced by 32% or RM1.9 million to RM4.0 million, compared to RM5.9 million for the financial year 2005. The drop in profit was mainly due to lower processing margin at the Kota Tinggi mill as a result of competition for FFB supplies from surrounding mills.

# Chairman's Statement (cont'd)

## PLANTATION OPERATIONS

Despite the lower palm oil prices, the revenue from the plantation operations increased by RM2.5 million to RM49.7 million in the financial year 2006 on the account of increase in FFB production by 31,000 MT or 21%. The increase in FFB production was due to a more productive age profile of the palms.

The decline in profit was due to lower palm oil prices and increase in cost of consumables utilised in the plantations. As a result, the profit from the plantation operations dropped by 7% or RM1.2 million to RM15.7 million as compared to RM16.9 million for the preceding year.

During the financial year 2006, the Group has commenced the development of the 2,700 acres of land in Johor acquired in the financial year 2005 into an oil palm plantation.

## ENVIRONMENTAL MANAGEMENT

In the course of its plantation and milling operations, the Group takes appropriate measures to ensure that regulatory environmental requirements are complied with, particularly in respect of treatment of effluents. In the plantation, environmentally friendly practices such as field application of empty fruit bunches ("EFB") to enhance soil fertility and organic matter are implemented. Significant progress has been made in the production of bio-fertilizers and compost from EFB recovered from the oil mill at Kota Tinggi. The Group will continue to maximize the utilisation of waste and co-products.

The Group plans to harness biogas for steam and electricity generation. Improvement in anaerobic digestion system for treatment of palm oil mill effluent and harnessing biogas would eliminate the emission of methane, a greenhouse gas from the effluent ponds. The Group is undertaking this project under the Clean Development Mechanism of the Kyoto Protocol.

## DEVELOPMENT AND PROSPECTS

With the potential extra demand for biofuel and biodiesel plus the impact of the labeling on trans fatty acid in the USA, the demand for palm oil is increasing rapidly.

The Group has diversified into a palm nutraceuticals project which involves the construction and operation of a facility for extracting tocotrienol (belonging to vitamin E family) concentrates. This plant is expected to be in full production by the fourth quarter of 2006. The mill at Kota Tinggi, Johor has also invested in a solvent extraction plant which recovers residual palm oil from pressed fibres. This plant is also expected to be in operation by the fourth quarter of 2006. We will continue efforts to develop the local and export markets of our bio-fertilizers with the installation of a high capacity plant.

The Group has the intention of carrying out a methane capture and power generation project. The Group has via its subsidiary company entered into an Emission Reductions Purchase Agreement to sell the Certified Emission Reductions ("CER") generated by the project to a third party. This project is expected to contribute positively to the Group's operation through revenue from sales of the CERs and supplying of low cost steam and electricity for the milling operation and other downstream activities of the Group.





# Chairman's Statement (cont'd)



The Group is planning to set up its third palm oil mill with a capacity of 30 MT of FFB per hour initially at Telupid, Sabah, to process its own crop and at the same time to provide milling services to other smallholders at the surrounding area.

With more favourable age profile of the palm and increasing mature acreage, the Group is expected to benefit from higher FFB production and satisfactory palm oil prices. The yield per acre is expected to continue to improve in the next few years. The Group will continue to look into the opportunity to increase its landbank near its existing palm oil mills through acquisition or joint venture to provide sustainable and synergistic growth in revenue and profit.

The Group will further intensify its efforts to improve efficiency, productivity and cost effectiveness in its operations to enhance the competitiveness of the Group to create wealth for its shareholders.

Based on the above factors and barring any unforeseen circumstances, the Board expects the Group's performance to improve for the financial year ending 31 January 2007.

## BOARD MATTERS

On behalf of the Board, I wish to express my deepest sympathy to the family members of our late Chairman, Datuk Haji Mohd. Zamani bin Samah, who passed away on 29 December 2005 and at the same time to register our appreciation to him for his past contributions to the Company.

Mr Gooi Seong Heen was redesignated as the Managing Director of the Group on 30 March 2006. His previous position was Executive Director.

Ms Gooi Seow Mee, Executive Director, retired on 27 July 2005 while Mr Mathew K. Mathai, Non-executive Director, resigned on 19 July 2005.

The Board appointed Mr Chew Poh Soon as Independent Non-executive Director on 30 March 2006. I welcome Mr Chew to the Board and look forward to working closely with him.

# Chairman's Statement (cont'd)



## APPRECIATION

On behalf of the Board, I wish to express my appreciation to the Management and staff for their loyal and dedicated services to the Group. I also take this opportunity to acknowledge the contributions of our valued customers and suppliers for their continued support and confidence in the Group. Our gratitude also goes to various government authorities and agencies, bankers and business associates for their co-operation and continued support.

Finally, I would also like to thank my fellow Board members for their support and the shareholders for their confidence in the Board and Management of the Group.

Gooi Seong Lim  
Executive Chairman

Johor Bahru, Johor

Date : 28 June 2006



# Penyata Pengerusi

**Saya ingin mengambil kesempatan ini untuk mengucapkan terima kasih kepada ahli Lembaga Pengarah di atas pelantikan saya sebagai Pengerusi Kumpulan sejak 30 Mac 2006.**

**Bagi pihak Lembaga Pengarah Kim Loong Resources Berhad (“KLR”), saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan bagi tahun kewangan berakhir 31 Januari 2006.**



#### PRESTASI PENCAPAIAN

Kumpulan mencatatkan hasil dan keuntungan sebelum cukai (“PBT”) sebanyak RM218.7 juta dan RM14.3 juta masing-masing bagi tahun kewangan 2006, berbanding dengan RM230.7 juta dan RM16.4 juta masing-masing yang dicatatkan bagi tahun kewangan 2005.

Kejatuhan hasil sebanyak 5% berjumlah RM12.0 juta adalah disebabkan oleh kejatuhan harga minyak kelapa sawit yang memberi kesan kepada operasi perladangan dan pengilangan.

#### DIVIDEN

Lembaga telah mencadangkan dividen akhir sebanyak 4 sen sesaham, tolak 28% cukai (2005 : 4 sen sesaham, tolak 28% cukai), menjadikan jumlah dividen sebanyak 7 sen sesaham, tolak 28% cukai (2005 : 7 sen sesaham, tolak 28% cukai) bagi tahun kewangan 2006.

#### PERKEMBANGAN KORPORAT

Syarikat telah tersenarai sebagai salah sebuah syarikat dalam buku “Top Malaysian Small Cap Companies - 100 Hidden Jewels” terbitan OSK Research Sdn. Bhd., untuk dua tahun berturut-turut, iaitu pada tahun 2005 dan 2006.

Syarikat juga telah dipilih sebagai salah satu syarikat dalam senarai sepuluh syarikat yang terbaik, oleh OSK Research Sdn. Bhd. bagi tahun 2006.

Sepanjang tahun kewangan ini, syarikat telah menjalankan pelaksanaan korporat seperti yang berikut:

#### Terbitan hak dengan waran boleh cerai percuma

Syarikat telah menyempurnakan pengeluaran sebanyak 64,050,000 saham biasa baru bernilai RM1 sesaham pada harga terbitan RM1.10 sesaham dan 42,700,000 waran boleh cerai percuma menurut pelaksanaan terbitan hak atas dasar 3 saham biasa baru RM1 sesaham dan 2 waran boleh cerai percuma bagi setiap 5 saham biasa RM1 sesaham yang sedia ada. Penyenaraian dan sebut harga rasmi Saham Terbitan Hak dan Waran telah berkuatkuasa pada 29 April 2005.

Daripada jumlah RM70.5 juta yang dikumpulkan daripada pelaksanaan terbitan hak, RM30 juta telah digunakan untuk menyelesaikan pinjaman Kumpulan, RM12.2 juta dibelanjakan untuk memperoleh hartanah, loji dan peralatan, dan RM12.7 juta diperuntukkan sebagai modal kerja Kumpulan dan perbelanjaan yang berkaitan dengan pelaksanaan Terbitan Hak, pada 31 Januari 2006. Baki yang berjumlah lebih kurang RM15.6 juta akan digunakan untuk pembelanjaan pembangunan perladangan dan pembinaan loji pengekstrak pelarut.

Dengan pelepasan syarikat subsidiari, Arab-Malaysian Agriculture Sdn. Bhd. (“AMASB”), yang disempurnakan pada 10 Februari 2006, Syarikat telah mengumumkan kepada Bursa Securities pada 27 Februari 2006, bahawa hasil sebanyak RM3.5 juta yang dikumpulkan daripada pelaksanaan Terbitan Hak yang sepatutnya digunakan untuk membangunkan 990 ekar tanah yang dimiliki oleh AMASB, kini digunakan untuk kegunaan modal kerja Syarikat.



# Penyata Pengerusi

## Skim Opsyen Saham Kakitangan

Skim Opsyen Saham Kakitangan ("ESOS") telah ditubuhkan pada 18 Mac 2005 dan akan berkuatkuasa untuk tempoh 5 tahun.

Matlamat utama penubuhan ESOS adalah sebagai motivasi dan galakan untuk kakitangan supaya meningkatkan lagi tahap dedikasi dan kesetiaan kepada Syarikat. ESOS merupakan satu kaedah ganjaran bagi mengekalkan kakitangan-kakitangan yang memainkan peranan penting terhadap perkembangan dan pertumbuhan perniagaan syarikat yang berterusan. ESOS juga menyediakan peluang kepada kakitangan syarikat untuk turut serta didalam ekuiti syarikat serta membolehkan mereka berhubung kait secara langsung dengan prestasi menyeluruh syarikat

## OPERASI KILANG MINYAK KELAPA SAWIT

Operasi kilang minyak kelapa sawit mencatatkan penurunan hasil sebanyak 4%, walaupun terdapat peningkatan sebanyak 5% dalam pemprosesan Buah Tandan Segar ("FFB") yang disebabkan oleh harga minyak kelapa sawit yang rendah.

Keuntungan daripada operasi pengilangan berkurangan sebanyak 32% atau RM1.9 juta kepada RM4.0 juta, berbanding dengan RM5.9 juta pada tahun kewangan 2005. Kerosotan dalam keuntungan adalah disebabkan oleh margin pemprosesan yang rendah di kilang yang terletak di Kota Tinggi, akibat daripada saingan untuk mendapatkan bekalan-bekalan FFB daripada kilang kelapa sawit yang berhampiran.

## OPERASI PERLADANGAN

Walaupun harga minyak kelapa sawit lebih rendah, hasil daripada operasi perladangan meningkat sebanyak RM2.5 juta kepada RM49.7 juta bagi tahun kewangan 2006 disebabkan oleh peningkatan dalam pengeluaran FFB sebanyak 31,000 MT ataupun 21%. Peningkatan pengeluaran FFB adalah kerana pokok-pokok kelapa sawit telah mencapai tahap kematangan yang lebih produktif.

Kerosotan dalam keuntungan adalah disebabkan oleh harga minyak kelapa sawit yang rendah dan kenaikan harga barang guna habis yang digunakan di ladang-ladang kelapa sawit. Hasilnya, keuntungan daripada operasi ladang menurun sebanyak 7% atau RM1.2 juta kepada RM15.7 juta berbanding dengan RM16.9 juta pada tahun sebelum.

Pada tahun kewangan 2006, Kumpulan telah mula memajukan 2,700 ekar tanah di Negeri Johor yang diambilalih pada tahun kewangan 2005 untuk penanaman kelapa sawit.

## PENGURUSAN PERSEKITARAN

Dalam operasi perladangan dan perkilangan, Kumpulan sentiasa mengambil tindakan yang sesuai bagi memastikan semua peraturan-peraturan pengawalan persekitaran dipatuhi, terutamanya di dalam langkah-langkah mengendalikan efluen. Di ladang-ladang kelapa sawit, amalan-amalan mesra alam telah dilaksanakan, seperti mengaplikasi Buah Tandan Kosong ("EFB") untuk meningkatkan kesuburan tanah dan bahan organik. Kemajuan besar juga telah dicapai dalam pengeluaran baja bio dan kompos daripada EFB yang diambil daripada kilang di Kota Tinggi. Kumpulan akan terus memaksimumkan penggunaan bahan buangan serta produk-produk sampingan.



# Penyata Pengerusi (samb')



Kumpulan juga bercadang untuk memanfaatkan biogas bagi menjana stim dan tenaga letrik. Kemajuan dalam sistem pencernaan anaerob untuk merawat efluen kilang minyak kelapa sawit serta pemanfaatan biogas akan dapat menghapuskan pengeluaran gas metana, sejenis gas rumah hijau yang dihasilkan oleh kolam-kolam efluen. Projek ini sedang dilaksanakan di bawah Mekanisme Pembangunan Kebersihan Protokol Kyoto (Clean Development Mechanism of the Kyoto Protocol)

## PERKEMBANGAN DAN PROSPEK

Disebabkan oleh kemungkinan peningkatan dalam permintaan untuk biobahan api dan biodiesel dan kesan daripada asid lemak trans di Amerika Syarikat, permintaan untuk minyak kelapa sawit dijangka akan meningkat secara mendadak.

Kumpulan telah mempelbagaikan ke dalam projek 'Palm Nutraceutical' yang melibatkan pembinaan dan pengendalian loji yang mengekstrak tocotrienol (sejenis vitamin E). Loji ini dijangka beroperasi penuh dalam suku keempat 2006. Kilang di Kota Tinggi, Johor telah membeli sebuah loji pengestrak pelarut untuk mengekstrak sisa minyak daripada serat kelapa sawit yang telah diproses. Loji ini juga dijangka akan mula beroperasi dalam suku keempat 2006. Kumpulan akan mempergiatkan usaha untuk mempertingkatkan pasaran baja bio untuk pasaran tempatan dan antarabangsa, dengan pemasangan loji berkapasiti tinggi.

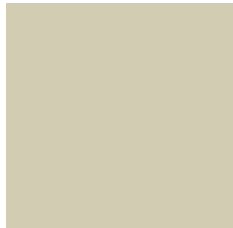
Kumpulan juga bercadang melaksanakan projek tawanan metana dan penghasilan tenaga. Melalui syarikat subsidiari, Kumpulan telah menandatangani Perjanjian Belian Pengurangan Pemancaran (Emission Reductions Purchase Agreement) untuk menjual Certified Emission Reductions ("CER") yang dihasilkan kepada pihak ketiga. Projek ini dijangka akan memberikan sumbangan positif kepada operasi Kumpulan melalui hasil daripada penjualan CER dan pembekalan stim kos rendah dan tenaga letrik kepada operasi pengilangan serta aktiviti-aktiviti lain yang dijalankan oleh Kumpulan.

Kumpulan juga bercadang untuk membina kilang minyak kelapa sawit ketiga, yang mempunyai kapasiti permulaan pemprosesan sebanyak 30 MT sejam di Telupid, Sabah, untuk memproses FFB sendiri dan pada masa yang sama akan menyediakan khidmat pengilangan kepada pekebun-pekebun kecil di kawasan sekitar.

Dengan profil umur pokok-pokok kelapa sawit yang lebih sesuai dan peningkatan dalam jumlah pokok yang telah matang, Kumpulan dijangka akan mendapat manfaat daripada pengeluaran FFB yang lebih tinggi dan harga minyak sawit yang memuaskan. Hasil seekar pula dijangka akan terus meningkat pada tahun-tahun yang akan datang. Kumpulan akan terus mempelopori peluang baru untuk meningkatkan bank tanah di kawasan berdekatan kilang kelapa sawit sedia ada melalui pengambilalihan atau usaha sama bagi mengekalkan peningkatan hasil dan keuntungan secara berterusan.

Kumpulan juga akan mempergiatkan usaha untuk mempertingkatkan kecekapan, produktiviti dan keberkesanan kos dalam operasi Kumpulan untuk meningkatkan daya saing kumpulan, seterusnya meningkatkan nilai pegangan ekuiti para pemegang saham.

Berdasarkan kepada faktor-faktor yang disebutkan di atas dan jika tiada sebarang peristiwa yang tidak diduga, Lembaga Pengarah menjangka prestasi Kumpulan akan bertambah baik bagi tahun kewangan berakhir 31 Januari 2007.



# Penyata Pengerusi (samb')



## PERKARA-PERKARA LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya ingin menyampaikan ucapan takziah kepada keluarga Allahyarham Datuk Haji Mohd Zamani bin Samah, bekas Pengerusi Kumpulan, yang telah kembali ke rahmatullah pada 29 Disember 2005. Kami juga ingin merakamkan setinggi-tinggi penghargaan kepada beliau di atas segala sumbangan yang diberikan kepada Kumpulan.

Encik Gooi Seong Heen telah dilantik sebagai Pengarah Urusan Kumpulan pada 30 Mac 2006. Sebelum ini, beliau menyandang jawatan Pengarah Eksekutif.

Cik Gooi Seow Mee, Pengarah Eksekutif, bersara pada 27 Julai 2005, sementara Encik Mathew K. Mathai, Pengarah Bukan-Eksekutif, meletakkan jawatan pada 19 Julai 2005.

Lembaga Pengarah telah melantik Encik Chew Poh Soon sebagai Pengarah Non-Eksekutif Bebas pada 30 Mac 2006. Saya mengalu-ngalukan kemasukan Encik Chew ke Lembaga Pengarah dan berharap agar dapat bekerjasama demi kepentingan dan kebaikan Kumpulan.

## PENGHARGAAN

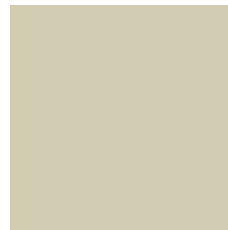
Bagi pihak Lembaga Pengarah, saya ingin menyampaikan penghargaan kepada pihak Pengurusan dan semua Kakitangan di atas kesetiaan dan dedikasi mereka terhadap Kumpulan. Saya juga ingin mengambil peluang untuk mengiktiraf sumbangan para pelanggan dan rakan pembekal yang dihargai di atas sokongan padu dan keyakinan mereka terhadap Kumpulan. Sekalung budi kepada pihak berkuasa dan agensi kerajaan, bank-bank dan rakan perniagaan di atas kerjasama dan sokongan yang berterusan.

Akhir kata, saya ingin mengucapkan terima kasih kepada rakan Lembaga Pengarah atas sokongan mereka dan para pemegang saham atas keyakinan terhadap Lembaga Pengarah dan Pengurusan Kumpulan.

Gooi Seong Lim  
Pengerusi Eksekutif

Johor Bahru, Johor

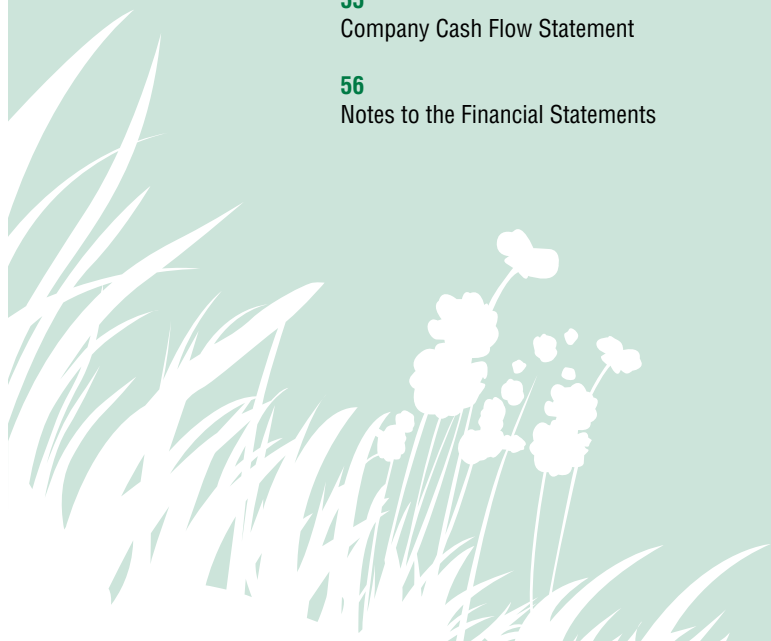
Tarikh: 28 Jun 2006



# FINANCIAL STATEMENTS



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# Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2006.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are those of cultivation of oil palm and cocoa and investment holding. The principal activities of the subsidiary companies are listed in Note 4 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

## FINANCIAL RESULTS

	Group RM	Company RM
Profit after tax	9,938,392	9,305,231
Minority interests	1,442,830	-
<b>Net profit for the financial year</b>	<b>11,381,222</b>	<b>9,305,231</b>

## DIVIDENDS

The dividends paid or declared by the Company since the end of the previous financial year were as follows:

	RM
In respect of the financial year ended 31 January 2005, as shown in the Directors' report of that year, a final gross dividend of 4 sen per share on 106,813,600 ordinary shares, less tax, paid on 15 August 2005	3,076,232
In respect of the financial year ended 31 January 2006, an interim gross dividend of 3 sen per share on 170,863,600 ordinary shares, less tax, paid on 12 December 2005	3,690,653
	<b>6,766,885</b>

The Directors recommend the payment of a final gross dividend in respect of the financial year ended 31 January 2006 of 4 sen per share less tax, subject to the approval of members at the forthcoming Annual General Meeting of the Company.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND SHARE OPTIONS

During the financial year:

- 63,600 ordinary shares of RM1 each were issued by virtue of the exercise of 63,600 share options granted pursuant to the Company's Employees' Share Option Scheme at an exercise price of RM1.14 per share for cash;
- 64,050,000 ordinary shares of RM1 each were issued as Rights Issue at RM1.10 per share for cash for the purposes as disclosed in Note 43 to the financial statements; and
- 42,700,000 warrants were issued together with the abovementioned Rights Issue as detachable free warrants on the basis of two (2) warrants for every three (3) Rights Shares.

The new ordinary shares issued during the year rank pari passu in all respects with the existing ordinary shares of the Company except that the Rights Issue shares were not entitled for the final dividend declared in respect of the financial year ended 31 January 2005.



# Directors'

## Report (cont'd)

### EMPLOYEES' SHARE OPTION SCHEME

The Company implemented an Employees' Share Option Scheme ("ESOS") which came into effect on 18 March 2005 for a period of 5 years. The ESOS is governed by the By-Laws which was approved by the shareholders on 26 January 2005.

The main features of the ESOS are:

- (i) The total number of new ordinary shares to be issued by the Company under the ESOS shall not exceed 15% of the total issued and paid up ordinary shares of the Company, and such that not more than 50% of the shares available under ESOS is allocated in aggregate to the directors and senior management.
- (ii) Not more than 10% shares available under ESOS is allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid up capital of the Company.
- (iii) Only staff and executive directors of the Group are eligible to participate in the scheme. Executive directors are those involved in a full time day-to-day managerial and executive capacity in any company in the Group and on the payroll of the Group.
- (iv) The option price under the ESOS is the five (5) days weighted average market price of the shares of the Company at the time the option is granted, subject to a discount of not more than ten percent (10%) which the Company may at its discretion decide to give, or the par value of the shares of the Company of RM1, whichever is the higher.
- (v) The options granted will be valid up to the expiry of the ESOS on 17 March 2010.
- (vi) An option holder may, in a particular year, exercise up to such maximum number of shares as specified in the option certificate in accordance with By-law 7.4.

The percentage of options exercisable in each of the year during the period of ESOS is as follows:

Size of share options holdings	Number of share options granted and unexercised as at 31 January 2006	Percentage of options exercisable in financial year				
		2007 %	2008 %	2009 %	2010 %	2011 %
Below 10,000	546,800	100	-	-	-	-
10,000 to less than 50,000	814,000	46	29	25	-	-
50,000 to less than 100,000	949,000	20	20	30	30	-
100,000 and above	3,178,400	19	21	20	20	20
	5,488,200					

- (vii) The persons to whom the options are granted have no right to participate by virtue of the options in any shares issue of any other company within the Group.
- (viii) Eligible employees are those who have been employed for at least three calendar months of continuous service, after the probation period, and is confirmed in full time service in any company within the Group.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 300,000 ordinary shares of RM1 each.

The employee granted options to subscribe for 300,000 or more ordinary shares of RM1 each during the financial year is as follows:

Name	Grant Date	Exercise Expiry Date	Price	Number of Share Options		
				Granted	Exercised	31.01.2006
Lee Fook Wing	18 March 2005	17 March 2010	1.14	309,000	-	309,000

Details of options granted to Directors are disclosed in the section on Directors' interests in this report.



# Directors' Report (cont'd)

## WARRANTS 2005/2012

The Company issued 42,700,000 detachable free warrants on 22 April 2005 pursuant to its issue of 64,050,000 Rights Shares on the basis of three (3) Rights Shares together with two (2) Warrants for every five (5) existing ordinary shares held in the Company. The Warrants are constituted by a Deed Poll dated 2 February 2005 and were listed on Bursa Malaysia Securities Berhad on 29 April 2005.

The main features of the Warrants are as follows:

- (a) Each warrant will entitle its registered holder during the exercise period to subscribe for one new ordinary share at the exercise price, which has been fixed at RM1.00 per share, subject to adjustment in accordance with the provisions of the Deed Poll.
- (b) The Warrants may be exercised at any time on or after 22 April 2007 until the end of the tenure of the Warrants. The tenure of the Warrants is for a period of seven (7) years. The Warrants not exercised during the exercise period shall thereafter lapse and become void.
- (c) The new ordinary shares of RM1 each allotted pursuant to the exercise of the Warrants shall upon allotment and issue, rank *pari passu* in all respects with the existing ordinary shares of the Company, except that they shall not be entitled to any dividends that may be declared in respect of the financial year prior to the date of allotment and issue of the new shares, nor shall they be entitled to any rights, allotments, distributions or such entitlements for which the record date is prior to the date of allotment and issue of the new shares.

For the purpose hereof, record date means the date on which as at the close of business the shareholders or debenture holders of the Company must be registered in the register of members or Record or Depositors or the relevant register of debenture holders (as the case may be) in order to participate in such dividends, rights, allotments or other distributions.

## DIRECTORS

The Directors who have held office since the date of the last report are:-

Gooi Seong Lim	
Loo Geok Eng (f)	
Gooi Seong Heen	
Gooi Seong Chneh	
Gooi Seong Gum	
Gan Kim Guan	
Teoh Cheng Hai	
Chew Poh Soon	(Appointed on 30.3.2006)
Gooi Seow Mee (f)	(Retired on 27.7.2005)
Datuk Haji Mohd. Zamani bin Samah	(Deceased on 29.12.2005)
Mathew K. Mathai	(Resigned on 19.7.2005)

In accordance with Article 84 of the Company's Articles of Association, Chew Poh Soon, who was appointed during the period, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

In accordance with Article 77 of the Company's Articles of Association, Gooi Seong Heen, Gooi Seong Chneh and Gan Kim Guan retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Loo Geok Eng (f) retires at the forthcoming Annual General Meeting pursuant to Section 129 (2) of the Companies Act, 1965 and resolution will be proposed for her re-appointment as Director under the provisions of Section 129 (6) of the said Act to hold office until the next Annual General Meeting of the Company.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to 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 those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

# Directors'

## Report (cont'd)

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

None of the Directors who held office at the end of the financial year had, according to the register of directors' shareholdings, any interests in shares, debentures and options over shares in the Company and its related corporations except as stated below:

Name of the Director	Number of ordinary shares of RM1 each in the Company			
	At 1.2.2005	Bought	Sold	At 31.1.2006
Gooi Seong Lim				
- direct interests	220,000	232,000	-	452,000
- indirect interests	77,519,000	46,811,400	(3,000,000)	121,330,400
Gooi Seong Heen				
- direct interests	170,000	202,000	-	372,000
- indirect interests	77,519,000	46,811,400	(3,000,000)	121,330,400
Loo Geok Eng (f)				
- direct interests	410,000	246,000	-	656,000
- indirect interests	77,131,000	46,578,600	(3,000,000)	120,709,600
Gooi Seong Chneh				
- direct interests	170,000	165,600	-	335,600
- indirect interests	77,519,000	46,811,400	(3,000,000)	121,330,400
Gooi Seong Gum				
- direct interests	155,000	93,000	-	248,000
- indirect interests	77,519,000	46,811,400	(3,000,000)	121,330,400

Name of the Director	Number of Warrants 2005/2012 in the Company			
	At 1.2.2005	Allotted	Exercised	At 31.1.2006
Gooi Seong Lim				
- direct interests	-	88,000	-	88,000
- indirect interests	-	31,007,600	-	31,007,600
Gooi Seong Heen				
- direct interests	-	68,000	-	68,000
- indirect interests	-	31,007,600	-	31,007,600
Loo Geok Eng (f)				
- direct interests	-	164,000	-	164,000
- indirect interests	-	30,852,400	-	30,852,400
Gooi Seong Chneh				
- direct interests	-	68,000	-	68,000
- indirect interests	-	31,007,600	-	31,007,600
Gooi Seong Gum				
- direct interests	-	62,000	-	62,000
- indirect interests	-	31,007,600	-	31,007,600

# Directors'

## Report (cont'd)

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of the Director	Number of options under Employees' Share Option Scheme over ordinary shares of RM1 each in the Company			
	At	Granted	Exercised	At
	1.2.2005			31.1.2006
Gooi Seong Lim	-	318,000	-	318,000
Gooi Seong Heen	-	318,000	-	318,000
Loo Geok Eng (f)	-	318,000	-	318,000
Gooi Seong Chneh	-	318,000	(63,600)	254,400
Gooi Seong Gum	-	318,000	-	318,000

Name of the Director	Number of ordinary shares of RM1 each in related corporations			
	At	Bought/ Converted	Sold	At
	1.2.2005			31.1.2006
<b>Crescendo Corporation Berhad</b>				
Gooi Seong Lim	1,787,836	-	-	1,787,836
Gooi Seong Heen	2,142,835	-	-	2,142,835
Loo Geok Eng (f)	1,721,827	-	-	1,721,827
Gooi Seong Chneh	1,895,836	79,000	-	1,974,836
Gooi Seong Gum	1,835,437	-	-	1,835,437
<b>Crescendo Overseas Corporation Sdn. Bhd.</b>				
Gooi Seong Lim	9,800	-	-	9,800
Gooi Seong Heen	9,800	-	-	9,800
Gooi Seong Chneh	9,800	-	-	9,800
Gooi Seong Gum	9,800	-	-	9,800
<b>Panoramic Housing Development Sdn. Bhd.</b>				
Gooi Seong Lim	4,560	-	-	4,560
Gooi Seong Heen	4,560	-	-	4,560
Gooi Seong Chneh	4,560	-	-	4,560
Gooi Seong Gum	4,560	-	-	4,560

Name of the Director	Number of options under Employees' Share Option Scheme over ordinary shares of RM1 each in a related corporation, Crescendo Corporation Berhad			
	At	Granted	Exercised	At
	1.2.2005			31.1.2006
Gooi Seong Lim	329,000	-	-	329,000
Gooi Seong Heen	207,000	-	-	207,000
Loo Geok Eng (f)	165,000	21,000	-	186,000
Gooi Seong Chneh	165,000	21,000	(79,000)	107,000
Gooi Seong Gum	287,000	21,000	-	308,000

# Directors'

## Report (cont'd)

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of the Director	Number of ordinary shares of RM100 each in holding company, Sharikat Kim Loong Sendirian Berhad			
	At 1.2.2005	Bought	Sold	At 31.1.2006
Gooi Seong Lim				
- direct interests	17,500	-	-	17,500
- indirect interests	11,250	-	-	11,250
Gooi Seong Heen				
- direct interests	17,500	-	-	17,500
- indirect interests	11,250	-	-	11,250
Loo Geok Eng (f)				
- direct interests	1,250	-	-	1,250
Gooi Seong Chneh				
- direct interests	17,500	-	-	17,500
- indirect interests	11,250	-	-	11,250
Gooi Seong Gum				
- direct interests	17,500	-	-	17,500
- indirect interests	11,250	-	-	11,250

By virtue of their interests in the shares in the holding company, Sharikat Kim Loong Sendirian Berhad, Gooi Seong Lim, Gooi Seong Heen, Loo Geok Eng (f), Gooi Seong Chneh and Gooi Seong Gum are also deemed to have interests in the shares in the Company and its related corporations to the extent that the holding company has interests.

No debentures have been issued by the Company or its related corporations other than the Irredeemable Convertible Unsecured Loan Stocks ("ICULS") issued by the related corporation, Crescendo Corporation Berhad.

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:-

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the Directors are not aware of any circumstances:

- which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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, in the opinion of the Directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

# Directors'

## Report (cont'd)

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year to secure the liability of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) 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; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

### HOLDING AND ULTIMATE HOLDING COMPANY

The Directors regard Sharikat Kim Loong Sendirian Berhad, a company incorporated in Malaysia, as the Company's holding and ultimate holding company.

### AUDITORS

The auditors, Liang & Co., have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Directors

GOOI SEONG HEEN  
Director

GOOI SEONG CHNEH  
Director

Dated: 19 May 2006

# Statement by Directors

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

We, Gooi Seong Heen and Gooi Seong Chneh, being two of the Directors of KIM LOONG RESOURCES BERHAD, do hereby state that in the opinion of the Directors, the financial statements set out on pages 47 to 87 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 January 2006 and of the results, changes in equity and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

On behalf of the Board,

GOOI SEONG HEEN  
Director

GOOI SEONG CHNEH  
Director

Dated: 19 May 2006

# Statutory Declaration

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

I, Gooi Seong Heen, being the Director primarily responsible for the financial management of KIM LOONG RESOURCES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 47 to 87 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
Gooi Seong Heen, )  
at Johor Bahru in the state of Johor )  
this 19 May 2006 )

GOOI SEONG HEEN

Before me,

Commissioner for Oaths



# Report

## of the Independent Auditors

to the members of Kim Loong Resources Berhad (22703-K) (Incorporated in Malaysia)

We have audited the financial statements set out on pages 47 to 87. 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 those 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 towards any other person for the content of this report.

We conducted our audit in accordance with Approved Standards on Auditing issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 January 2006 and of the results, changes in equity and cash flows of the Group and of the Company for the financial year ended on that date.
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Section 174(3) of the Act.

LIANG & CO.  
Firm Number: AF0312  
Chartered Accountants

Johor Bahru

SOONG AH CHYE  
Approval Number: 1767/5/08 (J)  
Partner of the firm

Dated: 19 May 2006

# Consolidated Balance Sheet

As At 31 January 2006

	NOTE	2006 RM	2005 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	332,506,253	328,987,243
Quoted investments	5	6,133,528	6,607,106
Development expenditure	6	530,915	161,024
Goodwill on consolidation	7	1,624,441	1,624,441
Deferred tax assets	18	202,000	-
		340,997,137	337,379,814
<b>CURRENT ASSETS</b>			
Inventories	8	9,070,540	8,590,838
Trade receivables	9	5,197,263	5,006,514
Other receivables, deposits and prepayments	10	5,492,116	5,768,822
Tax recoverable		1,329,814	1,014,675
Amount owing by related companies	12	122,109	151,118
Bank and cash balances	13	32,746,511	7,309,023
		53,958,353	27,840,990
<b>CURRENT LIABILITIES</b>			
Trade payables	14	5,616,343	6,361,455
Other payables and accruals	14	4,851,994	5,250,380
Amount owing to holding company	15	169,406	149,841
Amount owing to related companies	12	241,488	167,965
Other borrowings	16	400,000	1,539,246
Interest bearing borrowings (secured)	17	14,115,942	17,722,090
Tax payable		189,000	1,110,000
		25,584,173	32,300,977
<b>Net Current Assets/(Liabilities)</b>		28,374,180	(4,459,987)
<b>NON-CURRENT LIABILITIES</b>			
Other borrowings	16	9,899,652	12,916,669
Interest bearing borrowings (secured)	17	16,923,000	53,021,000
Deferred tax liabilities	18	35,037,255	34,904,747
		61,859,907	100,842,416
		307,511,410	232,077,411
<b>CAPITAL AND RESERVES</b>			
Share capital	19	170,863,600	106,750,000
Reserves	20	127,868,707	117,842,505
		298,732,307	224,592,505
Minority interests		8,779,103	7,484,906
		307,511,410	232,077,411

# Consolidated Income Statement

For The Financial Year Ended 31 January 2006

	NOTE	2006 RM	2005 RM
Revenue	24	218,678,925	230,705,550
Cost of sales	25	(191,508,127)	(201,144,005)
Gross profit		27,170,798	29,561,545
Other operating income		1,877,526	660,483
		29,048,324	30,222,028
Distribution costs		(4,389,543)	(3,115,198)
Administration expenses		(7,064,220)	(6,531,503)
Other operating expenses		(562,322)	(844,281)
Reversal of diminution in value of quoted securities		142,571	347,998
Impairment loss on assets		(226,039)	-
Profit from operations	27	16,948,771	20,079,044
Finance costs	31	(2,697,598)	(3,676,922)
<b>Profit before tax</b>		14,251,173	16,402,122
Tax expense	32	(4,312,781)	(4,851,100)
<b>Profit after tax</b>		9,938,392	11,551,022
Minority interests		1,442,830	1,700,026
<b>Net profit for the financial year</b>		11,381,222	13,251,048
<b>Basic earnings per share (sen)</b>	33	7	12
<b>Diluted earnings per share (sen)</b>	33	6	N/A
<b>Dividends per share (sen)</b>	34	7	7

# Consolidated

## Statement of Changes in Equity

For The Financial Year Ended 31 January 2006

	Non-distributable			Distributable		Total RM
	Share capital RM	Share premium RM	Revaluation reserve RM	Reserve on consolidation RM	Retained profits RM	
<b>Balance as at 1.2.2004</b>	106,750,000	29,742,206	47,515,212	11,352,722	21,426,970	216,787,110
Net gains not recognised in the income statement:						
Transfer of reserves (Note 35)	-	-	(656,955)	-	656,955	-
Prior year overstatement of surplus on revaluation	-	-	(65,453)	-	-	(65,453)
	-	-	(722,408)	-	656,955	(65,453)
Net profit for the year	-	-	-	-	13,251,048	13,251,048
Dividends for year ended						
- 31 January 2004	-	-	-	-	(3,074,400)	(3,074,400)
- 31 January 2005	-	-	-	-	(2,305,800)	(2,305,800)
<b>Balance as at 31.1.2005</b>	106,750,000	29,742,206	46,792,804	11,352,722	29,954,773	224,592,505
Rights Issue	64,050,000	6,405,000	-	-	-	70,455,000
Exercise of ESOS	63,600	8,904	-	-	-	72,504
Expenses pertaining to Rights Issue and ESOS	-	(1,002,039)	-	-	-	(1,002,039)
Net gains not recognised in the income statement:						
Transfer of reserves (Note 35)	-	-	(811,937)	-	811,937	-
Net profit for the year	-	-	-	-	11,381,222	11,381,222
Dividends for year ended						
- 31 January 2005	-	-	-	-	(3,076,232)	(3,076,232)
- 31 January 2006	-	-	-	-	(3,690,653)	(3,690,653)
<b>Balance as at 31.1.2006</b>	170,863,600	35,154,071	45,980,867	11,352,722	35,381,047	298,732,307

# Consolidated Cash Flow Statement

For The Financial Year Ended 31 January 2006

	2006 RM	2005 RM
<b>Cash flows from operating activities</b>		
Cash receipts from customers	219,057,181	229,083,950
Rental received	22,400	10,500
Interest received	890,760	179,333
Dividends received	211,641	235,504
Cash paid to suppliers and employees	(191,463,842)	(198,643,951)
Cash generated from operations	28,718,140	30,865,336
Interest paid	(2,884,760)	(3,494,836)
Tax paid	(5,618,412)	(3,196,279)
Net cash from operating activities	20,214,968	24,174,221
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment (Note a)	(17,016,616)	(20,171,565)
Proceeds from disposal of plant and equipment	222,016	58,064
Development expenditure paid	(299,732)	(130,498)
Interest paid	(62,805)	(782,592)
Net cash effect on acquisition of subsidiary companies (Note b)	-	-
Deposits paid for acquisition of property, plant and equipment	(121,239)	(369,355)
Acquisition of quoted investments	(64,205)	-
Proceeds from disposal of quoted investments	780,000	568,343
Net cash used in investing activities	(16,562,581)	(20,827,603)
<b>Cash flows from financing activities</b>		
Dividends paid	(6,766,885)	(5,380,200)
Advance to holding company	-	(140,000)
Expenses pertaining to Rights Issue and ESOS	(666,380)	(335,659)
Proceeds from issuance of shares	70,527,504	-
Proceeds from issuance of shares to minority shareholders	120,010	350,000
Drawdown of bank borrowings	1,000,000	12,200,000
Repayments of bank borrowings	(37,361,000)	(8,648,000)
Other borrowings	(1,725,000)	-
Net cash from/(used in) financing activities	25,128,249	(1,953,859)
<b>Net increase in cash and cash equivalents</b>	<b>28,780,636</b>	<b>1,392,759</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,947,933</b>	<b>555,174</b>
<b>Cash and cash equivalents at end of year (Note c)</b>	<b>30,728,569</b>	<b>1,947,933</b>

# Consolidated Cash Flow Statement

For The Financial Year Ended 31 January 2006 (cont'd)

## Note a: Acquisition of property, plant and equipment

	2006 RM	2005 RM
Property, plant and equipment acquired	17,237,587	30,055,662
Less expenses capitalised:		
- depreciation	(413,178)	(299,786)
- interest	(62,805)	(637,979)
Other payables	224,367	(723,832)
Deposit paid in prior years	(369,355)	(222,500)
Amount owing to a minority shareholder	400,000	(8,000,000)
Cash paid	17,016,616	20,171,565

## Note b: Net cash effect on acquisition of subsidiary companies

Details of net assets acquired, goodwill and cash flow arising from acquisition were as follows:

	2006 RM	2005 RM
Non-current assets	-	-
Current assets	100	8
Current liabilities	-	-
Non-current liabilities	-	-
Goodwill on consolidation	100	8
Liabilities taken over	-	-
Total consideration	100	8
Less: Cash and cash equivalents acquired	(100)	(8)
Net cash effect	-	-

## Note c: Cash and cash equivalents at end of year

	2006 RM	2005 RM
Bank and cash balances (Note 13)	32,746,511	7,309,023
Bank overdrafts (Note 17)	(2,017,942)	(5,361,090)
	30,728,569	1,947,933



# Company

## Balance Sheet

As At 31 January 2006

	NOTE	2006 RM	2005 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	73,729,667	75,074,064
Investment in subsidiary companies	4	88,953,961	90,258,839
		162,683,628	165,332,903
<b>CURRENT ASSETS</b>			
Inventories	8	209,548	246,414
Trade receivables	9	797,262	748,054
Other receivables, deposits and prepayments	10	2,639,022	3,664,261
Amount owing by subsidiary companies	11	120,621,826	72,512,894
Bank and cash balances	13	25,754,052	968,687
		150,021,710	78,140,310
<b>CURRENT LIABILITIES</b>			
Trade payables	14	1,628,419	1,522,519
Other payables and accruals	14	977,287	1,084,892
Amount owing to holding company	15	48,730	42,738
Amount owing to subsidiary companies	11	17,315,139	17,462,837
Amount owing to related companies	12	5,121	1,012
Tax payable		42,000	1,095,000
		20,016,696	21,208,998
<b>Net Current Assets</b>		130,005,014	56,931,312
<b>NON-CURRENT LIABILITY</b>			
Deferred tax	18	11,724,408	11,778,824
		280,964,234	210,485,391
<b>CAPITAL AND RESERVES</b>			
Share capital	19	170,863,600	106,750,000
Reserves	20	110,100,634	103,735,391
		280,964,234	210,485,391

# Company

## Income Statement

For The Financial Year Ended 31 January 2006

	NOTE	2006 RM	2005 RM
Revenue	24	17,876,362	19,965,821
Cost of sales	25	(8,518,180)	(8,001,882)
Gross profit		9,358,182	11,963,939
Other operating income	26	7,944,526	1,633,838
		17,302,708	13,597,777
Administration expenses		(3,746,750)	(3,536,654)
Other operating expenses		(162,181)	(212,296)
Profit from operations	27	13,393,777	9,848,827
Finance costs		-	-
<b>Profit before tax</b>		13,393,777	9,848,827
Tax expense	32	(4,088,546)	(3,004,444)
<b>Net profit for the financial year</b>		9,305,231	6,844,383
<b>Dividends per share (sen)</b>	34	7	7

# Company

## Statement of Changes in Equity For The Financial Year Ended 31 January 2006

	Share capital RM	Non-distributable		Distributable	Total RM
		Share premium RM	Revaluation reserve RM	Retained profits RM	
<b>Balance as at 1.2.2004</b>	106,750,000	29,742,206	45,206,564	27,322,438	209,021,208
Net gains not recognised in the income statement:					
Transfer of reserves (Note 35)	-	-	(40,798)	40,798	-
Net profit for the year	-	-	-	6,844,383	6,844,383
Dividends for year ended					
- 31 January 2004	-	-	-	(3,074,400)	(3,074,400)
- 31 January 2005	-	-	-	(2,305,800)	(2,305,800)
<b>Balance as at 31.1.2005</b>	106,750,000	29,742,206	45,165,766	28,827,419	210,485,391
Rights Issue	64,050,000	6,405,000	-	-	70,455,000
Exercise of ESOS	63,600	8,904	-	-	72,504
Expenses pertaining to Rights Issue and ESOS	-	(1,002,039)	-	-	(1,002,039)
Net gains/(losses) not recognised in the income statement:					
Impairment of investment in subsidiary companies	-	-	(1,584,968)	-	(1,584,968)
Transfer of reserves (Note 35)	-	-	(195,816)	195,816	-
	-	-	(1,780,784)	195,816	(1,584,968)
Net profit for the year	-	-	-	9,305,231	9,305,231
Dividends for year ended					
- 31 January 2005	-	-	-	(3,076,232)	(3,076,232)
- 31 January 2006	-	-	-	(3,690,653)	(3,690,653)
<b>Balance as at 31.1.2006</b>	170,863,600	35,154,071	43,384,982	31,561,581	280,964,234

# Company

## Cash Flow Statement

For The Financial Year Ended 31 January 2006

	2006 RM	2005 RM
<b>Cash flows from operating activities</b>		
Cash receipts from customers	19,113,132	21,322,075
Dividends received	5,250,000	-
Interest received	815,536	1,943,338
Cash paid to suppliers and employees	(9,213,840)	(9,033,302)
Cash generated from operations	15,964,828	14,232,111
Tax paid	(5,195,962)	(3,289,468)
Net cash from operating activities	10,768,866	10,942,643
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary companies	(90)	(4)
Additional investment in existing subsidiary companies	(280,000)	(69,998)
Acquisition of property, plant and equipment	(700,117)	(17,878,406)
Proceeds from disposal of plant and equipment	160,516	80,001
Net cash used in investing activities	(819,691)	(17,868,407)
<b>Cash flows from financing activities</b>		
Dividends paid	(6,766,885)	(5,380,200)
Proceeds from issuance of shares	70,527,504	-
Expenses pertaining to Rights Issue and ESOS	(666,380)	(335,659)
Advances to holding company	-	(140,000)
Advances (to)/from subsidiary companies	(48,258,049)	13,181,313
Net cash from financing activities	14,836,190	7,325,454
<b>Net increase in cash and cash equivalents</b>	<b>24,785,365</b>	<b>399,690</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>968,687</b>	<b>568,997</b>
<b>Cash and cash equivalents at end of year</b>	<b>25,754,052</b>	<b>968,687</b>

# Notes to the Financial Statements 31 January 2006

## 1. GENERAL INFORMATION

a) The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad.

b) The address of the registered office of the Company is as follows:

Unit No. 203, 2nd Floor  
Block C, Damansara Intan  
No. 1, Jalan SS 20/27  
47400 Petaling Jaya  
Selangor

c) The address of the principal place of business of the Company is as follows:

Lot 18.01, 18th Floor, Public Bank Tower  
19, Jalan Wong Ah Fook  
80000 Johor Bahru  
Johor

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Preparation of the financial statements

The financial statements of the Group and of the Company are prepared under the historical cost convention (unless otherwise indicated in the significant accounting policies) and comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

### b) Subsidiary companies and basis of consolidation

Investment in subsidiary companies is stated at cost or valuation. A company is considered as a subsidiary when the Company owns directly or indirectly more than one half of the voting power of that company or the Company controls the composition of the board of directors or equivalent governing body.

The Group has adopted the policy of revaluing its investment in subsidiary companies based on valuation of land in subsidiary companies on a regular basis at least once in every five years. Investment in subsidiary companies without land is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r).

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. The results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the date of their acquisition or up to the date of their disposal. Inter-company transactions and balances are eliminated on consolidation.

Surpluses arising from revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of previous surplus held in the revaluation reserve for the same assets. In all other cases, a decrease in carrying amount is charged to income statement.

Goodwill or reserve on consolidation represents the difference between the acquisition cost of shares in the subsidiary companies and the fair value of the attributable net assets acquired at the date of acquisition. No amortisation is provided on goodwill or reserve on consolidation.

Goodwill is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r).

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### c) Property, plant and equipment and depreciation

Freehold land is stated at cost less impairment losses, if any. Cost consists of the purchase price and incidental expenditure on acquisition. No depreciation is provided on freehold land.

Leasehold land is stated at cost/valuation less accumulated amortisation and impairment losses, if any. Cost consists of the purchase price and incidental expenditure on acquisition. A long lease is a lease with an unexpired period of 50 years or more. Leasehold land is amortised over the period of the respective leases which range from 18 years to 89 years on straight line basis.

Plantation development expenditure represents planting and replanting cost (including interest) incurred from the commencement of development to the date of maturity of the crops. Plantation development expenditure is capitalised at cost and amortised over a period of 15 to 20 years on straightline basis commencing from the date of maturity of the crops.

Other property, plant and equipment, including those transferred from the holding company and a related company are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated on the straight line basis so as to write off the cost of the property, plant and equipment over their estimated useful lives as follows:

	No. of years
Buildings	20 - 50
Plant and machinery	10 - 17
Equipment, furniture and fittings	10 - 17
Motor vehicles	5 - 10

The policy for the recognition and measurement of impairment losses is in accordance with Note 2(r).

Work-in-progress on property, plant and equipment are stated at cost incurred to balance sheet date and no depreciation is provided on these assets until they are completed and brought into use.

Repairs and maintenance are charged to the income statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

The Group has adopted the policy of revaluing its freehold and leasehold land on a regular basis at least once in every five years.

Surpluses arising from revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of previous surplus held in the revaluation reserve for the same assets. In all other cases, a decrease in carrying amount is charged to income statement.

### d) Investments

Quoted and unquoted investments which are held as long term investments are stated at cost. Allowance is made for diminution in value where, in the opinion of the Directors, there is a decline, other than temporary, in value of the investments. When there is a reversal of decline in value of these investments, the reversal is credited to the income statement. Such reversal shall be limited to the extent of previous decline in value for the same assets. The market value of the quoted investments is calculated based on the last transacted prices of these investments quoted in the respective stock exchanges at the balance sheet date.

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

# Notes to the Financial Statements 31 January 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### e) Development expenditure

Development expenditure is carried forward at cost and is amortised to the income statement over a period of 3 to 5 years depending on the expected product life. The amortisation will commence in the year in which the commercial sale of the developed product commences.

### f) Inventories

Finished goods are stated at the lower of cost and net realisable value on a first-in-first-out basis. Cost being the average cost, consists of materials, labour and attributable overheads in bringing the inventories to their present location and condition. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow moving items.

Nursery stocks are valued at cost on a first-in-first-out basis. Cost includes cost of seedlings, labour, materials and attributable overheads in bringing the nursery stocks to their present location and condition.

Building materials, supplies, spare parts and consumables are valued at cost on the weighted average basis.

### g) Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

### h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, demand deposits and net of bank overdrafts.

### i) Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### j) Interest bearing borrowings

Interest bearing borrowings are initially stated based on the proceeds received or the amount of drawdown. Transaction costs are charged to the income statement. In subsequent periods, borrowings are stated at amount of drawdown less repayment after deducting interest charges.

### k) Other borrowings

Other borrowings are stated based on the proceeds received and payments made on behalf of the Company less subsequent repayments.

### l) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits in the period in which the obligation to pay is established.

### m) Revenue recognition

Revenue from the sales of goods is recognised when significant risks and rewards of ownership of goods are transferred to buyer, net of discounts and returns.

Interest income is recognised on a time proportion basis and takes into account the effective yield on the asset.

Management fee income is recognised on the accrual basis.

Rental income is recognised on the accrual basis in accordance with the substance of the rental agreement.



# Notes to the Financial Statements 31 January 2006 (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Capitalisation commences when activities to plan, develop and construct the qualifying asset are undertaken and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. All other borrowing costs are charged to the income statement.

### o) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

### p) Financial instruments

#### (i) Recognition of financial instruments

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

#### (ii) Fair value estimation for disclosure purposes

The fair value of quoted securities is based on the quoted market prices at the balance sheet date.

In assessing the fair value of non-traded financial instruments, the Group makes assumptions that are based on market conditions existing at the balance sheet date. Estimated discounted value of future cash flows is used to determine the fair value of the financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group.

The carrying amounts for financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

### q) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at exchange rates ruling at the transaction dates. Exchange differences arising from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities are charged to the income statement.

The principal closing rates used in translation of foreign currency amounts were as follows:

Foreign currency	2006 RM	2005 RM
1 SGD	2.31	2.32

# Notes to the Financial Statements 31 January 2006 (cont'd)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### r) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

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

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

### s) Employee benefits

Short term employee benefits include wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits and are accrued in the period in which the associated services are rendered by employees.

Companies incorporated in Malaysia contribute to the Employees Provident Fund (EPF), the national defined contribution plan. Contributions to the defined contribution plan are charged to the income statement in the period in which they relate. Once the contributions have been paid, the Group has no further payment obligations.

The Group has no long term employee benefits or termination benefits other than the normal salaries in lieu of notice of termination. Such payments are charged to the income statement in the period they are paid.

### t) Segment reporting

A business segment is identified as a separate segment where the product or services provided by the segment is subject to risks and returns that are different from those of other business segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group does not identify segments by geographical location as it operates only in Malaysia.

The accounting policies adopted in segment reporting are identical to the accounting policies of the Group.

### u) Reporting currency

The financial statements are presented in Ringgit Malaysia.

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT

### Group

	Properties RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Net book value as at 1 February 2005	273,338,070	48,565,976	4,031,830	3,051,367	328,987,243
Additions	8,926,374	5,792,101	553,725	1,965,387	17,237,587
Disposals/Write-offs	-	(78,137)	(264,618)	(40,287)	(383,042)
Impairment loss	(226,039)	-	-	-	(226,039)
Reclassification	-	650,999	22,470	(673,469)	-
Depreciation charge	(7,260,102)	(4,515,161)	(506,582)	(827,651)	(13,109,496)
Net book value as at 31 January 2006	274,778,303	50,415,778	3,836,825	3,475,347	332,506,253
<b>At 31 January 2005</b>					
Cost	129,139,760	73,076,535	7,015,801	10,755,767	219,987,863
Valuation	163,375,725	-	-	-	163,375,725
Accumulated depreciation	(19,177,415)	(24,510,559)	(2,983,971)	(7,704,400)	(54,376,345)
Net book value	273,338,070	48,565,976	4,031,830	3,051,367	328,987,243
Net book value of assets under construction	794,853	515,911	-	-	1,310,764
Net book value of assets under restriction on title due to bank borrowings	127,104,969	26,538,558	-	-	153,643,527
<b>At 31 January 2006</b>					
Cost	138,066,134	82,896,792	7,046,468	8,349,324	236,358,718
Valuation	163,375,725	-	-	-	163,375,725
Accumulated impairment loss	(226,039)	-	-	-	(226,039)
Accumulated depreciation	(26,437,517)	(32,481,014)	(3,209,643)	(4,873,977)	(67,002,151)
Net book value	274,778,303	50,415,778	3,836,825	3,475,347	332,506,253
Net book value of assets under construction	4,682,225	6,595,984	913	-	11,279,122
Net book value of assets under restriction on title due to bank borrowings	77,085,456	24,728,596	254,757	239,165	102,307,974

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### Group (cont'd)

Properties consist of:

	2006		2005	
	Cost/ Valuation RM	Net book value RM	Cost/ Valuation RM	Net book value RM
<b>Freehold</b>				
At cost:				
Land	12,657,030	12,657,030	12,657,030	12,657,030
Buildings	5,397,937	4,002,399	5,335,808	4,111,876
Buildings under construction	114,432	114,432	12,209	12,209
Roads, culverts and fencing	2,999,636	1,333,400	2,999,636	1,513,378
<b>Long leasehold</b>				
At cost:				
Land	13,911,132	13,613,599	13,911,133	13,845,450
Buildings	13,454,949	10,929,930	11,519,876	9,489,597
Buildings under construction	4,567,793	4,567,793	782,644	782,644
Plantation development expenditure	80,179,257	64,088,711	78,018,613	66,077,528
Roads, culverts and fencing	1,774,518	1,596,695	1,754,912	1,666,387
At valuation:				
Land	160,446,993	156,393,809	160,446,993	158,449,985
<b>Short leasehold</b>				
At cost:				
Land	300,000	147,500	300,000	157,500
Plantation development expenditure	2,610,433	2,610,433	1,748,882	1,748,882
Buildings	23,059	-	23,059	-
Land development	75,958	-	75,958	-
At valuation:				
Land	2,928,732	2,722,572	2,928,732	2,825,604
	301,441,859	274,778,303	292,515,485	273,338,070

	2006 RM	2005 RM
<b>Depreciation charge for the year:</b>		
Amount capitalised in plantation development expenditure	413,178	299,786
Amount capitalised in development expenditure (Note 6)	70,159	30,526
Amount charged to income statement	12,626,159	11,691,671
	13,109,496	12,021,983

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### Group (cont'd)

	2006 RM	2005 RM
Included in the addition of property, plant and equipment during the year are:		
Depreciation	413,178	299,786
Interest (Note 31)	62,805	637,979
Rental	500	2,272
Staff costs (Note 28)	487,875	433,291

Borrowing costs capitalised arose from financing specifically entered into for the development of oil palm estate, construction of factory and installation of plant.

### Company

	Long leasehold properties RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Net book value as at 1 February 2005	73,592,288	778,054	406,127	297,595	75,074,064
Additions	206,388	96,871	340,609	56,249	700,117
Disposals/Write offs	-	(791)	(153,947)	(1)	(154,739)
Reclassification	-	(22,470)	22,470	-	-
Depreciation charge	(1,486,484)	(192,420)	(81,106)	(129,765)	(1,889,775)
Net book value as at 31 January 2006	72,312,192	659,244	534,153	224,078	73,729,667
<b>At 31 January 2005</b>					
Cost	31,164,836	2,411,443	788,135	1,617,385	35,981,799
Valuation	50,014,037	-	-	-	50,014,037
Accumulated depreciation	(7,586,585)	(1,633,389)	(382,008)	(1,319,790)	(10,921,772)
Net book value	73,592,288	778,054	406,127	297,595	75,074,064
Net book value of assets under construction	5,813	42,972	-	-	48,785
<b>At 31 January 2006</b>					
Cost	31,371,224	2,419,175	840,441	1,673,633	36,304,473
Valuation	50,014,037	-	-	-	50,014,037
Accumulated depreciation	(9,073,069)	(1,759,931)	(306,288)	(1,449,555)	(12,588,843)
Net book value	72,312,192	659,244	534,153	224,078	73,729,667
Net book value of assets under construction	93,071	-	913	-	93,984

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### Company (cont'd)

Long leasehold properties consist of:

	2006		2005	
	Cost/ Valuation RM	Net book value RM	Cost/ Valuation RM	Net book value RM
<b>At cost:</b>				
Buildings	4,297,065	3,090,366	4,177,935	3,054,174
Buildings under construction	93,071	93,071	5,813	5,813
Plantation development expenditure	9,545,860	3,388,472	9,545,860	3,907,942
Land	17,435,228	17,021,046	17,435,228	17,257,721
<b>At valuation:</b>				
Land	50,014,037	48,719,237	50,014,037	49,366,638
	81,385,261	72,312,192	81,178,873	73,592,288

The revalued leasehold land were last revalued on 10 and 11 December 2003 by a firm of independent qualified professional valuers using the comparison method to reflect fair value.

The Directors adjusted the book values of the leasehold land to reflect the new value and the resultant surplus was credited to the revaluation reserve.

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Net book value of revalued leasehold land, had these assets been carried at cost less accumulated amortisation:	52,090,768	52,786,000	11,983,680	12,143,952

## 4. SUBSIDIARY COMPANIES

### Company

a) Investment in subsidiary companies consists of unquoted shares as follows:

	2006 RM	2005 RM
At valuation	50,447,938	50,447,938
Accumulated impairment loss	(1,584,968)	-
At cost	48,862,970	50,447,938
	40,090,991	39,810,901
	88,953,961	90,258,839

The original cost of unquoted shares at valuation amounts to RM5,033,604 (2005: 5,033,604).

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 4. SUBSIDIARY COMPANIES (cont'd)

b) The subsidiary companies which are all incorporated in Malaysia are as follows:

Name of subsidiary company	Group's effective equity interest		Principal activity
	2006 %	2005 %	
Suhenson Estate Sdn. Bhd.	100	100	Dormant
Selokan Sdn. Bhd.	100	100	Dormant
Syarikat Kong Fen Shin & Sons Sdn. Bhd.	100	100	Dormant
Lokan Development Sdn. Bhd.	100	100	Dormant
Kim Loong - KPD Plantations Sdn. Bhd.	70	70	Cultivation of oil palm
Tyeco Corporation Sdn. Bhd.	100	100	Cultivation of coconut
Winsome Plantations Sdn. Bhd.	80	80	Dormant
Desa Kim Loong Industries Sdn. Bhd.	70	70	Manufacturing of concrete culvert
Kim Loong Sabah Mills Sdn. Bhd.	100	100	Intended for processing and marketing of oil palm products
Kim Loong Power Sdn. Bhd.	100	100	Dormant
Okidville Plantations Sdn. Bhd.	90	90	Investment holding
<i>Winsome Kledang Sdn. Bhd.</i>	90	90	Dormant
Kim Loong Corporation Sdn. Bhd.	100	100	Dormant
Okidville Holdings Sdn. Bhd.	100	100	Cultivation of oil palm and investment holding
<i>Desa Okidville Sdn. Bhd.</i>	51	51	Cultivation of oil palm
Desa Kim Loong Palm Oil Sdn. Bhd.	70	70	Processing and marketing of oil palm products
Kim Loong Palm Oil Sdn. Bhd.	100	100	Trading of fresh fruit bunches and investment holding
<i>Kim Loong Palm Oil Mills Sdn. Bhd.</i>	100	100	Processing and marketing of oil palm products
<i>Sungkit Enterprise Sdn. Bhd.</i>	100	100	Processing and trading of palm kernel products
<i>Kim Loong Evergrow Sdn. Bhd.</i>	60	60	Manufacturing of bio-fertilizers
Winsome Yields Sdn. Bhd.	90	90	Investment holding
<i>Winsome Al-Yatama Sdn. Bhd.</i>	61	61	Cultivation of oil palm
Winsome Jaya Sdn. Bhd.	80	80	Investment holding
<i>Arab-Malaysian Agriculture Sdn. Bhd.</i>	80	80	Dormant
Palm Nutraceuticals Sdn. Bhd.	70	70	Manufacturing of health supplements and food ingredients
Kim Loong Technologies Sdn. Bhd.	100	100	Dormant
Okidville Jaya Sdn. Bhd.	90	-	Investment holding
<i>Sepulut Plantations Sdn. Bhd.</i>	90	-	Dormant



# Notes to the Financial Statements

31 January 2006 (cont'd)

## 5. QUOTED INVESTMENTS

### Group

	2006 RM	2005 RM
Securities quoted in Malaysia, at cost	6,338,641	6,511,149
Less: diminution in value	(301,070)	-
	6,037,571	6,511,149
Securities quoted outside Malaysia, at cost	95,957	95,957
	6,133,528	6,607,106
Market value of securities		
- quoted in Malaysia	6,037,571	6,667,400
- quoted outside Malaysia	126,643	100,224
	6,164,214	6,767,624

## 6. DEVELOPMENT EXPENDITURE

### Group

	2006 RM	2005 RM
Balance brought forward	161,024	134,874
Incurred during the year	369,891	161,024
Amount amortised during the year	-	(134,874)
Balance carried forward	530,915	161,024

Development expenditure capitalised during the year represents expenditure on the development of health and food supplements from palm oil.

Included in development expenditure incurred during the year are depreciation and staff costs capitalised of RM70,159 (2005: RM30,526) (Note 3) and RM229,321 (2005: RM102,977) (Note 28) respectively.

## 7. GOODWILL ON CONSOLIDATION

### Group

Goodwill on consolidation arose from acquisition of subsidiary companies.

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 8. INVENTORIES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>At cost:</b>				
Raw materials	67,978	159,975	-	-
Finished goods	78,865	73,356	-	-
Nursery stocks	104,706	235,307	-	6,052
Building materials, supplies, spare parts and consumables	3,045,573	2,832,325	128,583	128,265
	3,297,122	3,300,963	128,583	134,317
<b>At realisable value:</b>				
Work in progress	87,805	101,510	-	-
Finished goods	5,685,613	5,188,365	80,965	112,097
	5,773,418	5,289,875	80,965	112,097
	9,070,540	8,590,838	209,548	246,414

## 9. TRADE RECEIVABLES

### Group and Company

Normal credit terms of trade receivables are less than 60 days.

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other receivables	3,187,851	2,628,645	2,511,419	1,878,620
Deposits and prepayments	2,304,265	3,140,177	127,603	1,785,641
	5,492,116	5,768,822	2,639,022	3,664,261

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 11. AMOUNT OWING BY/TO SUBSIDIARY COMPANIES

### Company

Amounts owing by subsidiary companies

The amounts owing by subsidiary companies are unsecured and have no fixed terms of repayment and also interest-free except for the following:

Name of subsidiary company	Effective interest rate (% p.a.)		2006 RM	2005 RM
	2006	2005		
Palm Nutraceuticals Sdn. Bhd.	7.25	-	431,568	-
Okidville Plantations Sdn. Bhd.	7.04	7.00	271,481	55,641
Winsome Yields Sdn. Bhd.	7.04	7.00	5,787,606	5,175,744
Okidville Jaya Sdn. Bhd.	7.04	-	122,532	-
			6,613,187	5,231,385

Amounts owing to subsidiary companies

The amounts owing to subsidiary companies are unsecured, interest-free and have no fixed terms of repayment.

## 12. AMOUNTS OWING BY/TO RELATED COMPANIES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Amount owing by related companies				
Kim Loong Plantations Sdn. Bhd.	30,727	27,179	-	-
Crescendo Technologies Sdn. Bhd.	35,248	35,248	-	-
Unibase Concrete Industries Sdn. Bhd.	-	24,929	-	-
Crescendo Corporation Berhad	2,428	2,861	-	-
Crescendo Development Sdn. Bhd.	2,528	24,072	-	-
Unigolf Sdn. Bhd.	51,178	36,829	-	-
	122,109	151,118	-	-
Amount owing to related companies				
Kim Loong Plantations Sdn. Bhd.	94,620	166,953	-	-
Aerogolf Sdn. Bhd.	6,764	1,012	686	1,012
Crescendo Corporation Berhad	48,571	-	4,435	-
Unibase Concrete Industries Sdn. Bhd.	20,157	-	-	-
Unibase Trading Sdn. Bhd.	33,376	-	-	-
Unibase Construction Sdn. Bhd.	38,000	-	-	-
	241,488	167,965	5,121	1,012

The amounts owing by/to related companies are unsecured, interest-free and have no fixed terms of repayment.

Related companies refer to fellow subsidiary companies of Sharikat Kim Loong Sendirian Berhad, the holding company.

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 13. BANK AND CASH BALANCES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Balance at banks and cash in hand	4,819,511	5,089,023	947,052	968,687
Fixed deposits with licensed banks	27,927,000	2,220,000	24,807,000	-
	32,746,511	7,309,023	25,754,052	968,687

### Group

Included in the fixed deposits with licensed banks is an amount of RM220,000 (2005: RM220,000) pledged to licensed banks as security for overdraft and banker's guarantee facilities.

The weighted average interest rate for fixed deposits with licensed banks that was effective during the financial year was 2.65% (2005: 3%) per annum.

Fixed deposits have an average maturity of 26 days (2005: 18 days) from the end of the financial year.

### Company

The weighted average interest rate for fixed deposits with licensed banks that was effective during the financial year was 2.65% (2005: Nil).

Fixed deposits have an average maturity of 27 days (2005: Nil) from the end of the financial year.

## 14. TRADE AND OTHER PAYABLES

### Group and Company

Normal credit terms of trade and other payables are less than 60 days.

## 15. AMOUNT OWING TO HOLDING COMPANY

### Group and Company

The amount owing to holding company, Sharikat Kim Loong Sendirian Berhad, is unsecured, interest-free and has no fixed terms of repayment.

## 16. OTHER BORROWINGS

### Group

Other borrowings consist of an amount which arose from the acquisition of a long leasehold land and contributory loans from minority shareholders of subsidiary companies and are unsecured and interest-free.

	2006 RM	2005 RM
Repayable:		
Within 1 year	400,000	1,539,246
After 1 year	9,899,652	12,916,669
	10,299,652	14,455,915

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 17. INTEREST BEARING BORROWINGS (SECURED)

### Group

	Amount utilised	
	2006 RM	2005 RM
Overdrafts	2,017,942	5,361,090
Term loan 1	4,670,000	9,830,000
Term loan 2	3,280,000	6,160,000
Term loan 3	-	15,000,000
Term loan 4	7,568,000	9,392,000
Term loan 5	12,503,000	15,000,000
Term loan 6	-	10,000,000
Term loan 7	1,000,000	-
	31,038,942	70,743,090
Current	14,115,942	17,722,090
Non-current	16,923,000	53,021,000
	31,038,942	70,743,090

### Maturity profile of non-current borrowings

	2006 RM	2005 RM
Amounts payable:		
More than 1 year and less than 5 years	16,923,000	47,277,500
More than 5 years	-	5,743,500
	16,923,000	53,021,000

The facilities extended by financial institutions are secured by:

- a deed of assignment to assign all rights, title and interest over a property of a subsidiary company;
- fixed and floating charges over all the assets of certain subsidiary companies;
- fixed deposits of RM200,000 (2005: RM200,000) of a subsidiary company;
- corporate guarantee from the Company; and
- personal guarantee of RM960,000 from a shareholder of a subsidiary company.

The principal amount of term loan 1 is repayable over 41 monthly instalments of RM430,000 each with a final instalment of RM370,000 commencing from July 2003.

The principal amount of term loan 2 is repayable over 41 monthly instalments of RM240,000 each with a final instalment of RM160,000 commencing from October 2003.

The principal amount of term loan 3 was fully repaid during the year.

The principal amount of term loan 4 is repayable over 65 monthly instalments of RM152,000 each and a final instalment of RM120,000 commencing from October 2004.

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 17. INTEREST BEARING BORROWINGS (SECURED) (cont'd)

The principal amount of term loan 5 is repayable over 65 monthly instalments of RM227,000 each and a final instalment of RM245,000 commencing from March 2005.

The principal amount of term loan 6 was fully repaid during the year.

The principal amount of term loan 7 is repayable over 36 monthly instalments of RM27,778 each commencing from March 2007.

Effective interest rates	2006 % p.a.	2005 % p.a.
Overdrafts	7.29	7.25
Term loans	5.71	5.85

Unutilised facilities	2006 RM	2005 RM
Revolving credit	3,500,000	500,000
Trade facilities	3,000,000	3,000,000
Overdrafts	15,992,000	10,648,000
Term loans	-	1,000,000
	22,492,000	15,148,000

## 18. DEFERRED TAX

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Disclosed as:				
Deferred tax liabilities	35,037,255	34,904,747	11,724,408	11,778,824
Deferred tax assets	(202,000)	-	-	-
	34,835,255	34,904,747	11,724,408	11,778,824
Brought forward	34,904,747	34,882,239	11,778,824	12,440,240
Charged/(credit) to income statement				
- property, plant and equipment	(350,000)	611,000	(66,000)	(525,000)
- accrued interest income	188,000	-	148,000	-
- tax losses	420,000	(261,000)	-	-
- revaluation surplus on long leasehold land	(327,492)	(327,492)	(136,416)	(136,416)
	(69,492)	22,508	(54,416)	(661,416)
Carried forward	34,835,255	34,904,747	11,724,408	11,778,824



# Notes to the Financial Statements

31 January 2006 (cont'd)

## 18. DEFERRED TAX (cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Subject to income tax</b>				
<b>Deferred tax liabilities (before offsetting)</b>				
Property, plant and equipment	15,189,000	15,529,000	1,288,000	1,354,000
Accrued interest income	222,000	34,000	148,000	-
Revaluation surplus on land	25,735,255	26,062,747	10,288,408	10,424,824
	41,146,255	41,625,747	11,724,408	11,778,824
<b>Offsetting</b>	(6,109,000)	(6,721,000)	-	-
<b>Deferred tax liabilities (after offsetting)</b>	35,037,255	34,904,747	11,724,408	11,778,824
<b>Deferred tax assets (before offsetting)</b>				
Tax losses	6,301,000	6,721,000	-	-
Property, plant and equipment	10,000	-	-	-
<b>Offsetting</b>	(6,109,000)	(6,721,000)	-	-
<b>Deferred tax assets (after offsetting)</b>	202,000	-	-	-

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future available profits is probable. The Directors are of the opinion that the Group will be able to generate sufficient profits in the foreseeable future to fully utilise the deferred tax assets.

Deferred tax assets and liabilities arising from temporary differences subject to income tax are calculated based on income tax rate of 28% (2005: 28%) whilst those subject to Real Property Gains Tax are calculated based on the RPGT rate of 5% (2005: 5%).

### Group

The amount of deductible temporary differences and unused tax losses (both of which have no expiry dates) for which no deferred tax assets are recognised in the balance sheet of subsidiaries are as follows:

	2006 RM	2005 RM
Deductible temporary differences	1,636,000	1,637,000
Tax losses	7,130,000	7,113,000
	8,766,000	8,750,000

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 19. SHARE CAPITAL

### Group and Company

	2006 RM	2005 RM
Authorised - 500,000,000 ordinary shares of RM1 each	500,000,000	500,000,000
Issued and fully paid - 170,863,600 ordinary shares of RM1 each		
Balance brought forward	106,750,000	106,750,000
Issued during the year:		
Rights Issue	64,050,000	-
Employees' Share Option Scheme	63,600	-
	64,113,600	-
Balance carried forward	170,863,600	106,750,000

### Employees' Share Option Scheme ("ESOS")

The ESOS is governed by the By-Laws which was approved by shareholders on 26 January 2005. The Company implemented the ESOS on 18 March 2005 for a period of 5 years.

The movements during the financial year in the share option scheme of the Company are as follows:

Grant Date	Expiry Date	Exercise Price RM	Number of Share Options				At 31 January
			At 1 February	Granted	Exercised	Lapsed	
<b>2006</b>							
18.03.2005	17.03.2010	1.14	-	5,952,400	(63,600)	(400,600)	5,488,200

Details of share options exercised during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows:

Exercise Date	Exercise Price RM	Fair Value of Ordinary Shares RM	Number of Share Options	Consideration Received RM
2006				
26.4.2005	1.14	1.08	63,600	72,504
Less: par value of ordinary shares				(63,600)
Share premium				8,904

### Warrants 2005/2012

There were no movements during the financial year in the warrants as the warrants are only exercisable on or after 22 April 2007.

The number of warrants unexercised as at balance sheet date was 42,700,000 (2005: Nil).

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 20. RESERVES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Non-distributable</b>				
Share premium (Note 21)	35,154,071	29,742,206	35,154,071	29,742,206
Revaluation reserve (Note 22)	45,980,867	46,792,804	43,384,982	45,165,766
Reserve on consolidation (Note 23)	11,352,722	11,352,722	-	-
<b>Distributable</b>				
Retained profits	35,381,047	29,954,773	31,561,581	28,827,419
	127,868,707	117,842,505	110,100,634	103,735,391

## 21. SHARE PREMIUM (NON-DISTRIBUTABLE)

### Group and Company

	2006 RM	2005 RM
Balance brought forward	29,742,206	29,742,206
Issuance of shares:		
a) Issuance of 64,050,000 ordinary shares of RM1 each at an issue price of RM1.10 per share in respect of Rights Issue	6,405,000	-
b) Issuance of 63,600 ordinary shares of RM1 each at an issue price of RM1.14 per share to a Director, pertaining to ESOS	8,904	-
Less: share issue expenses pertaining to Rights Issue and ESOS	36,156,110 (1,002,039)	29,742,206 -
Balance carried forward	35,154,071	29,742,206

Included in share issue expenses are fees paid to external auditors pertaining to Rights Issue and ESOS exercise amounting to RM16,000 (2005: Nil).

## 22. REVALUATION RESERVE (NON-DISTRIBUTABLE)

### Group

The revaluation reserve represents the balance of revaluation surplus arising from the revaluation of certain properties less amount capitalised through bonus issue.

### Company

The revaluation reserve represents surplus arising from the revaluation of certain properties and investment in certain subsidiary companies less amount capitalised through bonus issue.

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 23. RESERVE ON CONSOLIDATION (NON-DISTRIBUTABLE)

### Group

Reserve on consolidation arose from acquisition of subsidiary companies.

## 24. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of:				
- Fresh fruit bunches	28,181,222	31,507,026	17,569,872	19,696,232
- Palm oil milling products	190,182,503	198,925,635	-	-
- Cocoa and others	315,200	272,889	306,490	269,589
	218,678,925	230,705,550	17,876,362	19,965,821

## 25. COST OF SALES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fresh fruit bunches	11,710,708	13,146,784	8,096,670	7,569,680
Palm oil milling products	179,340,155	187,540,457	-	-
Cocoa and others	457,264	456,764	421,510	432,202
	191,508,127	201,144,005	8,518,180	8,001,882

## 26. OTHER OPERATING INCOME

### Company

Other operating income for the current financial year includes gross dividend from a subsidiary company amounting to RM5,250,000 (2005: Nil).

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 27. PROFIT FROM OPERATIONS (cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
The following items have been charged/ (credited) in arriving at profit from operations:				
Auditors' remuneration:				
Statutory audit - current year	99,800	102,500	22,000	25,000
- (over)/under provision in prior years	(4,600)	(1,700)	(3,000)	2,000
Amortisation of development expenditure	-	134,874	-	-
Amortisation of plantation development expenditure	3,923,420	3,866,395	519,470	538,714
Bad debts	6,070	2,533	145	-
Depreciation and amortisation	8,702,739	7,825,276	1,370,305	1,287,522
Preliminary expenses	5,025	16,500	-	-
Rental of premises	160,392	140,036	134,592	103,398
Lease rental	11,492	-	4,708	6,646
Property, plant and equipment written off	238,876	268,270	56,251	12,290
Inventories written off	1,963	25,201	(61)	19,495
Impairment loss of assets	226,039	-	-	-
Staff costs (Note 28)	18,183,122	16,972,293	4,865,504	4,729,896
Interest from fixed deposits	(819,000)	(79,390)	(740,789)	(32,363)
Gain on disposal of plant and equipment	(77,851)	(34,417)	(62,028)	(79,999)
Gain on disposal of quoted investments	(99,646)	(89,951)	-	-
Rental income	(22,400)	(10,500)	-	-
Gross dividend income from investments quoted:				
- in Malaysia	(210,154)	(234,300)	-	-
- outside Malaysia	(1,487)	(1,204)	-	-
Gross dividend income from subsidiary companies	-	-	(5,250,000)	-
Other interest income	(71,760)	(99,943)	(602,898)	(290,056)
Reversal of diminution in value of quoted securities	(142,571)	(347,998)	-	-
Profit from existing continuing operations	17,015,984	20,213,621	13,393,777	9,848,827
Loss from newly acquired subsidiary companies	(67,213)	(134,577)	-	-
	16,948,771	20,079,044	13,393,777	9,848,827

## 28. STAFF COSTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Salaries, wages and bonuses	17,667,733	16,395,758	4,575,076	4,435,976
Defined contribution plan	1,056,415	961,801	280,388	285,407
Social security costs	123,795	101,481	10,040	8,513
HRD fund	52,375	30,319	-	-
Termination benefits	-	19,202	-	-
	18,900,318	17,508,561	4,865,504	4,729,896
Amount capitalised in plantation development expenditure	(487,875)	(433,291)	-	-
Amount capitalised in development expenditure	(229,321)	(102,977)	-	-
	18,183,122	16,972,293	4,865,504	4,729,896

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM1,533,932 (2005: RM1,708,372) and RM 1,186,032 (2005: RM1,339,572) respectively as further disclosed in Note 29.

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 29. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Executive Directors</b>				
- fees	220,500	225,000	40,500	45,000
- overprovision of fees in prior year	(2,000)	-	(2,000)	-
- salaries and other emoluments	1,208,300	1,351,600	1,057,200	1,177,200
- overprovision of bonus in prior year	(17,200)	-	(17,200)	-
- defined contribution plan	124,332	131,772	107,532	117,372
	1,533,932	1,708,372	1,186,032	1,339,572
<b>Non-executive Directors</b>				
- fees	191,000	257,000	191,000	227,000
- other emoluments	8,500	18,500	8,500	18,500
	199,500	275,500	199,500	245,500
	1,733,432	1,983,872	1,385,532	1,585,072

Executive Directors of the Company have been granted the following number of options under the Employees' Share Option Scheme on the same terms and conditions as those offered to other employees of the Group:

	2006 RM	2005 RM
At 1 February	-	-
Granted	1,908,000	-
Exercised	(63,600)	-
Cancelled	(318,000)	-
At 31 January	1,526,400	-

## 30. EMPLOYEE INFORMATION

	Group		Company	
	2006	2005	2006	2005
No. of employees (including Executive Directors) at end of financial year	1,804	1,710	425	404

## 31. FINANCE COSTS

Group	2006 RM	2005 RM
Total interest expense	2,760,403	4,314,901
Interest capitalised to property, plant and equipment (Note 3)	(62,805)	(637,979)
Charged to income statement	2,697,598	3,676,922



# Notes to the Financial Statements

31 January 2006 (cont'd)

## 32. TAX EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Current tax</b>				
- Malaysian income tax	4,381,976	4,828,592	4,142,962	3,665,860
- foreign tax	297	-	-	-
<b>Deferred tax</b>	(69,492)	22,508	(54,416)	(661,416)
	4,312,781	4,851,100	4,088,546	3,004,444
<b>Current Malaysian tax</b>				
Current year	4,390,000	4,999,956	4,112,000	3,695,000
(Over)/underprovision in prior years (net)	(8,024)	(171,364)	30,962	(29,140)
<b>Current Foreign tax</b>				
Current year	297	-	-	-
<b>Deferred tax</b>				
Origination/(reversal) of temporary differences	335,000	164,000	65,000	(525,000)
Realisation of revaluation surplus on land	(327,492)	(327,492)	(136,416)	(136,416)
(Over)/underprovision in prior years (net)	(77,000)	186,000	17,000	-
	4,312,781	4,851,100	4,088,546	3,004,444

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Numerical reconciliation between tax expense and the result before tax multiplied by the Malaysian tax rate</b>				
Profit before tax	14,251,173	16,402,122	13,393,777	9,848,827
Tax calculated at a tax rate of 28%	3,990,328	4,592,594	3,750,258	2,757,672
Tax effects of:				
- reduction in tax rates for subsidiary companies with paid up share capital of RM2,500,000 and below	(87,200)	(46,846)	-	-
- expenses not deductible for tax purposes	779,179	533,957	290,326	275,912
- income not subject to tax	(73,373)	(123,009)	-	-
- deferred tax assets not recognised previously on:				
a) deductible temporary differences	(40,049)	-	-	-
b) tax losses	(108,697)	-	-	-

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 32. TAX EXPENSE (cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
- deferred tax assets not recognised on:				
a) current year's tax loss of subsidiaries	90,670	113,880	-	-
b) current year's deductible temporary differences	9,115	-	-	-
c) profit of subsidiary not eligible for group loss relief	-	20,188	-	-
- double deductions	(21,000)	(21,000)	-	-
- reinvestment allowance	(141,168)	(233,300)	-	-
(Over)/underprovision of income tax in prior years (net)	(8,024)	(171,364)	30,962	(29,140)
(Over)/underprovision of deferred tax in prior years (net)	(77,000)	186,000	17,000	-
<b>Tax expense</b>	<b>4,312,781</b>	<b>4,851,100</b>	<b>4,088,546</b>	<b>3,004,444</b>

For companies with a paid-up share capital of RM2,500,000 and below, the applicable tax rates are 20% on the first RM500,000 taxable income and 28% on the remaining taxable income.

### Company

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and credit balance in the exempt income account to pay net dividends out of the entire retained profits at the balance sheet date without incurring additional tax liability.

## 33. EARNINGS PER SHARE

### Group

Earnings per share for the Group is calculated based on profit after tax and minority interests of RM11,381,222 (2005: RM13,251,048) over the weighted average number of ordinary shares in issue during the financial year of 156,809,039 (2005: 106,750,000).

Diluted earnings per share for the Group for the financial year ended 31 January 2006 is calculated based on profit after tax and minority interests of RM11,381,222 over the adjusted weighted average number of shares of 199,509,039.

The adjusted weighted average number of shares is calculated based on the weighted average number of ordinary shares in issue during the financial year and adjusted for the following:

- 1) the number of ordinary shares that could have been issued under the Company's ESOS; and
- 2) the number of ordinary shares that could have been converted from the Warrants issued by the Company

Shares that are anti-dilutive are ignored in the computation of diluted earnings per share.

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 33. EARNINGS PER SHARE (cont'd)

The diluted earnings per share for financial year ended 31 January 2006 is calculated as follows:

	RM
Net profit after tax and minority interests	11,381,222
Weighted average number of ordinary shares in issue	156,809,039
Impact on shares under option that would have been issued at fair value	-
Assumed exercise of Warrants	42,700,000
	199,509,039
Diluted earnings per share (sen)	6

There was no diluted earnings per share for the financial year ended 31 January 2005.

## 34. DIVIDENDS

### Company

Dividends declared or proposed in respect of the financial year ended 31 January 2006 are as follows:

	2006		2005	
	Gross dividend per share Sen	Amount of dividend, less tax RM	Gross dividend per share Sen	Amount of dividend, less tax RM
Interim dividend	3	3,690,653	3	2,305,800
Proposed/paid final dividend	4	4,920,872	4	3,076,232
	7	8,611,525	7	5,382,032

At the forthcoming Annual General Meeting, a final gross dividend of 4 sen per share (2005: 4 sen per share) less tax will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 January 2007 when approved by shareholders. The proposed final dividend of RM4,920,872 is subject to change in proportion to changes in the Company's paid up capital, if any.

## 35. TRANSFER OF RESERVES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Realisation of revaluation surplus arising from excess of amortisation based on revalued leasehold land over their original costs	811,937	656,955	195,816	40,798

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>With holding company:</b>				
Sharikat Kim Loong Sendirian Berhad				
Internal audit expenses	168,000	157,000	48,000	42,000
<b>With subsidiary companies:</b>				
Kim Loong Palm Oil Sdn. Bhd.				
Dividend income	-	-	5,250,000	-
Kim Loong - KPD Plantations Sdn. Bhd.				
Management fee income	-	-	144,000	144,000
Interest income	-	-	-	193,159
Commission income	-	-	273,995	316,714
Okidville Holdings Sdn. Bhd.				
Management fee income	-	-	217,170	217,170
Disposal of motor vehicle	-	-	-	80,000
Desa Okidville Sdn. Bhd.				
Management fee income	-	-	323,430	323,430
Desa Kim Loong Palm Oil Sdn. Bhd.				
Management fee income	-	-	193,486	196,659
Winsome Al-Yatama Sdn. Bhd.				
Management fee income	-	-	90,000	-
Commission income	-	-	39,235	-
Lokan Development Sdn. Bhd.				
Acquisition of long leasehold land	-	-	-	6,693,000
Selokan Sdn. Bhd.				
Acquisition of long leasehold land	-	-	-	3,335,000
Suhenson Estate Sdn. Bhd.				
Acquisition of long leasehold land	-	-	-	2,815,000
Syarikat Kong Fen Shin & Sons Sdn. Bhd.				
Acquisition of long leasehold land	-	-	-	4,573,000
Winsome Yields Sdn. Bhd.				
Interest income	-	-	512,520	-
Okidville Plantations Sdn. Bhd.				
Interest income	-	-	13,065	-
Okidville Jaya Sdn. Bhd.				
Interest income	-	-	3,985	-

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>With fellow subsidiary companies of the holding company:</b>				
Kim Loong Plantations Sdn. Bhd. Purchase of fresh fruit bunches	2,734,506	3,652,557	-	-
Unibase Trading Sdn. Bhd. Purchases	229,273	28,592	-	-
Unibase Concrete Industries Sdn. Bhd. Rental expenses	6,000	6,000	-	-
Purchases	167,840	26,162	-	-
Crescendo Development Sdn. Bhd. Sales of fertilizer	51,380	19,710	-	-
Crescendo Corporation Berhad Disposal of equipment, furniture and fittings	150,016	-	150,016	-
Repute Construction Sdn. Bhd. Purchases	28,825	-	-	-

The transactions have been entered into in the normal course of business and on arm's length negotiated terms.

## 37. ACQUISITION OF SUBSIDIARY COMPANIES

The effect of the acquisition of subsidiary companies on the financial results of the Group during the financial year is shown below:

	2006 RM	2005 RM
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Other operating income	-	-
Administration expenses	(41,146)	(119,089)
Other operating expenses	(26,067)	(15,488)
Loss from operations	(67,213)	(134,577)
Finance costs	-	-
<b>Loss before tax</b>	<b>(67,213)</b>	<b>(134,577)</b>
Tax	-	-
<b>Net loss for the financial year</b>	<b>(67,213)</b>	<b>(134,577)</b>

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 37. ACQUISITION OF SUBSIDIARY COMPANIES (cont'd)

The effect of the acquisition of subsidiary companies on the financial position at the end of the financial year is as follows:

	2006 RM	2005 RM
Non-current assets	-	16,950,351
Current assets	59,789	615,664
Current liabilities	(1,146)	(646,272)
Non-current liabilities	-	(7,600,000)
Increase in Group's net assets	58,643	9,319,743

## 38. SEGMENTAL INFORMATION

The Group operates solely in Malaysia and is organised into two main business segments:

- Plantation - cultivation of oil palm and cocoa
- Milling - processing and marketing of oil palm products

	Plantation RM	Milling RM	Eliminations RM	Group RM
<b>Year ended 31 January 2006</b>				
<b>Revenue</b>				
External sales	28,496,422	190,182,503	-	218,678,925
Intersegment sales	21,202,929	41,893	(21,244,822)	-
Total sales	49,699,351	190,224,396	(21,244,822)	218,678,925
<b>Results</b>				
Segment results	15,689,899	3,988,108	(101,621)	19,576,386
Unallocated costs				(2,627,615)
Profit from operations				16,948,771
Finance costs				(2,697,598)
Profit before tax				14,251,173
Tax expense				(4,312,781)
Profit after tax				9,938,392
Minority interests				1,442,830
Net profit for the financial year				11,381,222
<b>At 31 January 2006</b>				
Segment assets	283,362,846	105,774,938	(22,292,588)	366,845,196
Unallocated assets				28,110,294
Total assets				394,955,490

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 38. SEGMENTAL INFORMATION (cont'd)

	Plantation RM	Milling RM	Eliminations RM	Group RM
Segment liabilities	55,760,265	53,377,766	(22,292,588)	86,845,443
Unallocated liabilities				598,637
<b>Total liabilities</b>				<b>87,444,080</b>
<b>Year ended 31 January 2006</b>				
<b>Other information</b>				
Capital expenditure	9,894,010	7,343,577	-	17,237,587
Depreciation and amortisation	7,870,898	5,238,598	-	13,109,496
Other non-cash expenses	296,030	183,141	-	479,171
<b>Year ended 31 January 2005</b>				
<b>Revenue</b>				
External sales	31,779,915	198,925,635	-	230,705,550
Intersegment sales	15,460,097	-	(15,460,097)	-
<b>Total sales</b>	<b>47,240,012</b>	<b>198,925,635</b>	<b>(15,460,097)</b>	<b>230,705,550</b>
<b>Results</b>				
Segment results	16,939,190	5,882,364	(120,309)	22,701,245
Unallocated costs				(2,622,201)
<b>Profit from operations</b>				<b>20,079,044</b>
Finance costs				(3,676,922)
<b>Profit before tax</b>				<b>16,402,122</b>
Tax expense				(4,851,100)
<b>Profit after tax</b>				<b>11,551,022</b>
Minority interests				1,700,026
<b>Net profit for the financial year</b>				<b>13,251,048</b>
<b>At 31 January 2005</b>				
Segment assets	267,165,111	101,209,938	(6,925,091)	361,449,958
Unallocated assets				3,770,846
<b>Total assets</b>				<b>365,220,804</b>
Segment liabilities	91,867,474	47,490,464	(6,925,091)	132,432,847
Unallocated liabilities				710,546
<b>Total liabilities</b>				<b>133,143,393</b>
<b>Year ended 31 January 2005</b>				
<b>Other information</b>				
Amortisation of development expenditure	-	134,874	-	134,874
Capital expenditure	16,537,836	13,517,826	-	30,055,662
Depreciation and amortisation	7,669,231	4,352,752	-	12,021,983
Other non-cash expenses	127,391	170,195	-	297,586



# Notes to the Financial Statements

31 January 2006 (cont'd)

## 39. CONTINGENT LIABILITIES (UNSECURED)

### Company

The Company provided corporate guarantees for seven (2005: six) of its subsidiary companies in respect of credit facilities totalling RM56,921,000 (2005: RM89,282,000) granted to the subsidiary companies by licensed financial institutions. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by these subsidiary companies.

## 40. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses.

### (b) Credit risk

Credit risk arises because substantial sales are made on deferred payment terms. Credit risk is controlled by careful selection of customers, setting credit limits and limiting the period of credit. The carrying amount of receivables represents the Group's maximum credit risk exposure. The Group does not have any significant exposure to any individual customer.

### (c) Market risk

The Group is exposed to market risk caused by changes in debt and equity prices because of its investment in quoted securities. The risk is not significant as the Group's investment in quoted securities is not significant.

### (d) Interest rate risk

The Group's primary interest rate risk relates to interest bearing debts. The Group manages its interest rate exposure by maintaining as far as practical, a prudent mix of fixed and floating rate borrowings.

The Group's other interest rate risk relates to its placement of fixed deposits with financial institutions. The Group's policy is to obtain the most favourable interest rates available.

### (e) Foreign currency exchange risk

The Group is not materially exposed to foreign currency exchange risk as all the Group's transactions and balances are denominated in Ringgit Malaysia except for the investments in securities quoted outside Malaysia.

The currency exposure of financial assets of the Group that are not denominated in its functional currency (Ringgit Malaysia) is set out as follows:

	2006 RM	2005 RM
<b>Quoted investments</b>		
Singapore Dollar	95,957	95,957

# Notes to the Financial Statements

31 January 2006 (cont'd)

## 40. FINANCIAL INSTRUMENTS (cont'd)

### (f) Liquidity and cash flow risks

The Group seeks to achieve a balance between cash outflows and cash inflows. Financial commitments are monitored so as not to go beyond the Group's ability to repay or finance.

### (g) Fair values

The carrying amounts of financial assets and liabilities of the Group and the Company at the balance sheet dates approximated their fair values at these dates except as set out below:

Group	2006		2005	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Non-current liabilities				
Other borrowings:				
- with fixed terms of repayment	7,200,000	4,688,000	7,600,000	4,873,000
- without fixed terms of repayment	2,699,652	*	5,316,669	*
	9,899,652		12,916,669	

\* It is not practical to estimate reliably the fair value of these other borrowings as they have no fixed terms of repayment.

## 41. CAPITAL COMMITMENTS

	2006 RM	2005 RM
<b>Group</b>		
Approved and contracted for:		
Property, plant and equipment	7,081,000	8,308,000
<b>Company</b>		
Approved and contracted for:		
Property, plant and equipment	-	104,000

## 42. SIGNIFICANT EVENTS

### Group and Company

During the financial year, the Company completed the following corporate exercise:

- i) Renounceable Rights Issue of 64,050,000 new ordinary shares of RM1 each in the Company at an issue price of RM1.10 per rights share together with 42,700,000 detachable free warrants on the basis of three new ordinary shares of RM1 each together with two detachable free warrants for every five existing ordinary shares of RM1 each held.
- ii) Establishment of an Employees' Share Option Scheme ("ESOS") for eligible employees and Directors of the Company and its subsidiaries.

The issuance and quotation of the rights shares on Bursa Malaysia Securities Berhad were completed on 29 April 2005 whereas the ESOS became effective for a period of five years from 18 March 2005.

# Notes to the Financial Statements

31 January 2006 (cont'd)

#### 43. UTILISATION OF PROCEEDS FROM RIGHTS ISSUE

The Group completed the issuance and quotation of the Rights Share on Bursa Securities on 29 April 2005.

The total proceeds of RM70,455,000 arising from this corporate exercise were utilised as follows:

	Approved by Securities Commission RM	Amount utilised RM	Balance to be utilised as at 31.1.2006 RM
a) Repayment of bank borrowings	30,000,000	30,000,000	-
b) Property, plant and equipment	27,750,000	12,189,658	15,560,342
c) Working capital	11,705,000	11,705,000	-
d) Expenses relating to Rights Issue	1,000,000	1,000,000	-
Total	70,455,000	54,894,658	15,560,342

As a result of the disposal of a subsidiary company, Arab-Malaysian Agriculture Sdn. Bhd. ("AMASB"), which was completed on 10 February 2006, the Company announced to Bursa Securities on 27 February 2006 that the RM3,500,000 of the proceeds raised from the Rights Issue which was originally intended for the development of 990 acres of land owned by AMASB will now be utilised for the general working capital purposes of the Company.

#### 44. EVENT AFTER THE BALANCE SHEET DATE

##### Group and Company

After the balance sheet date, the Company disposed of an 80% owned subsidiary, Arab-Malaysian Agriculture Sdn. Bhd. for a total consideration of RM110,000.

#### 45. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 19 May 2006.

# Analysis

## of Shareholdings

As At 6 June 2006

Authorised Share Capital	:	RM500,000,000
Issued and Fully Paid Up Capital	:	RM170,950,600
Class of Share	:	Ordinary shares of RM1.00 each fully paid
Voting Right	:	1 vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued capital
Less than 100 shares	12	0.39	435	0.00
100 to 1,000 shares	1,206	38.73	1,168,540	0.68
1,001 to 10,000 shares	1,440	46.24	5,758,512	3.37
10,001 to 100,000 shares	391	12.56	12,666,500	7.41
100,001 to less than 5% of issued shares	63	2.02	37,653,413	22.03
5% and above of issued shares	2	0.06	113,703,200	66.51
<b>Total</b>	<b>3,114</b>	<b>100.00</b>	<b>170,950,600</b>	<b>100.00</b>

### THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors)

Name of Shareholders	No. of Shares held	% of Issued capital
1. Sharikat Kim Loong Sendirian Berhad	67,427,000	39.44
2. Malaysia Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sharikat Kim Loong Sendirian Berhad (10-00030-001)	46,276,200	27.07
3. ECM Libra Securities Sdn Bhd - IVT (A02) for ECM Libra Securities Sdn Bhd (Account 1)	7,000,000	4.10
4. HSBC Nominees (Asing) Sdn Bhd - Krishnan Chellam (HBMB301-26)	3,460,000	2.02
5. Lembaga Tabung Angkatan Tentera	3,100,800	1.81
6. Timbas Helmi Bin Oesman Joesoef Helmi	2,617,000	1.53
7. ECM Libra Securities Nominees (Tempatan) Sdn Bhd - ECM Libra Foundation	2,399,073	1.40
8. Koperasi Polis Diraja Malaysia Berhad	1,600,000	0.94
9. Neoh Choo Ee & Company, Sdn Berhad	1,200,000	0.70
10. Teoh Guan Kok & Co. Sdn Berhad	824,800	0.48
11. M & A Nominee (Tempatan) Sdn Bhd - Titan Express Sdn Bhd	762,900	0.45
12. Loo Geok Eng	656,000	0.38
13. Ang Chai Eng	641,000	0.38
14. Employees Provident Fund Board	632,800	0.37
15. Heng Yuen Sdn Bhd	620,800	0.36
16. Radeshah binti Ridzwani	597,000	0.35
17. Prudent Strength Sdn Bhd	578,600	0.34
18. ECM Libra Securities Nominees (Tempatan) Sdn Bhd - ECM Libra Partners Sdn Bhd for Yeap Gek @ Yeap Poh Chim (Pledged)	521,000	0.31
19. Lim Ah Choo	510,000	0.30
20. Chellam Investments Sdn Berhad	500,000	0.29
21. Yayasan Kelantan Darul Naim	500,000	0.29
22. Golden Fresh Sdn Bhd	377,600	0.22
23. Gooi Seow Mee	336,000	0.20
24. Lim Shiu Ho	333,000	0.19
25. Gooi Seong Chneh	319,600	0.19
26. Teo Ah Seng	309,800	0.18
27. Lee Soi Gek	304,800	0.18
28. Lim Cheng Hai	300,000	0.18
29. M & A Nominee (Asing) Sdn Bhd - Pedigree Limited	287,100	0.17
30. Andy Chong Chi Fei	275,000	0.16
<b>TOTAL</b>	<b>145,267,873</b>	<b>84.98</b>

# Analysis

## of Shareholdings

As At 6 June 2006 (cont'd)

### THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors) (cont'd)

The thirty largest shareholders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the shares from different securities accounts belonging to the same depositor).

### SUBSTANTIAL SHAREHOLDERS (excluding bare trustees) (As per Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of shares held or beneficially interested in		% of issued capital	
	Direct	Indirect	Direct	Indirect
Sharikat Kim Loong Sendirian Berhad	113,703,200 <sup>(a)</sup>	6,400 <sup>(b)</sup>	66.51	-
Loo Geok Eng	656,000	113,709,600 <sup>(c)</sup>	0.38	66.52
Gooi Seong Lim	452,000	114,330,400 <sup>(d)</sup>	0.26	66.88
Gooi Seong Heen	372,000 <sup>(e)</sup>	114,330,400 <sup>(d)</sup>	0.22	66.88
Gooi Seong Chneh	335,600	114,330,400 <sup>(d)</sup>	0.20	66.88
Gooi Seong Gum	248,000 <sup>(f)</sup>	114,330,400 <sup>(d)</sup>	0.15	66.88
Gooi Seow Mee	336,000	114,330,400 <sup>(d)</sup>	0.20	66.88

#### Note:-

- <sup>(a)</sup> Includes 46,276,200 shares held in bare trust by Malaysia Nominees (Tempatan) Sdn. Bhd.
- <sup>(b)</sup> Deemed interest through Kim Loong Plantations Sdn. Bhd.
- <sup>(c)</sup> Deemed interests by virtue of her interest in Sharikat Kim Loong Sendirian Berhad (113,703,200 shares) and Kim Loong Plantations Sdn. Bhd. (6,400 shares).
- <sup>(d)</sup> Deemed interests by virtue of their interests in Sharikat Kim Loong Sendirian Berhad (113,703,200 shares), Hengng Yuen Sdn. Bhd. (620,800 shares) and Kim Loong Plantations Sdn. Bhd. (6,400 shares).
- <sup>(e)</sup> Includes 180,000 shares held in bare trust by Citigroup Nominees (Tempatan) Sdn. Bhd.
- <sup>(f)</sup> All 248,000 shares held in bare trust by Malaysia Nominees (Tempatan) Sdn. Bhd.

### DIRECTORS' SHAREHOLDINGS (As per Register of Directors' Shareholdings)

Name of Directors	Direct Interest		Indirect Interest	
	Shareholdings	%	Shareholdings	%
Loo Geok Eng	656,000	0.38	113,709,600 <sup>(a)</sup>	66.52
Gooi Seong Lim	452,000	0.26	114,330,400 <sup>(b)</sup>	66.88
Gooi Seong Heen	372,000 <sup>(c)</sup>	0.22	114,330,400 <sup>(b)</sup>	66.88
Gooi Seong Chneh	335,600	0.20	114,330,400 <sup>(b)</sup>	66.88
Gooi Seong Gum	248,000 <sup>(d)</sup>	0.15	114,330,400 <sup>(b)</sup>	66.88
Gan Kim Guan	-	-	-	-
Teoh Cheng Hai	-	-	-	-
Chew Poh Soon	-	-	-	-

#### Note:-

- <sup>(a)</sup> Deemed interests by virtue of her interest in Sharikat Kim Loong Sendirian Berhad (113,703,200 shares) and Kim Loong Plantations Sdn. Bhd. (6,400 shares).
- <sup>(b)</sup> Deemed interests by virtue of their interests in Sharikat Kim Loong Sendirian Berhad (113,703,200 shares), Hengng Yuen Sdn. Bhd. (620,800 shares) and Kim Loong Plantations Sdn. Bhd. (6,400 shares).
- <sup>(c)</sup> Includes 180,000 shares held in bare trust by Citigroup Nominees (Tempatan) Sdn. Bhd.
- <sup>(d)</sup> All 248,000 shares held in bare trust by Malaysia Nominees (Tempatan) Sdn. Bhd.

# Analysis

## of Warrant Holdings As At 6 June 2006

No. of Warrants 2005/2012	:	42,700,000
Exercise Price	:	RM1.00 for one ordinary share of RM1.00 each.
Exercise Rights	:	Each warrant entitles the holder to subscribe for one new ordinary share of RM1.00 each.
Exercise Period	:	22 April 2007 to 22 April 2012. The warrants can be exercised at any time after the second anniversary of the date of issue on 22 April 2005 until the end of the tenure of the warrants.

### DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100 warrants	61	6.30	3,527	0.01
100 to 1,000 warrants	348	35.95	200,678	0.47
1,001 to 10,000 warrants	401	41.43	1,470,195	3.44
10,001 to 100,000 warrants	138	14.26	4,662,118	10.92
100,001 to less than 5% of warrants	19	1.96	5,512,682	12.91
5% and above of warrants	1	0.10	30,850,800	72.25
<b>Total</b>	<b>968</b>	<b>100.00</b>	<b>42,700,000</b>	<b>100.00</b>

### THIRTY LARGEST WARRANT HOLDERS (As per Record of Depositors)

Name of Warrant Holders	No. of Warrants Held	% of Warrants
1. Sharikat Kim Loong Sendirian Berhad	30,850,800	72.25
2. Teoh Guan Kok & Co. Sdn Berhad	923,500	2.16
3. Teoh Liang Huat @ Teoh Lean Huat	605,000	1.42
4. Neoh Choo Ee & Company, Sdn Berhad	449,999	1.05
5. Poon A Chang @ Poon A Cheong	435,420	1.02
6. ECM Libra Securities Nominees (Tempatan) Sdn Bhd - ECM Libra Foundation	432,191	1.01
7. HSBC Nominees (Asing) Sdn Bhd - Krishnan Chellam (HBMB301-26)	420,000	0.98
8. Koperasi Polis Diraja Malaysia Berhad	400,000	0.94
9. Teo Ah Seng	271,033	0.64
10. Lee Soi Gek	201,199	0.47
11. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Kong Goon Khing (E-BTR)	179,900	0.42
12. Loo Geok Eng	164,000	0.38
13. Mah Yoke Lian	156,500	0.37
14. Heng Yuen Sdn Bhd	155,200	0.36
15. Prudent Strength Sdn Bhd	138,400	0.33
16. Ti Siok Leong	135,000	0.32
17. Puen Tak Hong	119,440	0.28
18. Tan Kwee Heong	115,500	0.27
19. A.A. Anthony Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teo Poh Boon	110,000	0.26
20. Lee Hon Jin	100,400	0.24

# Analysis

## of Warrant Holdings

As At 6 June 2006 (cont'd)

### THIRTY LARGEST WARRANT HOLDERS (As per Record of Depositors) (cont'd)

Name of Warrant Holders	No. of Warrants Held	% of Warrants
21. L.G.B. Holdings Sdn Bhd	100,000	0.23
22. Lim Cheng Hai	100,000	0.23
23. Loh Lai Kim	100,000	0.23
24. Teh Seng Chay	97,900	0.23
25. Chew Gim Hye	94,000	0.22
26. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tiau Chuan Juan (REM 875-Margin)	92,500	0.22
27. Chua Kin Hua	92,000	0.22
28. Neoh Brothers Sdn Berhad	90,666	0.21
29. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Goh Yong Liak	90,200	0.21
30. Soo Wooi Cheng	86,500	0.20
<b>TOTAL</b>	<b>37,307,248</b>	<b>87.37</b>

### DIRECTORS' INTEREST IN WARRANTS 2005/2012 (As per Register of Directors' Warrant Holdings)

Name of Directors	Direct Interest		Indirect Interest	
	Warrant Holdings	%	Warrant Holdings	%
Loo Geok Eng	164,000	0.38	30,852,400 <sup>(a)</sup>	72.25
Gooi Seong Lim	88,000	0.21	31,007,600 <sup>(b)</sup>	72.62
Gooi Seong Heen	68,000 <sup>(c)</sup>	0.16	31,007,600 <sup>(b)</sup>	72.62
Gooi Seong Chneh	68,000	0.16	31,007,600 <sup>(b)</sup>	72.62
Gooi Seong Gum	62,000	0.15	31,007,600 <sup>(b)</sup>	72.62
Gan Kim Guan	-	-	-	-
Teoh Cheng Hai	-	-	-	-
Chew Poh Soon	-	-	-	-

#### Note:-

- <sup>(a)</sup> Deemed interests by virtue of her interest in Sharikat Kim Loong Sendirian Berhad (30,850,800 warrants) and Kim Loong Plantations Sdn. Bhd. (1,600 warrants).
- <sup>(b)</sup> Deemed interests by virtue of their interests in Sharikat Kim Loong Sendirian Berhad (30,850,800 warrants), Heng Yuen Sdn. Bhd. (155,200 warrants) and Kim Loong Plantations Sdn. Bhd. (1,600 warrants).
- <sup>(c)</sup> Includes 20,000 shares held in bare trust by Citigroup Nominees (Tempatan) Sdn. Bhd.



# Particulars of Properties

Beneficial owner / Location	Tenure - leasehold interest expiring on	Description and existing use	Land area (acres)	Date of revaluation/ (acquisition)	Built-up area (sq.m.)	Approx. age of building	Net book value as at 31 January 2006 RM'000
<b>Kim Loong Resources Berhad</b>							
- CL 085311253	31 Dec 2077	Oil palm plantation	199.80	31 Jan 2004	Not applicable	Not applicable	2,191
- CL 085313079	31 Dec 2078	Oil palm plantation	949.50	31 Jan 2004	Not applicable	Not applicable	10,409
- CL 085311306	31 Dec 2077	Oil palm and cocoa	300.10	31 Jan 2004	Not applicable	Not applicable	3,260
- CL 085311315	31 Dec 2077	Oil palm and cocoa	253.30	31 Jan 2004	Not applicable	Not applicable	2,753
- CL 085311244	31 Dec 2077	Oil palm and cocoa	411.50	31 Jan 2004	Not applicable	Not applicable	4,469
District of Labuk/Sugut, Sabah							
- CL 095317552	31 Dec 2085	Oil palm plantation	15.00	31 Jan 2004	Not applicable	Not applicable	165
- CL 095317561	31 Dec 2085	Oil palm plantation	14.66	31 Jan 2004	Not applicable	Not applicable	161
- CL 095315058	31 Dec 2085	Oil palm plantation	749.70	31 Jan 2004	Not applicable	Not applicable	8,235
- CL 095317436	31 Dec 2087	Oil palm plantation	35.21	31 Jan 2004	Not applicable	Not applicable	387
- CL 095310777	31 Dec 2078	Oil palm plantation	978.00	31 Jan 2004	Not applicable	Not applicable	10,721
- CL 095315049	31 Dec 2085	Oil palm plantation	849.80	31 Jan 2004	Not applicable	Not applicable	9,334
- CL 095316957	31 Dec 2086	Oil palm plantation	199.70	31 Jan 2004	Not applicable	Not applicable	2,194
- CL 095310428	31 Dec 2077	Oil palm plantation	200.30	31 Jan 2004	Not applicable	Not applicable	2,195
- CL 095310982	31 Dec 2078	Oil palm plantation	989.80	31 Jan 2004	Not applicable	Not applicable	9,299
- CL 095310526	31 Dec 2077	Oil palm plantation	602.30	31 Jan 2004	Not applicable	Not applicable	6,539
District of Kinabatangan, Sabah							
<b>Desa Kim Loong Industries Sdn. Bhd.</b>							
- CL 135345069	31 Dec 2080	Factory/quarter <sup>(1)</sup>		Not applicable	648	6 years	127
Sook, District of Keningau, Sabah							
<b>Kim Loong - KPD Plantations Sdn. Bhd.</b>							
- CL 095332639	31 Dec 2086	Oil palm plantation	3,978.00	31 Jan 2004	Not applicable	Not applicable	31,247
- CL 095332648	30 June 2032	Oil palm plantation	990.00 <sup>(2)</sup>	31 Jan 2004	Not applicable	Not applicable	5,333
District of Kinabatangan, Sabah							
<b>Okidville Holdings Sdn. Bhd.</b>							
- CL 135328782	31 Dec 2083	Oil palm plantation	6,850.00	31 Jan 2004	Not applicable	Not applicable	51,689
Sook, District of Keningau, Sabah							
- CL 135320295	31 Dec 2077	Oil palm plantation	389.00	31 Jan 2004	Not applicable	Not applicable	2,180
Mile 32, Keningau-Pensiangan Keningau, Sabah							
<b>Desa Okidville Sdn. Bhd.</b>							
- CL 135345069	31 Dec 2080	Oil palm plantation	10,781.00 <sup>(3)</sup>	31 Jan 2004	Not applicable	Not applicable	69,249
Sook, District of Keningau, Sabah							
<b>Desa Kim Loong Palm Oil Sdn. Bhd.</b>							
- CL 135345069	31 Dec 2080	Palm oil mill	100.00 <sup>(3)</sup>	31 Jan 2004	18,848	3 years	7,836
Sook, District of Keningau, Sabah							
<b>Kim Loong Palm Oil Mills Sdn. Bhd.</b>							
- H.S. (D) 15057, PTD 1520	Freehold	Palm oil mill	59.74	31 Jan 2004	37,162	9 years	13,450
- H.S. (D) 708, MLD 598	Freehold	Vacant land	10.68	(10 Mar 2003)	Not applicable	Not applicable	1,966
- H.S. (D) 709, MLD 599	Freehold	Vacant land	12.17	(10 Mar 2003)	Not applicable	Not applicable	2,240
- H.S. (M) 118, PTD 200	Freehold	Vacant land	5.06	(17 Feb 2003)	Not applicable	Not applicable	451
Mukim Hulu Sg Sedeli Besar, Kota Tinggi, Johor							

# Particulars of Properties (cont'd)

Beneficial owner / Location	Tenure - leasehold interest expiring on	Description and existing use	Land area (acres)	Date of revaluation/ (acquisition)	Built-up area (sq.m.)	Approx. age of building	Net book value as at 31 January 2006 RM'000
<b>Tyeco Corporation Sdn. Bhd.</b>							
- NT 02313683, NT 02313684, NT 023192556, NT 023192565, NT 023192574 District of Papar, Sabah	01 Apr 2032	Planted with coconut	16.32 <sup>(2)</sup>	Not applicable	Not applicable	Not applicable	63
<b>Arab-Malaysian Agriculture Sdn. Bhd.</b>							
- PTD 5635 Mukim Sungai Segamat, Johor	03 Nov 2020	Vacant land	988.40	(30 Nov 2003)	Not applicable	Not applicable	148
<b>Winsome Al-Yatama Sdn. Bhd.</b>							
- HSD 13896 PTD 828, 45 D & 53 B Mukim Hulu Sg Sedeli Besar Kota Tinggi, Johor	08 Nov 2064	Oil palm plantation	2,702.00 <sup>(2)</sup>	(09 Nov 2004)	Not applicable	Not applicable	15,250
<b>Palm Nutraceuticals Sdn. Bhd.</b>							
- H.S. (D) 15057, PTD 1520 Mukim Hulu Sg Sedeli Besar, Kota Tinggi, Johor	Freehold	Factory/office <sup>(4)</sup>		Not applicable	1,121	1 year	1,237
							33,631.04
							274,778

<sup>(1)</sup> These buildings are sited on the leasehold land CL 135345069 held by Desa Kim Loong Palm Oil Sdn. Bhd.

<sup>(2)</sup> These lands were subleased from third parties.

<sup>(3)</sup> They are registered owner of their undivided share in the land and pending subdivision and registration in the name of the respective company.

<sup>(4)</sup> These buildings are sited on the freehold land H.S. (D) 15057, PTD1520 held by Kim Loong Palm Oil Mills Sdn. Bhd.

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# Form of Proxy



I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being (a) member(s) of the abovenamed Company do hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing whom, \_\_\_\_\_ of \_\_\_\_\_  
or failing whom, the Chairman of the Meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the Thirty-first Annual General Meeting of the Company to be held at The Tiara Rini Ballroom of The Royale Bintang Damansara, 6, Jalan PJU 7/3, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan on Friday, 28 July 2006 at 3.00 p.m. and at any adjournment thereof in the manner as indicated below:-

No	Resolution	For	Against
1.	Adoption of Reports and Audited Financial Statements		
2.	Declaration of final dividend		
3.	Re-appointment of Director: Mdm. Loo Geok Eng		
4.	Re-election of Director: Mr. Gooi Seong Heen		
5.	Re-election of Director: Mr. Gooi Seong Chneh		
6.	Re-election of Director: Mr. Gan Kim Guan		
7.	Re-election of Director: Mr. Chew Poh Soon		
8.	Re-appointment of Auditors		
9.	Authority to issue shares		
10.	Proposed Renewal of Shareholders' Mandate		

(Please indicate with an 'X' in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this Form will be taken to authorise the proxy to vote at his/her discretion.)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

\_\_\_\_\_  
Signature of Member(s)

Number of Shares held	
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#### NOTES:

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him.

To be valid, this Form duly completed must be deposited at the registered office of the Company at Unit No. 203, 2nd Floor, Block C, Damansara Intan, No. 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the meeting.

Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with shares of the Company standing to the credit of the said securities account.

If the appointor is a corporation, this Form must be executed under its common seal or under the hand of the attorney.

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STAMP

The Secretary

**KIM LOONG RESOURCES BERHAD**

(22703-K)

Unit No. 203, 2nd Floor, Block C,

Damansara Intan,

No. 1, Jalan SS 20/27,

47400 Petaling Jaya.

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